GOLD RESOURCE CORP
Form 8-K
August 18, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 12, 2016

GOLD RESOURCE CORPORATION

(Exact name of registrant as specified in its charter)

Colorado	001-34857	84-1473173
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2886 Carriage Manor Point

Colorado Springs, CO 80906

(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code: (303) 320-7708

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On August 12, 2016, Gold Resource Corporation (the "Company") acquired all of the outstanding shares of Walker Lane Minerals Corporation ("WLMC") pursuant to a Stock Purchase Agreement dated August 12, 2016 (the "Purchase Agreement") among the Company and TXAU Development, Ltd. and TXAU Investment, Ltd., each a privately held Texas limited partnership (the "Shareholders"). Upon completion of the acquisition, WLMC became an indirect subsidiary of the Company.

At the closing, the Company paid to Shareholders a total purchase price of $13,212,855, consisting of: (i) cash in the amount of $152,855 for reimbursement of certain fees incurred during the transaction and for maintenance of mining claims, and (ii) 2,000,000 shares of the Company's restricted common stock which were valued at $13.1 million in the aggregate, based on the closing price of the shares on the NYSE MKT as of the closing date. The shares are subject to restrictions on resale in accordance with federal and state securities laws.

The Purchase Agreement contains customary representations, warranties and covenants by the parties. Subject to certain limitations and conditions, the Company will be indemnified by the Shareholders for damages resulting from breaches or inaccuracies of the representations, warranties, and covenants of the Shareholders and WLMC as set forth in the Purchase Agreement. The assets held by WLMC consist of certain mining claims subject to royalty interests and water rights associated with the property located in Mineral County, Nevada. The Purchase Agreement further provides that the Company will retain an agreed-upon consultant familiar with the property, drill a water well at the property location for development purposes, and should the Company determine in the future to abandon any portion of the property held by WLMC at the time of the acquisition, it shall transfer the affected mining claims to the Shareholders. WLMC has no active operations.

The foregoing description of the Purchase Agreement and the transactions contemplated thereby is not complete and is subject and qualified in its entirety by reference to the text of the Purchase Agreement, which is filed as Exhibit 10.1 to this report and incorporated by reference in this Item 1.01. The representations and warranties of the parties in the Purchase Agreement have been made solely for the benefit of the other parties to the Purchase Agreement, and were not intended to be, and should not be, relied upon by any person other than such parties, including shareholders of the Company; should not be treated as categorical statements of fact, but rather as a way of allocating risk between the parties; in some cases have been qualified by disclosures that were made to the other parties in connection with the negotiation of the Purchase Agreement, which disclosures are not necessarily reflected in the Purchase Agreement; may apply standards of materiality in a way that may differ from standards of materiality applied by investors; and were made only as of the date of the Purchase Agreement or as of such other date or dates as may be specified in the Purchase Agreement, and are subject to developments occurring after those dates.

Item 2.01 Completion of Acquisition or Disposition of Assets.

As described under Item 1.01 of this Current Report on Form 8-K, the Company completed its acquisition of WLMC effective August 12, 2016 for a total purchase price of $152,855 and 2,000,000 shares of its common stock. The foregoing does not constitute a complete summary of the acquisition or the terms of the Purchase Agreement, and reference is made to the disclosures contained in Item 1.01 hereof and the complete text of the Purchase Agreement filed as Exhibit 10.1 to this Current Report on Form 8-K, which are incorporated by reference herein.

Item 3.02 Unregistered Sales of Equity Securities

The information set forth in Item 1.01 of this Current Report on Form 8-K regarding the issuance of the 2,000,000 shares of common stock by the Company pursuant to the acquisition is incorporated herein by reference. The securities issued pursuant to the Purchase Agreement were offered and sold in private transactions to accredited investors (as such term is defined in Rule 501(a), as promulgated under the Securities Act of 1933), without registration under the Securities Act and the securities laws of certain states, in reliance on the exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended and similar exemptions under applicable state laws. The securities sold in the foregoing transaction may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Company did not engage in any general solicitation or advertising and exercised reasonable care to ensure that the purchasers were not underwriters within the meaning of the Securities Act, including making reasonable inquiry prior to accepting any subscription, making written disclosures regarding the restricted nature of the securities and placing a legend on the certificates representing the shares.

