OCI PARTNERS LP

Delaware	**90-0936556**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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Quarterly report for the period ended **June 30, 2019**

OCI PARTNERS LP

Quarterly Report for the period ended **June 30, 2019**

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ITEM 1. FINANCIAL INFORMATION

OCI PARTNERS LP

Consolidated Balance Sheet
June 30, 2019
(Unaudited)
(Dollars in thousands)

		As of June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	$	640
Accounts receivable		3,936
Accounts receivable—related party		13,634
Inventories		6,536
Advances due from related parties		109
Notes receivable—related party		4,440
Other current assets and prepaid expenses		4,486
Total current assets		33,781
Property, plant, and equipment, net of accumulated depreciation of $317,650		482,254
Other non-current assets		3,858
Total assets	$	519,893
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$	12,676
Accounts payable—related party		22,293
Other payables and accruals		16,169
Current maturities of the term loan facility		4,550
Accrued interest		160
Other current liabilities		2,539
Total current liabilities		58,387
Term loan facility, net		438,395
Other non-current liabilities		13,417
Total liabilities		510,199
Partners' capital		
Common unitholders —86,997,590 issued and outstanding at June 30, 2019		9,694
General partner's interest		—
Total partners' capital		9,694
Total liabilities and partners' capital	$	519,893

See accompanying notes to consolidated financial statements.

OCI PARTNERS LP

Consolidated Statements of Operations
Three and Six-Month Periods Ended June 30, 2019
(Unaudited)
(Dollars in thousands)

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Revenues	$ 16,453	$ 40,502
Revenues—related party	56,796	125,924
Total Revenue	73,249	166,426
Cost of goods sold (exclusive of depreciation)	34,183	74,114
Cost of goods sold (exclusive of depreciation)—related party	27,061	47,894
Unrealized loss on natural gas derivatives, net	7,009	6,524
Total Cost of goods sold (exclusive of depreciation)	68,253	128,532
Selling, general and administrative expenses	2,596	5,502
Selling, general and administrative expenses—related party	1,091	2,049
Total Selling, general and administrative expenses	3,687	7,551
Depreciation expense	14,140	29,582
Income (loss) from operations before interest expense, other income and income tax expense	(12,831)	761
Interest expense	7,861	15,893
Interest income—related party, net	108	172
Loss on disposition of fixed assets	44	44
Other expenses	12	19
Loss from operations before tax expense	(20,640)	(15,023)
Income tax expense	187	—
Net loss	$ (20,827)	$ (15,023)

See accompanying notes to consolidated financial statements.

OCI PARTNERS LP

Consolidated Statements of Partners' Capital
Six Months Ended June 30, 2019
(Unaudited)
(Dollars in thousands)

	Common Units		Total Partners' Capital
	Units	Amount	
Balance, December 31, 2018	86,997,590	$ 67,097	$ 67,097
Distributions—Related Party	—	(42,380)	(42,380)
Net loss	—	(15,023)	(15,023)
Balance, June 30, 2019	86,997,590	$ 9,694	$ 9,694

See accompanying notes to consolidated financial statements.

OCI PARTNERS LP

Consolidated Statements of Cash Flows
Six Months Ended June 30, 2019
(Unaudited)
(Dollars in thousands)

		Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net loss	$	(15,023)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		29,582
Amortization of debt issuance costs		604
Deferred income tax benefit		(22)
Loss on disposition of fixed assets		44
Non-cash loss on natural gas derivatives, net		6,524
Decrease (increase) in:		
Accounts receivable		18,770
Accounts receivable—related party		608
Inventories		(2,180)
Advances due from related parties		12,771
Other non-current assets, other current assets and prepaid expenses		(4,771)
Increase (decrease) in:		
Accounts payable		(12,006)
Accounts payable—related party		15,202
Other payables, accruals, and current liabilities		(10,973)
Accrued interest		(158)
Net cash provided by operating activities		38,972
Cash flows from investing activities:		
Purchase of property, plant, and equipment		(6,010)
Loans to affiliates		6,825
Net cash provided by investing activities		815
Cash flows from financing activities:		
Proceeds from revolving credit facility		19,500
Repayment of revolving credit facility		(19,500)
Repayment of term loan facility		(2,275)
Securitization collections		2,345
Distributions to Unitholders – related party		(42,380)
Net cash used in financing activities		(42,310)
Net decrease in cash and cash equivalents		(2,523)
Cash and cash equivalents, beginning of period		3,163
Cash and cash equivalents, end of period	$	640

Supplemental cash disclosures:		
Cash paid during the period for income taxes	$	225
Cash paid during the period for interest		14,968
Supplemental non-cash disclosures:		
Accruals of property, plant and equipment purchases	$	6,625
Capitalized interest		240
Noncash settlement for accrued interest—related party		7

See accompanying notes to consolidated financial statements.

Note 1 — Business and Basis of Presentation

Description of Business

OCI Partners LP (the "Partnership," "OCIP," "we," "us," or "our") is a Delaware limited partnership formed on February 7, 2013 to own and operate OCI Beaumont LLC, an integrated methanol and anhydrous ammonia production facility. Our production facility is strategically located on the U.S. Gulf Coast near Beaumont, Texas and commenced full operations during August 2012. Our facility is connected to established infrastructure and transportation facilities, including pipeline connections to adjacent customers, port access with dedicated methanol and ammonia import/export barge docks which allows us to ship both products along the Gulf Coast or export internationally, and truck loading facilities for both methanol and ammonia.

We are currently one of the larger merchant methanol producers in the United States, with an annual methanol production design capacity of approximately 912,500 metric tons and an annual ammonia production design capacity of approximately 355,875 metric tons. We have successfully completed a capital expansion project and mechanical repairs in the first quarter of 2019 that have allowed us to increase our daily methanol and ammonia production capacities, respectively. We plan to update our annual design capacity to reflect these increases next year and will be measuring against these new metrics starting January 1, 2020.

OCI Beaumont, LLC ("OCIB") is a Texas limited liability company formed on December 10, 2010 as the acquisition vehicle to purchase the manufacturing facility and related assets offered for sale by Eastman Chemical Company on May 5, 2011 for $26,500. OCI Partners LP is an indirect wholly-owned subsidiary of OCI N.V., a leading global producer and distributor of natural gas-based fertilizers and industrial chemicals. OCI N.V. ("OCI"), which is based in the Netherlands, is listed on the Euronext in Amsterdam and is traded under the symbol "OCI."

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal and recurring adjustments, considered necessary for a fair statement of the Partnership's financial position as of June 30, 2019, and the consolidated results of operations and cash flows for the periods presented. The accompanying unaudited consolidated financial statements include the accounts of the Partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019 or any other reporting periods.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accuracy of estimates is based on accuracy of information used. Significant items subject to such estimates and assumptions include the useful lives of property, plant, and equipment, the valuation of property, plant, and equipment, and other contingencies.

Note 2 — Recently Adopted and Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the sole source of authoritative GAAP. The FASB issues Accounting Standards Updates ("ASU") to communicate changes to the codification. The Partnership considers the applicability and impact of all ASU's. The following are those ASU's that are relevant to the Partnership.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes Accounting Standards Codification ("ASC") 840, Leases. Subsequent to the issuance of ASU 2016-02, ASC 842 was amended by various updates that amend and clarify the impact and implementation of the aforementioned update. These updates require lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. These updates also expand the required quantitative and qualitative disclosures surrounding leases. In July 2018, the FASB issued ASU No. 2018-11, "Targeted Improvements - Leases (Topic 842)," to reduce cost and complexity of implementing the new standard. This update provided an optional transition method that allows entities to elect to apply the standard using the modified retrospective approach at its effective date, versus recasting the prior periods presented. The adoption of ASU 2016-02 and ASU 2018-11 on January 1, 2019, using the modified retrospective transition approach with the optional transition method that provides a cumulative-effect adjustment to the opening balance of retained earnings upon adoption, resulted in recording right of use assets and lease liabilities of approximately $355. In addition, the Partnership elected the package of practical expedients permitted under the transition guidance which does not require re-assessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. The adoption of ASC Topic 842 did not result in an adjustment to the January 1, 2019, opening balance of retained earnings. The new standard did not have a significant impact on our results of operations, cash flows or financial position. Additional information and disclosures required by this new standard are contained in note 3 - Significant Accounting Policies.

Note 3—Significant Accounting Policies

There have been no material changes to the significant accounting policies described in our Annual Report except for the significant accounting policies set forth below.

Leases

Effective January 1, 2019, the Partnership adopted ASC Topic 842, Leases using the transition method per ASU No. 2018-11 issued on July 2018 wherein entities were allowed to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption; therefore, prior periods will not be restated. In adopting the new standard, the Partnership elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, will allow the Partnership to carry forward historical lease classification, relief from re-assessing whether an expired or existing contract meets the definition of a lease and relief from re-assessing initial direct costs for any existing leases. Due in large part to electing these practical expedients, the adoption of ASC Topic 842 did not result in an adjustment to the January 1, 2019, opening balance of retained earnings.

The Partnership has operating and finance leases for corporate offices, equipment and other assets used in our operations. Leases with an initial term of 12 months or less are not recorded in the balance sheet. If an arrangement is determined to be a lease at inception of a contract, the Partnership will recognize right of use assets, assets which represent the Partnership's right to use an underlying asset during the lease term, and right of use lease liabilities which represent the Partnership's obligation to make lease payments arising from the lease. Right of use assets and liabilities are recognized at commencement date based on the net present value of fixed lease payments over the lease term. The Partnership's lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Right of use assets also include any advance lease payments made and exclude lease incentives. As most of the Partnership's operating leases do not provide an implicit rate, the Partnership uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. As of June 30, 2019, the Partnership has two operating leases related to office space rental and disaster recovery for network servers. The application of ASC 842 resulted in an immaterial impact on the consolidated balance sheet and consolidated statement of operations.

(Dollars in thousands, except per unit data)

The components of lease costs are as follows:

	Six Months Ended June 30, 2019
Lease Costs:	
Finance lease cost	—
Operating lease cost	64
Short-term lease cost	—
Variable lease cost	—
Total	$ 64

Supplemental cash flow information related to leases are as follows:

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 64
Supplemental non-cash information:	
Right of use assets obtained in exchange for new lease obligations:	
Operating leases	$ 355

Supplemental balance sheet information related to leases are as follows:

	As of June 30, 2019
Operating Leases	
Operating lease right of use assets:	
Property, plant and equipment, net	$ 323
Operating lease liabilities:	
Other current liabilities	130
Other non-current liabilities	195
Total operating lease liabilities	$ 325

The aggregate future lease payments for operating leases as of June 30, 2019 are as follows:

	As of June 30, 2019
2019	$ 67
2020	134
2021	133
2022	3
Total lease payments	337
Less: Interest	12
Present value of lease liabilities	$ 325

Average lease term and discount rates are as follows:

	As of June 30, 2019
Operating lease:	
Weighted-average remaining lease term (years)	2.75
Weighted-average discount rate	4.17

Note 4—Revenue

A. Revenue Recognition

Revenue is recognized based on contracts or other persuasive evidence of an arrangement with the customer that has the approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue from sales of our products is measured based on a consideration specified in a contract with a customer. The Partnership recognizes revenue when it satisfies a performance obligation by transferring control over our products to a customer. The majority of the Partnership's agreements for the sale of methanol or ammonia that are delivered via chartered barge, vessel or truck are sold on a Free on Board (“FOB”) shipping point basis, with title and risk of loss transferring when product crosses the inlet flange of the barge/vessel/truck when loaded at OCIB's facility. Agreements involving delivery via pipeline are shipped on an FOB destination point basis, with title and risk of loss transferring at the valve connection between the Partnership's pipeline and the customer's owned/leased pipeline. Regardless of the method of delivery, each metric ton of methanol and ammonia is determined to be a separate performance obligation as each unit is capable of being distinct within the context of the contract.

At present, all of the Partnership's contracts for the sale of methanol or ammonia include index based pricing terms that reflect a specified discount for each unit to a published monthly benchmark. The presence of index based pricing indicates that the transaction price can vary due to factors outside of the Partnership's influence (such as market volatility). Therefore, the total transaction price is variable due to index based pricing terms which will be constrained until the uncertainty of the index price is resolved. The Partnership has elected to use the allocation exception that allows an entity to allocate variable consideration to one or more performance obligations instead of using the relative standalone selling price method. Under the allocation exemption, the Partnership will allocate the transaction price to each distinct unit of product transferred to the customer based on the published index price during the corresponding month of transfer. All revenue for the sale of methanol and ammonia is recognized at a point in time regardless of the method of transportation.

Provisions in customer contracts relating to meter calibration and third-party inspections do not transfer a good or service to the customer but, instead, are considered activities required to fulfill the Partnership's promise of delivering methanol or ammonia to the customer. As such, these activities are not identified as separate performance obligations. When third-party inspections are paid directly by the Partnership, they will be treated as a cost to fulfill and will be expensed to cost of goods sold (exclusive of depreciation) when incurred as the costs do not generate or enhance resources of the Partnership that will be used to satisfy performance obligations in the future. Furthermore, these activities do not constitute delivery of a service as it is a requirement to fulfill the contract. However, in cases where the customer pays a third party for an inspection and is subsequently reimbursed by OCIP, the Partnership will account for the reimbursed inspection fees as an element of variable consideration (i.e., consideration paid to a customer) and recognize it as a reduction of the transaction price. Meter recalibration fees will be treated as costs to fulfill and qualify for capitalization as the costs generate or enhance resources of the Partnership that will be used to satisfy performance obligations in the future. However, the period between meter calibrations is every three months and the costs of the meter calibrations is immaterial, therefore, these costs will be expensed as incurred to cost of goods sold (exclusive of depreciation).

Demurrage is a form of liquidated damages for breaching the lay time allotted for the chartered barge, vessel or truck to load the product sold. Demurrage charges are payable by the party at fault which can be either the customer or the Partnership. In the event the Partnership is obligated to reimburse the customer for demurrage charges, the Partnership will record the consideration payable to the customer as a reduction of transaction price. Since the Partnership may be reimbursed varying amounts for demurrage charges depending on factors that are out of the Partnership's controls, such reimbursements are considered variable consideration.

Barges, vessels or trucks chartered by the Partnership to ship product to customers commence their activity after the customer obtains control of the product and, therefore, represent a promised service to the customer. The Partnership has elected to treat shipping and handling charges incurred by it as costs to fulfill the promise to transfer the products to the customer. Shipping and handling charges are thus not capitalized as they do not generate or enhance resources of the Partnership that will be used to satisfy performance obligations in the future.

Commissions paid to N-7, LLC for the sale of ammonia are not incremental costs incurred in order to obtain a contract, but are incremental costs to fulfill a contract and are expensed to cost of goods sold (exclusive of depreciation)—related party as incurred as these costs do not generate or enhance resources of the Partnership that will be used to satisfy performance obligations in the future.

Contract modifications may exist as a change order or amendment. Generally, modifications increase or decrease the requested quantity of product or extend the agreement for additional periods. In either case, the modification relates to distinct goods that will always be priced commensurate with their stand-alone selling prices due to the application of index based pricing. As such, each contract modification will be accounted for prospectively as a separate contract.

B. Nature of our products

The goods included in OCIP's contracts are units of methanol or ammonia which are global commodities, with little or no product differentiation, and customers make their purchasing decisions principally based on delivered price and availability of the product. As part of its ordinary business activities, OCIP is currently party to methanol and ammonia sales contracts that are primarily held by related entities.

C. Disaggregation of revenue

In the following table, revenue is disaggregated by major product line.

	For the Three Months Ended June 30, 2019		For the Six Months Ended June 30, 2019	
	Sales Volumes (in metric tons)	**Revenue** (in thousands)	**Sales Volumes** (in metric tons)	**Revenue** (in thousands)
Revenues:				
Ammonia	70	$ 14,883	131	$ 32,059
Methanol	173	58,347	396	134,337
Other	—	19	—	29
Total	243	$ 73,249	526	$ 166,425

D. Accounts Receivable and Contract Balances

Accounts receivable are recorded when the right to consideration becomes unconditional. The following table provides information about our accounts receivable and accounts receivable—related party from contracts with customers.

	As of June 30, 2019
	(in thousands)
Accounts receivable:	
Ammonia	$ 930
Methanol	2,998
Other	8
Total	$ 3,936
Accounts receivable—related party:	
Ammonia	$ 499
Methanol	13,135
Other	—
Total	$ 13,634

As of June 30, 2019, the Partnership had no contract assets or contract liabilities as all customer amounts owed to the Partnership are unconditional and the Partnership does not receive payment in advance for its products.

E. Performance obligations

The Partnership recognizes revenue when it satisfies a performance obligation by transferring control over our products to a customer. The majority of OCIP's agreements for the sale of methanol or ammonia that are delivered via chartered barge, vessel or truck are sold on a FOB shipping point basis, with title and risk of loss transferring when product crosses the inlet flange of the barge/vessel/truck when loaded at OCIB's facility. Agreements involving delivery via pipeline are shipped on a FOB destination point basis, with title and risk of loss transferring at the valve connection between OCIP's pipeline and the customer's owned/leased pipeline. OCIP's performance obligations are satisfied at the point in time at which OCIP transfers control of the product to the customer.

Payment terms under OCIP's sales contracts range from net 10 to net 30 days from the date the invoice is received.