Item 9.01Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are filed with this report:
10.1 Stock Purchase Agreement between Gold Resource Corporation, TXAU Development, Ltd. and TXAU Investment, Ltd. dated August 12, 2016.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GOLD RESOURCE CORPORATION

Date: August 18, 2016	By:	/s/ Jason D. Reid
	Name:	Jason D. Reid
	Title:	Chief Executive Officer and President

Exhibit Index

The following is a list of the Exhibits filed herewith.

Exhibit Number	Description of Exhibit
10.1	Stock Purchase Agreement between Gold Resource Corporation, TXAU Development, Ltd. and TXAU Investment, Ltd. dated August 12, 2016.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012 (Unaudited)

	Three Months Ended September 30, 2011										
	Investment	Automotive	Gaming	Railcar	Food Packaging	Metals	Real Estate	Home Fashion	Holding Company	Eliminations	Consolidated
	(in millions)										
Revenues:											
Net sales	$—	$ 1,732	$ —	$ 108	$ 87	$ 272	$ 1	$ 79	$ —	$ —	$ 2,279
Other revenues from operations	—	—	175	18	—	—	22	—	—	—	215
Net loss from investment activities	(40)	—	—	—	—	—	—	—	(9)	—	(49)
Interest and dividend income	20	1	—	1	—	—	—	—	—	—	22
Other (loss) income, net	(23)	1	—	(2)	(1)	—	2	1	(2)	—	(24)
	(43)	1,734	175	125	86	272	25	80	(11)	—	2,443
Expenses:											
Cost of goods sold	—	1,469	—	98	66	267	(1)	76	—	—	1,975
Other expenses from operations	—	—	86	13	—	—	13	—	—	—	112
Selling, general and administrative	1	184	62	3	11	6	4	14	—	—	285
Restructuring	—	3	—	—	—	—	—	2	—	—	5
Impairment	—	—	—	—	—	—	—	—	—	—	—

Interest expense	2	35	2	4	6	—	1	—	55	—	105
	3	1,691	150	118	83	273	17	92	55	—	2,482
(Loss) income before income tax (expense) benefit	(46)	43	25	7	3	(1)	8	(12)	(66)	—	(39)
Income tax (expense) benefit	—	(9)	(4)	(3)	(1)	1	—	—	3	—	(13)
Net (loss) income	(46)	34	21	4	2	—	8	(12)	(63)	—	(52)
Less: net loss (income) attributable to non-controlling interests	31	(9)	(9)	(2)	(1)	—	—	3	—	—	13
Net (loss) income attributable to Icahn Enterprises	$(15)	$ 25	$ 12	$ 2	$ 1	$—	$ 8	$ (9)	$ (63)	$ —	$ (39)
Supplemental information:											
Capital expenditures	$—	$ 105	$ 9	$ 10	$ 11	$ 6	$—	$ —	$ —	$ —	$ 141
Depreciation and amortization[2]	$—	$ 73	$ 8	$ 5	$ 3	$ 5	$ 6	$ 3	$ —	$ —	$ 103

	Nine Months Ended September 30, 2012											
	Investment	Automotive	Energy[1]	Gaming	Railcar	Food Packaging	Metals	Real Estate	Home Fashion	Holding Company	Eliminations	Consolidated
	(in millions)											
Revenues:												
Net sales	$—	$ 5,070	$ 3,822	$ —	$ 430	$ 255	$ 871	$ 4	$ 173	$ —	$ —	$ 10,625
Other revenues from operations	—	—	—	490	58	—	—	63	—	—	—	611
Net gain from investment activities	249	—	—	—	—	—	—	—	—	6	—	255
Interest and dividend income	56	4	—	1	2	—	—	—	—	—	—	63
Other (loss) income, net	(1)	9	(171)	(3)	(2)	(2)	1	2	3	2	—	(162)
	304	5,083	3,651	488	488	253	872	69	176	8	—	11,392
Expenses:												
Cost of goods sold	—	4,327	3,095	—	347	196	881	1	156	—	—	9,003
Other expenses from operations	—	—	—	245	43	—	—	37	—	—	—	325
Selling, general and administrative	18	524	70	192	20	35	21	10	28	12	—	930
Restructuring	—	19	—	—	—	—	—	—	2	—	—	21
Impairment	—	79	—	2	—	—	—	—	6	—	—	87
Interest expense	2	106	23	10	15	15	—	4	—	208	—	383
	20	5,055	3,188	449	425	246	902	52	192	220	—	10,749

Income (loss) before income tax benefit (expense)	284	28	463	39	63	7	(30)	17	(16)	(212)	—	643
Income tax benefit (expense)	—	27	(171)	(3)	(26)	(3)	9	—	—	175	—	8
Net income (loss)	284	55	292	36	37	4	(21)	17	(16)	(37)	—	651
Less: net income attributable to non-controlling interests	(163)	(17)	(64)	(11)	(17)	(1)	—	—	—	—	—	(273)
Net income (loss) attributable to Icahn Enterprises	$ 121	$ 38	$ 228	$ 25	$ 20	$ 3	$ (21)	$ 17	$ (16)	$ (37)	$ —	$ 378
Supplemental information:												
Capital expenditures	$ —	$ 296	$ 71	$ 32	$ 168	$ 35	$ 14	$ 1	$ —	$ —	$ —	$ 617
Depreciation and amortization[(2)]	$ —	$ 212	$ 79	$ 24	$ 18	$ 14	$ 19	$ 17	$ 6	$ —	$ —	$ 389

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
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	Nine Months Ended September 30, 2011										
	Investment	Automotive	Gaming	Railcar	Food Packaging	Metals	Real Estate	Home Fashion	Holding Company	Eliminations	Consolidated
	(in millions)										
Revenues:											
Net sales	$—	$ 5,256	$ —	$ 271	$ 256	$ 839	$ 6	$ 259	$ —	$ —	$ 6,887
Other revenues from operations	—	—	477	52	—	—	62	—	—	—	591
Net gain from investment activities	1,151	—	—	—	—	—	—	—	16	(9)	1,158
Interest and dividend income	80	4	—	3	—	—	—	—	1	(5)	83
Other (loss) income, net	(72)	13	—	(7)	(1)	—	2	4	5	—	(56)
	1,159	5,273	477	319	255	839	70	263	22	(14)	8,663
Expenses:											
Cost of goods sold	—	4,415	—	251	193	806	3	241	—	—	5,909
Other expenses from operations	—	—	249	39	—	—	36	—	—	—	324
Selling, general and administrative	22	558	191	15	33	19	11	45	14	—	908
Restructuring	—	4	—	—	—	—	—	5	—	—	9
Impairment	—	3	—	—	—	—	—	—	—	—	3
Interest expense	11	105	7	15	16	—	5	1	167	—	327
	33	5,085	447	320	242	825	55	292	181	—	7,480
Income (loss) before income tax expense)	1,126	188	30	(1)	13	14	15	(29)	(159)	(14)	1,183
Income tax expense	—	(40)	(1)	—	(4)	(3)	—	—	(7)	—	(55)
Net income (loss)	1,126	148	29	(1)	9	11	15	(29)	(166)	(14)	1,128
Less: net (income) loss attributable to non-controlling interests	(599)	(40)	(14)	—	(3)	—	—	9	—	9	(638)
Net income (loss) attributable to Icahn Enterprises	$527	$ 108	$ 15	$ (1)	$ 6	$ 11	$ 15	$ (20)	$ (166)	$ (5)	$ 490