Most of the Partnership's contracts allow for customer returns if the product delivered is outside standard product specifications. However, OCIP performs quality assurance at its facilities to ensure that products are within product specification guidelines prior to shipment. In addition, a third-party inspection is generally required before shipment to confirm the quantity and specification of the product are in accordance with the terms of the contract.

F. Transaction price allocated to the remaining performance obligations

In accordance with ASC 606-10-50-13, the Partnership is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of Partnership's customer contracts, these reporting requirements are not applicable. The Partnership's contracts meet certain exemptions as defined in ASC 606-10-50-14A, including variable consideration related to unsatisfied performance obligations that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer distinct goods or services as part of a performance obligation. The Partnership's transaction price in its sales contracts is deemed to be variable consideration as it's calculated based on a published monthly benchmark less a specific discount.

Note 5—Derivative Financial Instruments

Natural Gas Derivatives

Natural gas is the primary feedstock for the Partnership's production of methanol and ammonia. Operating at full capacity, our methanol and ammonia production units together require approximately 110,000 to 120,000 MMBtu per day of natural gas, as of June 30, 2019. Accordingly, our profitability depends in large part on the cost of our natural gas feedstock. The Partnership utilizes financial derivative instruments primarily to manage its exposure to natural gas price fluctuations, protect its return on investments and achieve a more predictable cash flow from operations. We do not designate our commodity derivative financial instruments as hedging instruments for financial accounting purposes and, as a result, we recognize the change in the respective instruments’ fair value in earnings. This accounting results in significant volatility in earnings due to the impact market prices have on the market positions and derivative instruments that we have entered into.

Settlements in the normal course of maturities for our derivative financial instrument contracts result in cash receipts from, or cash disbursements to, our derivative contract counterparties. Changes in the fair value of our derivative financial instrument contracts, which include both cash settlements and non-cash changes in fair value, are included in earnings as a component of cost of goods sold (exclusive of depreciation) in the unaudited consolidated statement of operations with a corresponding increase or decrease in the unaudited consolidated balance sheets fair value amounts.

Our natural gas derivative instruments have historically been comprised of the following instruments:

Swaps: These contracts, which can be applied to any underlying index, allow us to exchange a floating market price for a fixed price or fixed basis over an agreed upon time period. A basis expresses the price difference between certain physical locations in the market, such as the Henry Hub and the Houston Ship Channel natural gas delivery locations. With respect to basis swap contracts held at period end, the counterparty is required to make a payment to the Partnership if the floating market basis price is greater than the fixed basis price, and the Partnership is required to make a payment to the counterparty if the fixed basis price is greater than the floating market basis.

Collars: A collar is a combination of options including a purchased call and a sold put. These contracts provide us with downside protection through the ceiling of the call option and allow us to participate in the upside of commodity prices through the floor of the put option. If the market price is above the strike price of the purchased call (ceiling price) at the time of settlement then the counterparty pays us the excess. If the market price is below the strike price of the sold put (floor price) at the time of settlement, we pay the counterparty the excess. Neither party is required to make a payment to the other party if the settlement price for any settlement period is between the floor price and the ceiling price. These transactions were conducted contemporaneously with a single counterparty and resulted in a net cashless transaction.

(Dollars in thousands, except per unit data)

As of June 30, 2019, the Partnership had natural gas derivative contracts outstanding, as set forth in the table below, none of which were designated as hedging instruments. The volumes reflected below represent an aggregation of multiple derivative contracts having similar remaining durations expected to be realized ratably over the period indicated.

Type of Contract and Period	Index	MMBtu's per day
Natural gas collars		
July 2019 - December 2019	NYMEX Henry Hub	90,000
January 2020 - December 2021	NYMEX Henry Hub	60,000
January 2022 - December 2023	NYMEX Henry Hub	20,000
Type of Contract and Period	**Index**	**MMBtu's per day**
Natural gas basis swaps		
July 2019 - April 2020	Basis between Henry Hub and Houston Ship Channel	10,000
July 2019 - December 2021	Basis between Henry Hub and Houston Ship Channel	30,000

The following table provides detail regarding the natural gas derivative assets and liabilities presented in the unaudited consolidated balance sheets for the periods presented, all at fair value.

	Consolidated Balance Sheet Location	As of June 30, 2019
Natural gas derivative contracts	Other current assets and prepaid expenses	$ 908
Natural gas derivative contracts	Other non-current assets	3,060
Natural gas derivative contracts	Other payables and accruals	7,263
Natural gas derivative contracts	Other non-current liabilities	10,144

Natural Gas Derivatives gains and losses

Cash receipts and payments in the following table reflect the gain or loss on derivative contracts which matured during the period, calculated as the difference between the contract price and the market settlement price of matured contracts. Non-cash gains and losses below represent the change in fair value of derivative instruments which continue to be held at period end, if any, and the reversal of previously recognized non-cash gains or losses on derivative contracts that matured during the period.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash received (paid) on derivatives:		
Natural gas fixed price swaps	(121)	(442)
Natural gas collars	(27)	(27)
Cash received on derivatives, net	(148)	(469)
Non-cash gain (loss) on derivatives:		
Natural gas fixed price swaps	(396)	(2,635)
Natural gas collars	(6,613)	(3,889)
Non-cash gain (loss) on derivatives, net	(7,009)	(6,524)
Gain (loss) on natural gas derivatives, net	$ (7,157)	$ (6,993)

Our natural gas derivative financial instruments covered approximately 78% of consumption volumes for the three months ended June 30, 2019.

(Dollars in thousands, except per unit data)

Note 6—Fair Value

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

Level 1, defined as observable inputs such as quoted prices in active market;

Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable;

Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2019, the Partnership held certain items that are required to be measured at a fair value on a recurring basis. The Partnership's receivables and payables are short-term in nature and, therefore, the carrying values approximate their respective values as of June 30, 2019. Debt accrues interest at a variable rate, and as such, the fair value approximates its carrying value as of June 30, 2019.

The Partnership's natural gas derivative instruments consist of over-the-counter contracts, which are not traded on a public exchange. Natural gas derivative instruments include swaps, as well as different types of option contracts. The fair values of swap and option contracts are determined based on inputs that can be derived from information available in publicly quoted markets. Therefore, the Partnership has categorized these swap and option contracts as Level 2.

	As of June 30, 2019			
	Fair Value Measurement Using			
Assets	Level 1	Level 2	Level 3	Assets and Liabilities at Fair Value
Natural gas derivative contracts				
Swap Contracts	—	17	—	17
Collar Contracts	—	3,951	—	3,951
Total Assets	—	3,968	—	3,968
Liabilities				
Natural gas derivative contracts				
Swap Contracts	—	3,349	—	3,349
Collar Contracts	—	14,058	—	14,058
Total Liabilities	—	17,407	—	17,407

(Dollars in thousands, except per unit data)

Note 7 — Property, Plant and Equipment

	As of June 30, 2019
Land	$ 3,371
Plant and equipment	771,315
Buildings	14,203
Vehicles	215
Furniture, fixtures & office equipment	593
Right-of-use assets	323
Computer hardware & software	392
Construction in progress	9,492
Property, plant, and equipment, gross	799,904
Less: accumulated depreciation	317,650
Property, plant, and equipment, net	$ 482,254

Note 8 — Inventories

As of June 30, 2019, the Partnership's inventories consisted of finished goods and supplies inventory. The Partnership had no raw materials and/or work-in-progress inventories. The Partnership's raw materials are consumed immediately upon receipt and all work in process are transferred to finished goods at the end of each period. Inventories are stated at the lower of cost or net realizable value, using the standard cost method for finished goods, work in process and raw materials, and the average cost method for supplies inventory. We review our standard costs monthly and update them as appropriate to approximate actual costs. Variances from the update of standard costs are then properly capitalized to the inventories and expensed to costs of goods sold (exclusive of depreciation). We also allocate a portion of fixed production overhead to inventory based on the normal capacity of our production facilities.

Below is a summary of inventory balances by product as of June 30, 2019:

	As of June 30, 2019
Ammonia	$ 2,639
Methanol	2,573
Supplies inventory	1,324
Total	$ 6,536

(Dollars in thousands, except per unit data)

Note 9 — Debt

(a) *Debt—Third Party*

	June 30, 2019	Interest Rate	Interest Rate as of June 30, 2019	Maturity Date
Revolving Credit Facility (1)	$ —	3.25% + LIBOR	5.70%	March 13, 2020

(1) Unamortized debt issue costs related to the revolving credit facility is $209 as of June 30, 2019 and is presented as a component of other non-current assets in the the accompanying unaudited consolidated balance sheets.

	June 30, 2019	Interest Rate	Interest Rate as of June 30, 2019	Maturity Date
Term Loan Facility	$ 449,313	4.00% + LIBOR	6.33%	March 31, 2025
Less: Current Portion	4,550			
Less: Unamortized Discount and Debt Issue Costs	6,368			
Term Loan Facility, Net	$ 438,395			

<u>*Credit Agreement*</u>

The Partnership holds a $455,000 secured term loan credit facility (the "Term Loan Facility") and a $40,000 revolving credit facility (the "Revolving Credit Facility") established pursuant to a Credit Agreement, dated as of March 13, 2018 (the "Credit Agreement"), among the Partnership, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent. The Revolving Credit Facility includes a $20,000 letter of credit sub-limit.