Supplemental information:											
Capital expenditures	$—	$ 282	$ 22	$ 12	$ 25	$ 18	$—	$ —	$ —	$ —	$ 359
Depreciation and amortization[2]	$—	$ 212	$ 26	$ 17	$ 11	$ 15	$ 17	$ 8	$ —	$ —	$ 306

[1] We consolidated CVR effective May 4, 2012.
[2] Excludes amounts related to the amortization of debt discounts and premiums.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012 (Unaudited)

Condensed balance sheets by reporting segment as of September 30, 2012 and December 31, 2011 are presented below:

	September 30, 2012										
	Investment	Automotive	Energy	Gaming	Railcar	Food Packaging	Metals	Real Estate	Home Fashion	Holding Company	Consolidated
	(in millions)										
ASSETS											
Cash and cash equivalents	$15	$ 541	$988	$ 250	$99	$ 26	$37	$65	$ 73	$ 1,046	$ 3,140
Cash held at consolidated affiliated partnerships and restricted cash	1,860	—	—	18	—	1	3	2	—	2	1,886
Investments	4,500	257	—	35	45	—	—	—	14	61	4,912
Accounts receivable, net	—	1,426	281	13	36	60	105	10	39	—	1,970
Inventories, net	—	1,041	524	—	132	57	117	—	62	—	1,933
Property, plant and equipment, net	—	1,914	2,598	422	344	154	137	668	85	3	6,325
Goodwill and intangible assets, net	—	1,755	1,245	68	7	12	28	80	3	—	3,198
Other assets	296	319	81	54	20	32	50	15	25	76	968
Total assets	$6,671	$ 7,253	$5,717	$ 860	$683	$ 342	$477	$840	$ 301	$ 1,188	$ 24,332
LIABILITIES AND EQUITY											
Accounts payable, accrued expenses and other liabilities	$406	$ 1,820	$1,588	$ 137	$139	$ 64	$74	$22	$ 35	$ 99	$ 4,384
Securities sold, not yet purchased, at fair value	314	—	—	—	—	—	—	—	—	—	314
Due to brokers	132	—	—	—	—	—	—	—	—	—	132
Post-employment benefit liability	—	1,218	—	—	9	52	3	—	—	—	1,282
Debt	—	2,799	901	171	175	216	4	72	—	4,084	8,422
Total liabilities	852	5,837	2,489	308	323	332	81	94	35	4,183	14,534
Equity attributable to Icahn Enterprises	2,349	1,023	2,412	369	205	4	396	746	266	(2,995)	4,775
Equity attributable to non-controlling interests	3,470	393	816	183	155	6	—	—	—	—	5,023
Total equity	5,819	1,416	3,228	552	360	10	396	746	266	(2,995)	9,798
Total liabilities and equity	$6,671	$ 7,253	$5,717	$ 860	$683	$ 342	$477	$840	$ 301	$ 1,188	$ 24,332

	December 31, 2011									
	Investment	Automotive	Gaming	Railcar	Food Packaging	Metals	Real Estate	Home Fashion	Holding Company	Consolidated
	(in millions)									
ASSETS										
Cash and cash equivalents	$7	$ 953	$150	$307	$ 66	$7	$216	$55	$ 517	$ 2,278
Cash held at consolidated affiliated partnerships and restricted cash	4,941	—	16	—	2	2	2	—	16	4,979
Investments	8,448	228	34	45	—	—	—	13	170	8,938
Accounts receivable, net	—	1,169	19	34	53	98	5	46	—	1,424
Inventories, net	—	956	—	96	53	163	—	76	—	1,344
Property, plant and equipment, net	—	1,855	416	194	131	134	679	93	3	3,505
Goodwill and intangible assets, net	—	1,808	77	7	14	30	87	3	—	2,026
Other assets	81	319	58	21	31	42	15	33	42	642
Total assets	$13,477	$ 7,288	$770	$704	$ 350	$476	$1,004	$319	$ 748	$ 25,136
LIABILITIES AND EQUITY										
Accounts payable, accrued expenses and other liabilities	$162	$ 1,875	$145	$110	$ 75	$85	$23	$36	$ 332	$ 2,843
Securities sold, not yet purchased, at fair value	4,476	—	—	—	—	—	—	—	—	4,476
Due to brokers	2,171	—	—	—	—	—	—	—	—	2,171
Post-employment benefit liability	—	1,272	—	9	56	3	—	—	—	1,340
Debt	—	2,798	49	275	216	4	75	—	3,056	6,473
Total liabilities	6,809	5,945	194	394	347	92	98	36	3,388	17,303
Equity attributable to Icahn Enterprises	3,282	967	402	172	(1)	384	906	283	(2,640)	3,755
Equity attributable to non-controlling interests	3,386	376	174	138	4	—	—	—	—	4,078
Total equity	6,668	1,343	576	310	3	384	906	283	(2,640)	7,833
Total liabilities and equity	$13,477	$ 7,288	$770	$704	$ 350	$476	$1,004	$319	$ 748	$ 25,136

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. Income Taxes.

For the three months ended September 30, 2012, we recorded an income tax expense of $110 million on pre-tax income of $210 million compared to an income tax expense of $13 million on pre-tax loss of $39 million for the three months ended September 30, 2011. Our effective income tax rate was 52.4% and (33.3)% for the three months ended September 30, 2012 and 2011, respectively.

For the nine months ended September 30, 2012, we recorded an income tax benefit of $8 million on pre-tax income of $643 million compared to an income tax expense of $55 million on pre-tax income of approximately $1.2 billion for the nine months ended September 30, 2011. Our effective income tax rate was (1.2)% and 4.6% for the nine months ended September 30, 2012 and 2011, respectively.

The difference between the effective tax rate and statutory federal rate of 35% is principally due to changes in valuation allowances and partnership income not subject to taxation, as such taxes are the responsibility of the partners. In February, 2012, pursuant to a tax-free reorganization, WPH merged into a newly formed single member limited liability company owned by American Entertainment Properties Corp ("AEP"). Also, on May 4, 2012, AEP acquired a controlling interest in CVR. In conjunction with these two transactions, AEP re-evaluated the future estimated realization of its deferred tax assets which resulted in the release of approximately $159 million of its valuation allowance. The portion which is expected to be realized through current year ordinary income is included in the annual effective tax rate, and the remaining portion, which relates to the anticipated realization in future years and is recognized as a discrete event.

Additionally, in conjunction with Federal-Mogul's ongoing review of its actual results and anticipated future earnings, Federal-Mogul reassesses the possibility of releasing valuation allowances. The factors considered by management in its determination of the probability of the realization of the deferred tax assets include but are not limited to: recent adjusted historical financial results; historical taxable income; projected future taxable income; the expected timing of the reversals of existing temporary differences; and tax planning strategies. Based upon this assessment, Federal-Mogul has concluded based on available evidence that the deferred tax assets in Germany are more likely than not to be realized. Based upon this conclusion, a valuation allowance was reversed during the second quarter of 2012. The portion which is expected to be realized through current year ordinary income is included in the annual effective rate and the remaining portion relates to the anticipated realization in future years and is therefore recognized as a discrete event during the three months ended September 30, 2012.

On August 17, 2012, a 3% surtax levied on dividends and other certain distributions was enacted in France. Federal-Mogul has decided to use the lower undistributed tax rate, and therefore, the applicable deferred taxes have not been remeasured or recognized on any additional inside basis differences including prior undistributed earnings. Federal-Mogul is required to pay additional taxes at the applicable tax rate on all distributions of dividends and the additional taxes will be recorded as income tax expense in the period in which the dividend is declared.