The Term Loan Facility matures on March 31, 2025, and amortizes in quarterly installments equal to 0.25% of the original principal amount thereof, or $1,138 payable at the end of each fiscal quarter. The Term Loan Facility bears interest at a rate equal to, at the Partnership's option, LIBOR plus 4.25% or a base rate plus 3.25%. The respective interest rate margins will vary based on changes in our consolidated total net leverage ratio as outlined in the table below. As of June 30, 2019, the interest rate on the Term Loan Facility is LIBOR plus 4.00%.

Interest Rate on the Term Loan Facility

Consolidated Total Net Leverage Ratio	LIBO Rate Loans	Base Rate Loans
Less than 2.75 to 1.00	4.00%	3.00%
Greater than or equal to 2.75 to 1.00	4.25%	3.25%

The Revolving Credit Facility matures on March 13, 2020 and outstanding principal amounts under the Revolving Credit Facility bear interest at an initial interest rate of, at the Partnership's option, LIBOR plus 3.75% or a base rate plus 2.75%. The respective interest rate margins will vary based on changes in our consolidated first lien net leverage ratio as outlined in the table below. As of June 30, 2019, the interest rate on the Revolving Credit Facility is LIBOR plus 3.25%.

Interest Rate on the Revolving Credit Facility

Consolidated First Lien Net Leverage Ratio	LIBO Rate Loans	Base Rate Loans
Less than 2.50 to 1.00	3.25%	2.25%
Less than 3.00 to 1.00 and greater than or equal to 2.50 to 1.00	3.50%	2.50%
Greater than or equal to 3.00 to 1.00	3.75%	2.75%

(Dollars in thousands, except per unit data)

The Partnership pays a commitment fee of 0.50% per annum on the unused portion of the Revolving Credit Facility, that steps down to 0.375% if the first lien net leverage ratio is less than or equal to 3.00 to 1.00. As of June 30, 2019, the commitment fee on the Revolving Credit Facility is 0.375%. As of June 30, 2019, the Partnership's consolidated total net leverage ratio was 2.61 to 1.00.

Scheduled amortization payments of the secured Term Loan Facility with respect to the Credit Agreement at June 30, 2019 are as follows:

Fiscal Year	
2019	$ 2,275
2020	4,550
2021	4,550
2022	4,550
2022	4,550
2023	4,550
2024	4,550
2025	419,738
Total	$ 449,313

The Credit Agreement, as well as related fees and expenses, are unconditionally guaranteed by OCIB. The Credit Agreement, and related fees and expenses, are secured by a first priority lien on substantially all of OCIB's and the Partnership's assets, subject to customary exceptions.

The Credit Agreement contains customary covenants which the Partnership must abide and default provisions for the benefit of the lenders, including a requirement that the Partnership maintain, on a quarterly basis, (i) a consolidated senior secured net leverage ratio not in excess of 5.25 to 1.00 and (ii) at times when any revolving loans or revolving loan commitments are outstanding, a consolidated interest coverage ratio of not less than 2.00 to 1.00. As of June 30, 2019, the Partnership's consolidated senior secured net leverage ratio was 2.60 to 1.00, and its consolidated interest coverage ratio was 5.73 to 1.00. The Credit Agreement permits the Partnership to make distributions so long as no event of default has occurred and is continuing and the Partnership is in pro forma compliance with its financial maintenance covenants. Upon the occurrence of certain events of default under the Credit Agreement, Partnership's obligations under the Credit Agreement may be accelerated.

The Credit Agreement also contains various non-financial covenants, which include, among others, undertakings with respect to reporting requirements, maintenance of specified insurance coverage, and compliance with applicable laws and regulations. As of June 30, 2019, the Partnership was in compliance with all these covenants.

(b) *Debt Issuance Costs*

Credit Agreement

The Term Loan Facility under the Credit Agreement included approximately $7,589 of debt issuance costs. The debt issuance costs were recorded as a reduction of long-term debt in the accompanying unaudited consolidated balance sheets and will be amortized over the term of the terms loans under the Credit Agreement using the effective-interest method.

The Revolving Credit Facility under the Credit Agreement included approximately $600 of debt issuance costs. The debt issuance costs associated with the Revolving Credit Facility were recorded as an other non-current assets in the accompanying unaudited consolidated balance sheets and will be amortized over the term of the Revolving Credit Facility under the Credit Agreement using the effective-interest method.

OCIB amortized debt issuance costs related to the Credit Agreement of $306 and $604 during the three and six months ended June 30, 2019, respectively. The amortization of the debt issuance costs is presented as a component of interest expense in the accompanying unaudited consolidated statements of operations.

(c) *Trade Receivable Securitization Arrangement*

On September 20, 2018, OCIB entered into a master framework agreement with a third party financial institution to sell eligible trade receivables generated from the sale of methanol or ammonia to a third party purchaser. OCIB accounts for the trade receivables sold under this agreement as a sale of financial assets and derecognizes these trade receivables from the consolidated balance sheet. Due to a short average collection cycle for such trade receivables, the fair value of the sold trade receivables approximates the book value, and as a result, no gain or loss on the sale of trade receivables is recorded. Although OCIB continues to service, administer and collect the trade receivables on behalf of the purchaser, a servicing asset or liability is not recognized due to its immaterial impact on the financial statements. Cash collections from customers for the sold trade receivables are presented as a component of other payables and accruals in the accompanying unaudited consolidated balance sheets until they are remitted to the purchaser. The financing element of the program is presented as a component of interest expense in the accompanying unaudited consolidated statements of operations.

During the six months ended June 30, 2019, OCIB sold trade receivables having an aggregate face value of $13,730 to the purchaser and received $15,938 of cash collections from customers which resulted in a net cash payment of $2,284 to the purchaser. Related fees for the period were $77. As of June 30, 2019, the outstanding principal amount of trade receivables sold under this facility amounted to $3,386, of which $2,345 represents cash collections from customers for trade receivables previously sold to the purchaser. OCIB records cash flows related to proceeds from the purchaser for the sale of trade receivables as well as the amount of collections OCIB remits to the purchaser as financing activities in its unaudited consolidated statements of cash flows, and reflects cash flows related to the collection of the assigned trade receivables from its customer as operating activities in its unaudited consolidated statements of cash flows.

(Dollars in thousands, except per unit data)

Note 10 — Related Party Transactions

The Partnership has maintained and been involved with certain arrangements and transactions with OCI and its affiliates. The material effects of such arrangements and transactions are reported in the accompanying unaudited consolidated financial statements as related party transactions.

The following table represents the effect of related party transactions on the unaudited consolidated statements of operations for the three and six months ended June 30, 2019:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Revenue	$ 56,797	$ 125,925
Cost of goods sold (exclusive of depreciation) (1)	27,061	47,894
Selling, general and administrative expenses (2)	1,091	2,049
Interest income, net	108	172

(1) Amounts represented in cost of goods sold (exclusive of depreciation) were incurred to the following related parties:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
OCI GP, LLC	$ 5,030	$ 9,035
OCI Methanol Marketing, LLC	20,055	32,727
OCI Fuels Limited	1,784	5,298
N-7, LLC	24	560
Iowa Fertilizer Company, LLC	205	301
OCI Fertilizers BV	(37)	(27)
Total cost of goods sold (exclusive of depreciation)—related party	$ 27,061	$ 47,894

(2) Amounts represented in selling, general and administrative expense were incurred to the following related parties:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
OCI GP, LLC	$ 810	$ 1,549
OCI Nitrogen B.V.	1	1
Iowa Fertilizer Company, LLC	3	38
OCI Methanol Marketing, LLC	86	86
OCI USA	191	375
Total selling, general and administrative expenses—related party	$ 1,091	$ 2,049

Our Agreements with OCI

Omnibus Agreement

We are party to an omnibus agreement with OCI, OCI USA, OCI GP, LLC and OCIB (the "Omnibus Agreement"). The Omnibus Agreement addresses certain aspects of the Partnership's relationship with OCI and OCI USA, including: (i) certain indemnification obligations, (ii) the provision by OCI USA to the Partnership of certain services, including selling, general and administrative services and management and operating services relating to operating the Partnership's business, (iii) the Partnership's use of the name "OCI" and related marks and (iv) the allocation among the Partnership and OCI USA of certain tax attributes.

Under the Omnibus Agreement, OCI USA has agreed to provide, or cause one or more of its affiliates to provide, the Partnership with such selling, general and administrative services and management and operating services as may be necessary to manage and operate the business and affairs of the Partnership. Pursuant to the Omnibus Agreement, the Partnership has agreed to reimburse OCI USA for all reasonable direct or indirect costs and expenses incurred by OCI USA or its affiliates in connection with the provision of such services, including the compensation and employee benefits of employees of OCI USA or its affiliates.

We incurred costs under this contracts, payable to OCI GP, LLC, in connection with reimbursement of providing selling, general and administrative services and management and operating services to manage and operate the business and affairs of the Partnership of $5,841 and $10,583 during the three and six months ended June 30, 2019, respectively. Of these amounts, the wages directly attributable to revenue-producing operations were included in cost of goods sold (exclusive of depreciation)—related party and the remaining amounts incurred were included in selling, general and administrative expense—related party. During the three and six months ended June 30, 2019, $5,030 and $9,034, respectively, was recorded in costs of goods sold (exclusive of depreciation)—related party and $811 and $1,549, respectively, was recorded in selling, general and administrative expense—related party. Accounts payable—related party include amounts incurred but unpaid to OCI GP, LLC of $4,075 as of June 30, 2019.

As shown in the table above, the Partnership recorded amounts due to (i) OCI Nitrogen B.V., an indirect, wholly-owned subsidiary of OCI, (ii) Iowa Fertilizer Company, an indirect, wholly-owned subsidiary of OCI, (iii) OCI Methanol Marketing, LLC ("OCI Methanol Marketing"), an indirect, wholly-owned subsidiary of OCI, and (iv) OCI USA in selling, general and administrative expense—related party as shown on the unaudited consolidated statement of operations, in relation to officers' salaries, wages and travel expenses, shared services and asset management information technology maintenance expenses in the amount of $280 and $500 during the three and six months ended June 30, 2019, respectively. Accounts payable—related party include amounts incurred but unpaid to the aforementioned parties of $217 as of June 30, 2019.

(Dollars in thousands, except per unit data)

Advances due from Related Parties

Advances due from related parties represent unreimbursed expenses incurred on behalf of OCI and its affiliates. These advances are unsecured, non-interest bearing and are due on demand. As of June 30, 2019, the Partnership had $109 due from related parties.

Set forth below is a table showing the amounts due from the following related parties:

	As of June 30, 2019
OCI N.V.	$ 5
OCI Methanol Marketing, LLC	18
OCI Fuels Limited (1)	81
OCI Fertilizer B.V.	5
Total advances due from related party	$ 109

(1) OCI Fuels Limited is an indirect, wholly-owned subsidiary of OCI.

Related Party Sales - Ammonia

On May 18, 2018, OCIB and Iowa Fertilizer Company entered into an ammonia marketing agreement with N-7, LLC (“N-7”), a Delaware limited liability company that OCI owns an indirect 50% interest in, whose purpose is to market its suppliers' (including OCIB, Iowa Fertilizer Company and an unaffiliated third party) commercial grade anhydrous ammonia and other products to third parties. The initial term of the ammonia marketing agreement began on May 18, 2018 and ends on December 31, 2020 and can be renewed for an additional twenty-four month period upon the written agreement of both parties at least 90 days in advance of the expiration of the initial term. Under the terms of the agreement, N-7 markets OCIB's commercial grade anhydrous ammonia and pays OCIB an agreed upon index price, net of transportation (that is, a netback arrangement). N-7 is also paid a commission for the sale of ammonia. The commission, storage and transportation costs are recorded in cost of goods sold (exclusive of depreciation)—related party as these are fulfillment costs. During the three and six months ended June 30, 2019, we had $8,485 and $15,613, respectively, of related party sales of ammonia to N-7. Accounts receivable—related party includes amounts due from N-7 of $499 as of June 30, 2019. During the three and six months ended June 30, 2019, we recorded commission, storage and transportation costs due to N-7 of $24 and $560, respectively. Accounts payable—related party includes amounts due to N-7 of $21 as of June 30, 2019.

On June 4, 2018, OCIB with Iowa Fertilizer Company, N-7 and an unaffiliated third party executed a letter agreement (the “Letter Agreement”) whereby Iowa Fertilizer Company pays all the costs associated with selling the commercial grade anhydrous ammonia and OCIB reimburses Iowa Fertilizer Company for a portion of those fees, net of any commissions paid to N-7. OCIB records these fees in cost of goods sold (exclusive of depreciation)—related party. During the three and six months ended June 30, 2019, we recorded selling expense reimbursements due to Iowa Fertilizer Company of $205 and $301, respectively. Accounts payable—related party includes amounts due to Iowa Fertilizer Company for selling expense reimbursements of $89 as of June 30, 2019.

Related Party Sales - Methanol

On January 20, 2018, OCIB entered into a tolling agreement with OCI Fuels Limited (“OCI Fuels”). Under the agreement, OCIB charges OCI Fuels a tolling fee to process the natural gas purchased and delivered to OCIB's facility by OCI Fuels for the production of methanol. Natural gas received from OCI Fuels is recorded in cost of goods sold (exclusive of depreciation)—related party in the unaudited consolidated statement of operations as this relates directly to the production of methanol. During the three and six months ended June 30, 2019, $1,784 and $5,298, respectively, of natural gas was delivered to our facility by OCI Fuels for the production of methanol. During the three and six months ended June 30, 2019, we had $3,149 and $7,973, respectively, of related party sales of methanol to OCI Fuels. Accounts receivable—related party includes a prepayment from OCI Fuels of $568 as of June 30, 2019.

On November 26, 2018, OCIB entered into a methanol offtake agreement with OCI Methanol Marketing. Under the terms of the agreement, OCIB agreed to sell and deliver methanol to OCI Methanol Marketing and OCI Methanol Marketing agreed to purchase and receive the methanol. The initial term of the methanol offtake agreement began on November 26, 2018 and ends on December 31, 2019 and will be automatically renewed for successive period of one calendar year, except upon written notice on or before the 1st day of November of the year preceding the year for which the party will not renew. During the three and six months ended June 30, 2019, we had $45,156 and $102,333, respectively, of related party sales of methanol to OCI Methanol Marketing. Accounts receivable—related party includes amounts due from OCI Methanol Marketing of $13,703 as of June 30, 2019.

During the six months ended June 30, 2019, and in order fulfill our contracted sales commitments during unplanned downtime that occurred, OCIB entered into a methanol purchase and sales agreement with OCI Methanol Marketing, pursuant to which, OCI Methanol Marketing agreed to sell and deliver a methanol volume of approximately 101,700 metric tons, and OCIB agreed to purchase and receive such volume. Under the terms of the agreement, OCIB purchased the methanol from OCI Methanol Marketing at cost plus any fees incurred for delivery to the Beaumont facility. During the three and six months ended June 30, 2019, the cost of the methanol purchased from OCI Methanol Marketing of $20,056 and $32,728, respectively, was included in cost of goods sold (exclusive of depreciation)—related party in the accompanying unaudited consolidated statements of operations. Accounts payable—related party includes amounts due to OCI Methanol Marketing of $17,721 as of June 30, 2019.

Loans to Affiliates

On September 28, 2018, the Partnership agreed to provide OCI Methanol Marketing with revolving loans on an unsecured basis with a maximum borrowing capacity of $50,000 and a maturity date of January 1, 2020. Borrowings under the facility accrue interest at a rate equal to the sum of (i) the rate per annum applicable to the Term Loan Facility (including as such per annum rate fluctuated from time to time in accordance with the terms of the agreement governing the Term Loan Facility) discussed in note 9(a), plus (ii) 0.50%. Notes receivable—related party includes amounts due from OCI Methanol Marketing of $4,300 in principal withdrawals from the revolving facility as of June 30, 2019. The revolver was paid in full during July 2019.

During March 2019, the Partnership agreed to provide OCI with a $1,000 intercompany note on an unsecured basis. The intercompany note was repaid in full during June 2019, and as a result no amounts were due from OCI as of June 30, 2019.

We recorded interest income of $115 for the three and six months ended June 30, 2019 for interest earned on the intercompany notes due from OCI and revolving loan due from OCI Methanol Marketing. Interest income is presented as a component of interest expense—related party, net in the accompanying unaudited consolidated statement of operations. Interest receivable—related party of $140 is presented as a component of notes receivable—related party in the accompanying unaudited consolidated balance sheet.

(Dollars in thousands, except per unit data)

Note 11 — Commitments, Contingencies and Legal Proceedings

Litigation: In the ordinary course of business, we are, and will continue to be, involved in various claims and legal proceedings, some of which are covered in whole or in part by insurance. We may not be able to predict the timing or outcome of these or future claims and proceedings with certainty, and an unfavorable resolution of one or more of such matters could have a material adverse effect on our financial condition, results of operations or cash flows. Currently, we are not party to any legal proceedings that, individually or in the aggregate, are reasonably possible to have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental: The Partnership's facilities could be subject to potential environmental liabilities primarily relating to contamination caused by current and/or former operations at those facilities. Some environmental laws could impose on the Partnership the entire costs of cleanup regardless of fault, legality of the original disposal or ownership of the disposal site. In some cases, the governmental entity with jurisdiction could seek an assessment for damage to the natural resources caused by contamination from those sites. The Partnership had no significant operating expenditures for environmental fines, penalties or government-imposed remedial or corrective actions during the three and six months ended June 30, 2019.