17. Accumulated Other Comprehensive Loss.

Accumulated other comprehensive loss consists of the following:

	September 30, 2012	December 31, 2011
	(in millions)	
Post-employment benefits, net of tax	$(465)	$(415)
Hedge instruments, net of tax	(45)	(80)
Translation adjustments and other, net of tax	(326)	(360)
	$(836)	$(855)

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
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18. Other (Loss) Income, Net.
Other (loss) income, net consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Loss on extinguishment of debt	$(2)	$—	$(4)	$—
Realized and unrealized loss on derivatives, net	(169)	—	(172)	—
Dividend expense related to securities sold, not yet purchased	(1)	(23)	(4)	(55)
Gain on disposition of assets	1	1	2	1
Appreciation on deferred management fee	—	—	—	(13)
Equity earnings from non-consolidated affiliates	6	5	30	21
Foreign currency translation loss	(8)	(1)	(15)	(7)
Other	2	(6)	1	(3)
	$(171)	$(24)	$(162)	$(56)

19. Commitments and Contingencies.
Investment
Exit Facility
In connection with Tropicana's completion of the Restructuring Transactions (see Note 3, “Operating Units-Gaming”), Tropicana entered into the Exit Facility, as amended, which consists of a (i) $130 million Term Loan Facility issued at a discount of 7%, which was funded on March 8, 2010, the Effective Date and (ii) $20 million Revolving Facility. Each of the Investment Funds was a lender under the Exit Facility and, in the aggregate, held over 50% of the loans under the Term Loan Facility and was obligated to provide 100% of any amounts borrowed by Tropicana under the Revolving Facility. As described in Note 3, on June 30, 2011, the Investment Funds made a distribution-in-kind of their investment in the Exit Facility to us and as a result we became the lenders under the Exit Facility. As further discussed in Note 11, "Debt," in March 2012, Tropicana paid in full the remaining amounts outstanding under the Exit Facility and the Revolving Facility was canceled therewith.
Dynegy Inc.
On November 4, 2011, Resources Capital Management Corp., Roseton OL, LLC, and Danskammer OL, LLC, filed an action in Supreme Court of New York, New York County, against Dynegy Inc. ("Dynegy"), various affiliates of Dynegy, certain members of the Board of Directors of Dynegy, and various other defendants, including Icahn Capital. The plaintiffs were seeking an unspecified amount of damages for alleged breaches of fiduciary obligation, as well as declaratory and other equitable relief regarding certain notes and related contracts. Icahn Capital was named as a defendant and was sued for allegedly aiding and abetting Dynegy and its directors in the alleged breaches of fiduciary obligation, tortious interference, and unjust enrichment. On June 5, 2012, the Complaint was discontinued and dismissed with prejudice.
On March 28, 2012 an action was filed in the U.S. District Court, Southern District of New York, entitled Silsby v. Icahn et. al. Defendants include Carl C. Icahn and two officers of Dynegy Inc and certain of its directors. As initially filed, the action purports to be brought as a class action on behalf of Dynegy shareholders who acquired their shares between September 2011 and March 2012. The Complaint alleges violations of the federal securities laws in

defendants' allegedly making false and misleading statements in securities filings that artificially inflated the price of Dynegy stock. The individual defendants are alleged to have been controlling persons of Dynegy. Plaintiff is seeking damages in an unspecified amount. Subsequent to the filing of this action, Dynegy filed for bankruptcy, and a U.S. bankruptcy court has approved a Plan of Reorganization. Plaintiff is proceeding with the action and has filed an amended complaint which purports to be a class action on behalf of Dynegy shareholders who acquired their securities between July 10, 2011 through March 9, 2012. However, we believe that we have meritorious defenses to the claims and intend to file a motion to dismiss.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES
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Automotive
Environmental Matters
Federal-Mogul is a defendant in lawsuits filed, or the recipient of administrative orders issued or demand letters received, in various jurisdictions pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 (“CERCLA”) or other similar national, provincial or state environmental remedial laws. These laws provide that responsible parties may be liable to pay for remediating contamination resulting from hazardous substances that were discharged into the environment by them, by prior owners or occupants of property they currently own or operate, or by others to whom they sent such substances for treatment or other disposition at third party locations. Federal-Mogul has been notified by the United States Environmental Protection Agency, other national environmental agencies, and various provincial and state agencies that it may be a potentially responsible party (“PRP”) under such laws for the cost of remediating hazardous substances pursuant to CERCLA and other national and state or provincial environmental laws. PRP designation often results in the funding of site investigations and subsequent remedial activities.
Many of the sites that are likely to be the costliest to remediate are often current or former commercial waste disposal facilities to which numerous companies sent wastes. Despite the potential joint and several liability which might be imposed on Federal-Mogul under CERCLA and some of the other laws pertaining to these sites, its share of the total waste sent to these sites has generally been small. Federal-Mogul believes its exposure for liability at these sites is limited.
Federal-Mogul has also identified certain other present and former properties at which it may be responsible for cleaning up or addressing environmental contamination, in some cases as a result of contractual commitments and/or federal or state environmental laws. Federal-Mogul is actively seeking to resolve these actual and potential statutory, regulatory and contractual obligations. Although difficult to quantify based on the complexity of the issues, Federal-Mogul has accrued amounts corresponding to its best estimate of the costs associated with such regulatory and contractual obligations on the basis of available information from site investigations and best professional judgment of consultants.
Total environmental liabilities, determined on an undiscounted basis, were $15 million and $16 million at September 30, 2012 and December 31, 2011, respectively, and are included in accrued expenses and other liabilities in our consolidated balance sheets.
Federal-Mogul believes that recorded environmental liabilities will be adequate to cover its estimated liability for its exposure in respect to such matters. In the event that such liabilities were to significantly exceed the amounts recorded by Federal-Mogul, our Automotive segment's results of operations could be materially affected. At September 30, 2012, Federal-Mogul estimates reasonably possible material additional losses, above and beyond its best estimate of required remediation costs as recorded, to approximate $39 million.
Asset Retirement Obligations
Federal-Mogul has identified sites with contractual obligations and several sites that are closed or expected to be closed and sold. In connection with these sites, Federal-Mogul has accrued $21 million and $22 million at September 30, 2012 and December 31, 2011, respectively, for ARO, primarily related to anticipated costs of removing hazardous building materials, and has considered impairment issues that may result from capitalization of these ARO amounts.
Federal-Mogul has conditional asset retirement obligations ("CARO"), primarily related to removal costs of hazardous materials in buildings, for which it believes reasonable cost estimates cannot be made at this time because it does not believe it has a reasonable basis to assign probabilities to a range of potential settlement dates for these retirement obligations. Accordingly, Federal-Mogul is currently unable to determine amounts to accrue for CARO at such sites.

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Energy
Leases and Unconditional Purchase Obligations
The minimum required payments for CVR's lease agreements and unconditional purchase obligations are as follows:

	Operating Leases	Unconditional Purchase Obligations[1]
	(in millions)	
Three months ending December 31, 2012	$3	$32
Year ending December 31, 2013	10	127
Year ending December 31, 2014	8	114
Year ending December 31, 2015	6	103
Year ending December 31, 2016	5	97
Thereafter	9	460
	$41	$933

[1]This amount includes $483 million payable ratably over nine years pursuant to petroleum transportation service agreements between CRRM and TransCanada Keystone Pipeline, LP ("TransCanada"). Under the agreements, CRRM will receive transportation for at least 25,000 barrels per day of crude oil with a delivery point at Cushing, Oklahoma for a term of ten years on TransCanada's Keystone pipeline system. CRRM began receiving crude oil under the agreements in the first quarter of 2011.

CVR leases various equipment, including rail cars, and real properties under long-term operating leases expiring at various dates. For the period May 5, 2012 through September 30, 2012, lease expense approximated $2 million. The lease agreements have various remaining terms. Some agreements are renewable, at CVR's option, for additional periods. It is expected, in the ordinary course of business, that leases will be renewed or replaced as they expire. Additionally, in the normal course of business, CVR has long-term commitments to purchase oxygen, nitrogen, electricity, storage capacity and pipeline transportation services.

CVR LP entered into a pet coke supply agreement with HollyFrontier Corporation which became effective on March 1, 2012. The initial term ends in 2013 and the agreement is subject to renewal.