Contractual Purchase Commitments: We are obligated to make payments under contractual purchase commitments, including unconditional purchase obligations. Our unconditional purchase obligation relates to the supply of hydrogen, nitrogen and natural gas. These contracts require the purchase of minimum quantities of hydrogen, nitrogen and natural gas at current market prices. We have estimated our payment obligations under these existing contracts using current market prices and currently expect our purchases to exceed our minimum payment obligations. Our obligations to make future payments under the hydrogen and nitrogen supply contracts as of June 30, 2019 are summarized in the following table:

	Total	2019	2020	2021	2022	2023	Thereafter
Purchase Obligations	$211,143	$ 35,395	$ 69,534	$ 67,553	$ 24,844	$ 8,659	$ 5,158

Total payments relating to our hydrogen, nitrogen and natural gas supply contracts were approximately $18,284 and $26,408 during the three and six months ended June 30, 2019, respectively.

Note 12 — Other liabilities

The balance in other payables and accruals is comprised of the following:

	As of June 30, 2019
Accrued expenses	$ 6,561
Cash collections from customers for trade receivables sold under the securitization program	2,345
Natural gas derivatives payable	7,263
Total other payables and accruals	$ 16,169

The balance in other non-current liabilities is comprised of the following:

	As of June 30, 2019
Deferred franchise tax liability	$ 3,078
Right-of-use liability	195
Natural gas derivatives	10,144
Total non-current liabilities	$ 13,417

Note 13 — Subsequent Events

The Partnership has evaluated all events or transactions that occurred from balance sheet date through August 14, 2019, which is our issuance date of the unaudited consolidated financial statements, and has determined that there were no events or transactions other than those disclosed in this report that would require recognition or disclosure in the Partnership's unaudited consolidated financial statements as of the six months ended June 30, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition, results of operations and cash flows in conjunction with our unaudited consolidated financial statements and the related notes presented in this report as well as the unaudited consolidated financial statements and related notes, together with our discussion and analysis of financial condition and results of operations, included in our Annual Report for the year ended December 31, 2018.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words "will," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include statements about our business strategy, our industry, our expected revenues, our future profitability, our expected capital expenditures (including for maintenance or expansion projects and environmental expenditures) and the impact of such expenditures on our performance. These statements involve known and unknown risks, uncertainties and other factors, that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. Such risks and uncertainties include, among other things:

- the volatile nature of our business, our ability to remain profitable;
- planned and unplanned downtime (including in connection with maintenance turnarounds), shutdowns (either temporary or permanent) or restarts of existing methanol and ammonia facilities, including, without limitation, the timing and length of planned maintenance outages;
- our ability to forecast our future financial condition or results of operations and our future revenues and expenses;
- our reliance on a single facility for conducting our operations;
- intense competition from other methanol and ammonia producers, including announcements by other producers, of their intentions to relocate, restart or construct methanol or ammonia plants in the Texas Gulf Coast region or elsewhere in the United States;
- risks relating to our relationships with OCI or its affiliates, including competition from the 1.8 million metric ton methanol plant located in Beaumont, Texas, Natgasoline, LLC ("Natgasoline"), an entity in which OCI indirectly owns a 50% interest;
- potential operating hazards from accidents, fire, severe weather, floods or other natural disasters;
- the cyclical nature of our business;
- expected demand for methanol, ammonia and their derivatives;
- expected methanol, ammonia and energy prices;
- anticipated methanol and ammonia production rates at our plant;
- our reliance on insurance policies that may not fully cover an accident or event that causes significant damage to our facility or causes extended business interruption;
- our reliance on natural gas delivered to us by our suppliers, including a subsidiary of Kinder Morgan Energy Partners, L.P. ("Kinder Morgan"); Houston Pipe Line Company, LP ("Houston Pipe Line Company"), a subsidiary of Energy Transfer Partners, L.P. and BP Energy Company, Inc. ("BP Energy"), a subsidiary of BP P.L.C.;
- expected levels, timing and availability of economically priced natural gas and other feedstock supplies to our plant;
- expected operating costs, including natural gas and other feedstock costs and logistics costs;
- expected new methanol or ammonia supply or restart of idled plant capacity and timing for start-up of new or idled production facilities;
- our expected capital expenditures;
- the impact of regulatory developments on the demand for our products;
- global and regional economic activity (including industrial production levels);

- the dependence of our operations on a few third-party suppliers, including providers of transportation services and equipment;
- the risk associated with changes, or potential changes, in governmental policies affecting the agricultural industry;
- the hazardous nature of our products, potential liability for accidents involving our products that cause interruption to our business, severe damage to property or injury to the environment and human health and potential increased costs relating to the transport of our products;
- our potential inability to obtain or renew permits;
- existing and proposed environmental laws and regulations, including those relating to climate change, alternative energy or fuel sources, and the end-use and application of our products;
- new regulations concerning the transportation of hazardous chemicals, risks of terrorism and the security of chemical manufacturing facilities;
- our lack of asset and geographic diversification;
- our dependence on a limited number of significant customers;
- our ability to comply with employee safety laws and regulations;
- our potential inability to successfully implement our business strategies, including the completion of significant capital programs;
- additional risks, compliance costs and liabilities from expansions or acquisitions;
- our reliance on our senior management team;
- the potential shortage of skilled labor or loss of key personnel;
- the risks associated with cyber security;
- the risks involving derivatives and the effectiveness of our risk measurement and hedging activities;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- restrictions in our debt agreements, including those on our ability to distribute cash or conduct our business; and
- changes in our treatment as a partnership for U.S. federal income or state tax purposes.

You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

OVERVIEW

We are a Delaware limited partnership formed in February 2013 whose focus is on the production, marketing and distribution of methanol and anhydrous ammonia. Our production facility is strategically located on the U.S. Gulf Coast near Beaumont, Texas and commenced full operations during August 2012. Our facility has pipeline connections to adjacent customers, port access with dedicated methanol and ammonia import/export jetties, allowing us to ship both products along the Gulf Coast, and truck loading facilities for both methanol and ammonia.

We are currently one of the larger merchant methanol producers in the United States, with an annual methanol production design capacity of approximately 912,500 metric tons and an annual ammonia production design capacity of approximately 355,875 metric tons. We have successfully completed a capital expansion project and mechanical repairs in the first quarter of 2019 that have allowed us to increase our daily methanol and ammonia production capacities, respectively. We plan to update our annual design capacity to reflect these increases next year and will be measuring against these new metrics starting January 1, 2020.

Both methanol and ammonia are global commodities that are essential building blocks for numerous end-use products. Methanol is a liquid petrochemical that is used in a variety of industrial and energy-related applications. The primary use of methanol is to make other chemicals, with approximately 37% of global methanol demand being used to produce formaldehyde, acetic acid and a variety of other chemicals that form the foundation of a large number of chemical derivatives. These derivatives are used to produce a wide range of products, including adhesives for the lumber industry, plywood, particle board and laminates, resins to treat paper and plastic products, and also paint and varnish removers, solvents for the textile industry and polyester fibers for clothing and carpeting. Energy related applications consume approximately 35% of methanol demand. In recent years, there has been a strong demand for methanol in energy applications such as gasoline blending, biodiesel and as a feedstock in the production of dimethyl ether (“DME”) and Methyl tertiary-butyl ether (“MTBE”), particularly in China. Methanol blending in gasoline is currently not permitted in the United States. Methanol-to-olefins (“MTO”) consumes the remaining 28% of global methanol demand. China methanol demand represents approximately 68% of global methanol demand and the MTO segment in China represents approximately 45% of China's total demand. Ammonia, produced in anhydrous form (containing no water) from the reaction of nitrogen and hydrogen, constitutes the base feedstock for nearly all of the world’s nitrogen chemical production. In the United States, ammonia is primarily used as a feedstock to produce nitrogen fertilizers, such as urea and ammonium sulfate, and is also directly applied to soil as a fertilizer. In addition, ammonia is widely used in industrial applications, particularly in the Texas Gulf Coast market, including in the production of plastics, synthetic fibers, resins and numerous other chemical derivatives.

How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our performance. These metrics are significant factors in assessing our results of operations and profitability and include capacity utilization and Adjusted EBITDA (as defined below). We view these metrics as important factors in evaluating our profitability and frequently review these measurements to analyze trends and make decisions.

Capacity Utilization

During the three months ended June 30, 2019, our ammonia and methanol production units were in operation for 75 days and 43 days, respectively. During the same period, the ammonia unit experienced 16 days of unplanned downtime due to the repair of a compressor thrust bearing, and operated at lower capacity utilization rates during the methanol unit downtime due to insufficient steam supply. Also during this period, the methanol unit experienced 48 days of unplanned downtime due to the following discrete events: two replacements of syngas compressor bearings, cleaning and flushing of the syngas turbine and compressor lube oil system, and repair of a leaking tube in a transfer line heat exchanger. While the methanol plant was offline and to prevent future leaks in the transfer line heat exchangers, we replaced key equipment parts with new components of upgraded metallurgy and executed other repairs to the facility that will increase reliability until our next turnaround. Facilities often experience decreased efficiency and reliability during the end of an operating cycle as the next turnaround approaches. We completed a turnaround in April 2015 and plan to take the next turnaround in 2020. Due to the downtime experienced during three months ended June 30, 2019, management has initiated a reliability improvement plan that includes monitoring process controls with advanced process analytics software to predict and prevent operational issues, changing operating conditions to mitigate a key failure mechanism, and increasing technical staff to support additional longer-term reliability-related initiatives.

We produced approximately 64,285 metric tons of ammonia and approximately 104,905 metric tons of methanol during the three months ended June 30, 2019, representing capacity utilization rates of 72% and 46% for the ammonia and methanol production units, respectively.

During the six months ended June 30, 2019, our ammonia and methanol production units were in operation for 147 days and 119 days, respectively. During the six months ended June 30, 2019, the ammonia unit experienced 34 days of unplanned downtime due to the replacement of the syngas turbine with a new unit that has a higher horsepower rating, which has provided for a 3% increase in ammonia production rates, and the repair of a compressor thrust bearing. During the methanol unit downtime, the ammonia unit operated at lower capacity utilization rates due to insufficient steam supply. During the six months ended June 30, 2019, the methanol unit experienced 62 days of unplanned downtime due to the inspection, repair and replacement of leaking pigtails in the methanol reformer furnaces, two replacements of syngas compressor bearings, cleaning and flushing of the syngas turbine and compressor lube oil system, and repair of a leaking tube in a transfer line heat exchanger.

We produced approximately 133,451 metric tons of ammonia and approximately 294,866 metric tons of methanol during the six months ended June 30, 2019, representing capacity utilization rates of 76% and 65% for the ammonia and methanol production units, respectively.

Adjusted EBITDA

Adjusted EBITDA is defined as net income plus interest expense and other financing costs, interest income—related party, net, loss on the disposition of fixed assets, income tax expense, depreciation expense, unrealized natural gas hedging loss, net, and other adjustments that are unusual or infrequent or are not indicative of ongoing operational performance. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; and
- our operating performance and return on invested capital compared to other companies in our industry, without regard to financing methods and capital structure.

In addition, Adjusted EBITDA with certain adjustments is a component of certain covenants under the credit agreement governing the Term Loan Facility. Adjusted EBITDA should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted EBITDA may have material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. In addition, Adjusted EBITDA presented by other companies may not be comparable to our presentation because each company may define Adjusted EBITDA differently.

SELECTED FINANCIAL DATA

The following table includes selected summary financial data for the three and six months ended June 30, 2019. The data below should be read in conjunction with our unaudited consolidated financial statements and the notes thereto included elsewhere in this report. The data below is in thousands, except for production, capacity utilization rates, and natural gas pricing which is shown in $ per MMBtu.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(in thousands)	(in thousands)
Net loss	$ (20,827)	$ (15,023)
Add:		
Interest expense	7,861	15,893
Interest income—related party, net	(108)	(172)
Loss on the disposition of fixed assets	44	44
Income tax expense	187	—
Depreciation expense	14,140	29,582
Unrealized natural gas hedging loss, net	7,009	6,524
Adjusted EBITDA	$ 8,306	$ 30,324

	Production (in metric tons)	**Capacity Utilization Rate** [1] (%)	**Price of Natural Gas** [2] ($ per MMBtu)
	For the Three Months Ended June 30,		
Ammonia	64,285	72%	$ 2.90
Methanol	104,905	46%	$ 2.90
	For the Six Months Ended June 30,		
Ammonia	133,451	76%	$ 3.10
Methanol	294,866	65%	$ 3.10

(1) Calculated by total production volumes for a production unit for a given period, divided by the production capacity of that production unit. Production capacity is determined by the product of the daily maximum production capacity for a production unit and the number of days during a period, excluding planned downtime. Daily design capacity is 975 metric tons per day for our ammonia production unit and 2,500 metric tons per day for our methanol production unit.

(2) Average purchase price of natural gas ($ per MMBtu) which is the Houston Ship Channel price plus a delivery fee, for a given period and adjusted for the value of any natural gas hedging transactions.

THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2019 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2018:

Revenues

	For the Three Months Ended June 30,	
	2019	2018
	(in thousands)	
Total Revenues	$ 73,249	$ 106,172

	For the Three Months Ended June 30, 2019		For the Three Months Ended June 30, 2018	
	Metric Tons	Revenue	Metric Tons	Revenue
	(in thousands)		(in thousands)	
Total Revenues:				
Ammonia	70	$ 14,883	80	$ 20,801
Methanol	173	58,347	213	85,370
Other	—	19	—	1
Total	243	$ 73,249	293	$ 106,172

Our revenues and revenues—related party ("Total Revenues") were approximately $73.2 million for the three months ended June 30, 2019 and approximately $106.2 million for the three months ended June 30, 2018. Our methanol revenues were approximately $58.3 million for the three months ended June 30, 2019 compared to approximately $85.4 million for the three months ended June 30, 2018. Our ammonia revenues were approximately $14.9 million for the three months ended June 30, 2019 and approximately $20.8 million for the three months ended June 30, 2018.

We sold approximately 173,100 metric tons of methanol during the three months ended June 30, 2019 and approximately 213,000 metric tons of methanol during the three months ended June 30, 2018. The average sales prices for methanol during the three months ended June 30, 2019 was $337 per metric ton compared to $401 per metric ton for the three months ended June 30, 2018. Sales of methanol comprised approximately 80% of our Total Revenues for both the three months ended June 30, 2019 and 2018.

Set forth below is a table showing average methanol sales prices per metric ton, per quarter for the previous six fiscal quarters.

	Average Methanol Sales Prices	
	2019	2018
For the Three Months Ended:		
March 31	$ 342	$ 401
June 30	$ 337	$ 401
September 30	$ —	$ 395
December 31	$ —	$ 400

We sold approximately 69,600 metric tons of ammonia during the three months ended June 30, 2019 and approximately 80,100 metric tons of ammonia during the three months ended June 30, 2018. The average sales price for ammonia during the three months ended June 30, 2019 was $214 per metric ton compared to $260 per metric ton for the three months ended June 30, 2018. Sales of ammonia comprised approximately 20% of our Total Revenues for both the three months ended June 30, 2019 and 2018.

Set forth below is a table showing average ammonia sales prices per metric ton, per quarter for the previous six fiscal quarters.

	Average Ammonia Sales Prices	
	2019	2018
For the Three Months Ended:		
March 31	$ 281	$ 317
June 30	$ 214	$ 260
September 30	$ —	$ 288
December 31	$ —	$ 327

Cost of Sales (exclusive of depreciation)

	For the Three Months Ended June 30, 2019		For the Three Months Ended June 30, 2018	
	$ in thousands	% of Total	$ in thousands	% of Total
Natural Gas	$ 15,241	22.3%	$ 28,327	56.4%
Hydrogen	$ 7,001	10.3	$ 6,552	13.0
Nitrogen	$ 2,014	3.0	$ 1,918	3.8
Maintenance	$ 6,571	9.6	$ 2,969	5.9
Labor	$ 5,123	7.5	$ 4,162	8.3
Procured product	$ 20,971	30.7	$ 3,090	6.2
Unrealized loss on natural gas derivatives, net	$ 7,009	10.3	$ —	—
Other	$ 4,323	6.3	$ 3,225	6.4
Total	$ 68,253	100%	$ 50,243	100%

Total Cost of Goods Sold (exclusive of depreciation) was approximately $68.3 million and 93% of Total Revenue for the three months ended June 30, 2019, and $50.2 million and 47% of Total Revenue for the three months ended June 30, 2018. Cost of Goods Sold (exclusive of depreciation) was higher than the comparable period due to an increase in procured finished product, increased maintenance costs due to the repairs executed during the unplanned downtime and an unrealized loss on natural gas derivatives. Due to the unplanned downtime during the three months ended June 30, 2019, we procured finished product in order to fulfill contracted sales commitments to our customers. The purchase price of natural gas was approximately $2.90 per MMBtu during the three months ended June 30, 2019 and approximately $3.01 per MMBtu during the three months ended June 30, 2018, a decrease of 4%.

Set forth below is a table showing our purchase price for natural gas per MMBtu, per quarter for the previous six fiscal quarters.

	Natural Gas Purchase Prices	
	2019	2018
For the Three-Months Ended:		
March 31	$ 3.22	$ 3.30
June 30	$ 2.90	$ 3.01
September 30	$ —	$ 3.12
December 31	—	$ 3.49

Depreciation Expense

Depreciation expense was approximately $14.1 million for the three months ended June 30, 2019 and approximately $15.2 million for the three months ended June 30, 2018.

Selling, General and Administrative Expense

Our selling, general and administrative expenses were approximately $2.6 million for the three months ended June 30, 2019 and approximately $4.0million for the three months ended June 30, 2018.

Our selling, general and administrative expenses—related party were approximately $1.1 million for the three months ended June 30, 2019 and approximately $0.8 million for the three months ended June 30, 2018.

Interest Expense

Interest expense was approximately $7.9 million for the three months ended June 30, 2019 and $7.7 million for the three months ended June 30, 2018. As of June 30, 2019, we had $449.3 million in principal outstanding under the Term Loan Facility that accrues interest at a rate of 4.00% plus LIBOR.

THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2019 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2018:

Revenues

	For the Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Total Revenues	$ 166,425	$ 223,518

	For the Six Months Ended June 30, 2019		For the Six Months Ended June 30, 2018	
	Metric Tons	Revenue	Metric Tons	Revenue
	(in thousands)		(in thousands)	
Total Revenues:				
Ammonia	131	$ 32,059	153	$ 43,971
Methanol	396	134,337	448	179,545
Other	—	29	—	2
Total	527	$ 166,425	601	$ 223,518

Our revenues and revenues—related party ("Total Revenues") were approximately $166.4 million for the six months ended June 30, 2019 and approximately $223.5 million for the six months ended June 30, 2018. Our methanol revenues were approximately $134.3 million for the six months ended June 30, 2019 compared to approximately $179.5 million for the six months ended June 30, 2018. Our ammonia revenues were approximately $32.1 million for the six months ended June 30, 2019 and approximately $44.0 million for the six months ended June 30, 2018.

We sold approximately 395,500 metric tons of methanol during the six months ended June 30, 2019 and approximately 447,600 metric tons of methanol during the six months ended June 30, 2018. The average sales prices for methanol during the six months ended June 30, 2019 was $340 per metric ton compared to $401 per metric ton for the six months ended June 30, 2018. Sales of methanol comprised approximately 81% of our Total Revenues for the six months ended June 30, 2019 compared to 80% of our Total Revenues for the six months ended June 30, 2018.

Set forth below is a table showing average methanol sales prices per metric ton, per quarter for the previous six fiscal quarters.

	Average Methanol Sales Prices	
	2019	2018
For the Three Months Ended:		
March 31	$ 342	$ 401
June 30	$ 337	$ 401
September 30	$ —	$ 395
December 31	$ —	$ 400

We sold approximately 130,600 metric tons of ammonia during the six months ended June 30, 2019 and approximately 153,100 metric tons of ammonia during the six months ended June 30, 2018. The average sales price for ammonia during the six months ended June 30, 2019 was $245 per metric ton compared to $287 per metric ton for the six months ended June 30, 2018. Sales of ammonia comprised approximately 19% of our Total Revenues for the six months ended June 30, 2019 compared to 20% of our Total Revenues for the six months ended June 30, 2018.

Set forth below is a table showing average ammonia sales prices per metric ton, per quarter for the previous six fiscal quarters.

	Average Ammonia Sales Prices	
	2019	**2018**
For the Three Months Ended:		
March 31	$ 281	$ 317
June 30	$ 214	$ 260
September 30	$ —	$ 288
December 31	$ —	$ 327

Cost of Sales (exclusive of depreciation)

	For the Six Months Ended June 30, 2019		For the Six Months Ended June 30, 2018	
	$ in thousands	% of Total	$ in thousands	% of Total
Natural Gas	$ 42,407	33.0%	$ 60,315	58.0%
Hydrogen	$ 13,400	10.4	$ 11,727	11.3
Nitrogen	$ 3,738	2.9	$ 3,508	3.4
Maintenance	$ 12,476	9.7	$ 6,783	6.5
Labor	$ 9,179	7.1	$ 7,869	7.6
Procured product	$ 33,447	26.0	$ 4,131	4.0
Unrealized (gain) loss on natural gas derivatives, net	$ 6,524	5.2	$ (1,352)	(1.3)
Other	$ 7,363	5.7	$ 10,921	10.5
Total	$ 128,534	100%	$ 103,902	100%

Total Cost of Goods Sold (exclusive of depreciation) was approximately $128.5 million and 77% of Total Revenue for the six months ended June 30, 2019, and $103.9 million and 46% of Total Revenue for the six months ended June 30, 2018. Cost of Goods Sold (exclusive of depreciation) was higher than the comparable period due to an increase in procured finished product, increased maintenance costs due to the repairs executed during the unplanned downtime and an unrealized loss on natural gas derivatives. Due to the unplanned downtime during the six months ended June 30, 2019, we procured finished product in order to fulfill contracted sales commitments to our customers. The purchase price of natural gas was approximately $3.10 per MMBtu during the six months ended June 30, 2019 and approximately $3.16 per MMBtu during the six months ended June 30, 2018, a decrease of 2%.

Set forth below is a table showing our purchase price for natural gas per MMBtu, per quarter for the previous six fiscal quarters.

	Natural Gas Purchase Prices	
	2019	2018
For the Three-Months Ended:		
March 31	$ 3.22	$ 3.30
June 30	$ 2.90	$ 3.01
September 30	$ —	$ 3.12
December 31	—	$ 3.49

Depreciation Expense

Depreciation expense was approximately $29.6 million for the six months ended June 30, 2019 and approximately $30.5 million for the six months ended June 30, 2018.

Selling, General and Administrative Expense

Our selling, general and administrative expenses were approximately $5.5 million for the six months ended June 30, 2019 and approximately $6.8 million for the six months ended June 30, 2018.

Our selling, general and administrative expenses—related party were approximately $2.0 million for the six months ended June 30, 2019 and approximately $3.1 million for the six months ended June 30, 2018.

Interest Expense

Interest expense was approximately $15.9 million for the six months ended June 30, 2019 and $13.6 million for the six months ended June 30, 2018. As of June 30, 2019, we had $449.3 million in principal outstanding under the Term Loan Facility that accrues interest at a rate of 4.00% plus LIBOR.

CASH FLOWS

Our profits, operating cash flows and cash available for distribution are subject to changes in the prices of our products and natural gas, which is our primary feedstock. Our products and feedstocks are commodities and, as such, their prices can be volatile in response to numerous factors outside of our control.

The following table summarizes our unaudited consolidated statements of cash flows:

	For the Three Months Ended June 30, 2019
	(in thousands)
Net cash provided by (used in):	
Operating activities	38,972
Investing activities	815
Financing activities	(42,310)
Net decrease in cash and cash equivalents	(2,523)

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2019 was approximately $39.0 million. We had a net loss of approximately $15.0 for the six months ended June 30, 2019. During this period, we recorded depreciation expense of $29.6 million, amortization of debt issuance costs of $0.6 million and a non-cash loss on natural gas derivatives of $6.5 million. Accounts receivable and accounts receivable—related party, which is approximately equal to one month of revenue, collectively decreased by $19.4 million during the six months ended June 30, 2019. The decrease in accounts receivable and accounts receivable—related party is due to the decrease in our average ammonia and methanol sales prices. Inventories increased by $2.2 million due to an increase in the supplies inventory on hand. Advances due from related parties decreased by $12.8 million due to the repayment of expenses that were incurred on behalf of OCI and its affiliates. Accounts payable decreased by $12.0 million due to the use of operating cash flows to reduce our accounts payable balances. Accounts payable—related party increased by $15.2 million due to the purchase of methanol from OCI Methanol Marketing. Other payables, accruals, and current liabilities decreased by $11.0 million due to the reduction of invoices sold under the trade receivables securitization program.

Investing Activities

Net cash used in investing activities was approximately $0.8 million for the six months ended June 30, 2019. Loans to affiliates decreased by $6.8 million due to repayments received from OCI and OCI Methanol Marketing. We have the ability as part of our treasury management function to provide short term financing to our affiliates as a way of efficiently deploying our excess cash and earning a higher return than we would in other short term investments or overnight funds. These loans are unsecured, bear the Term Loan Facility interest rate plus 50 basis points and are due upon demand.

Financing Activities

Net cash used in financing activities was approximately $42.3 million for the six months ended June 30, 2019. During the six months ended June 30, 2019, we repaid borrowings of $2.3 million on the Term Loan Facility and collected $2.3 million from customers for invoices sold under the trade receivable securitization program. During the six months ended June 30, 2019, we paid cash distributions to unitholders of $42.4 million.