On August 31, 2012, CRRM, an indirect, wholly-owned subsidiary of CVR Energy, and Vitol Inc. (“Vitol”), entered into an Amended and Restated Crude Oil Supply Agreement (the “Vitol Agreement”). The Vitol Agreement amends and restates the Crude Oil Supply Agreement between CRRM and Vitol dated March 30, 2011, as amended (the “Previous Supply Agreement”). The terms of the Vitol Agreement provide that CRRM will obtain all of the crude oil for the Company's two oil refineries through Vitol, other than crude oil that CRRM gathers itself in Kansas, Missouri, North Dakota, Oklahoma, Texas, Wyoming and all states adjacent to such states and crude oil that is transported in whole or in part via railcar or truck. Pursuant to the Vitol Agreement, CRRM and Vitol work together to identify crude oil and pricing terms that meet CRRM's crude oil requirements. CRRM and/or Vitol negotiate the cost of each barrel of crude oil that is purchased from third-party crude oil suppliers. Vitol purchases all such crude oil, executes all third-party sourcing transactions and provides transportation and other logistical services for the subject crude oil. Vitol then sells such crude oil and delivers the same to CRRM. Title and risk of loss for all crude oil purchased by CRRM via the Vitol Agreement passes to CRRM upon delivery to one of the Company's delivery points designated in the Vitol Agreement. CRRM pays Vitol a fixed origination fee per barrel plus the negotiated cost (including logistics costs) of each barrel of crude oil purchased. The Vitol Agreement has an initial term commencing August 31, 2012 and extending through December 31, 2014 (the “Initial Term”). Following the Initial Term, the Vitol Agreement will automatically renew for successive one-year terms (each such term, a “Renewal Term”) unless either party provides the other with notice of nonrenewal at least 180 days prior to expiration of the Initial Term or any Renewal Term.

Notwithstanding the foregoing, CRRM has an option to terminate the Vitol Agreement effective December 31, 2013 by providing written notice of termination to Vitol on or before May 1, 2013.

Litigation

From time to time, CVR is involved in various lawsuits arising in the normal course of business, including matters such as those described below under, "Environmental, Health and Safety ("EHS") Matters." Liabilities related to such litigation are recognized when the related costs are probable and can be reasonably estimated. These provisions are reviewed at least

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quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. It is possible that CVR's management estimates of the outcomes will change within the next year due to uncertainties inherent in litigation and settlement negotiations. In the opinion of CVR management, the ultimate resolution of any other litigation matters is not expected to have a material adverse effect on the consolidated financial statements. There can be no assurance that CVR management's beliefs or opinions with respect to liability for potential litigation matters are accurate.

Samson Resources Company, Samson Lone Star, LLC and Samson Contour Energy E&P, LLC (together, "Samson") filed fifteen lawsuits in federal and state courts in Oklahoma and two lawsuits in state courts in New Mexico against CRRM and other defendants between March 2009 and July 2009. In addition, in May 2010, separate groups of plaintiffs (the "Anstine and Arrow cases") filed two lawsuits against CRRM and other defendants in state court in Oklahoma and Kansas. All of the lawsuits filed in state court were removed to federal court. All of the lawsuits (except for the New Mexico suits, which remained in federal court in New Mexico) were then transferred to the Bankruptcy Court for the United States District Court for the District of Delaware, where the Sem Group bankruptcy resides. In March 2011, CRRM was dismissed without prejudice from the New Mexico suits. All of the lawsuits allege that Samson or other respective plaintiffs sold crude oil to a group of companies, which generally are known as SemCrude or SemGroup (collectively, "Sem"), which later declared bankruptcy and that Sem has not paid such plaintiffs for all of the crude oil purchased from Sem. The Samson lawsuits further allege that Sem sold some of the crude oil purchased from Samson to J. Aron & Company ("J. Aron") and that J. Aron sold some of this crude oil to CRRM. All of the lawsuits seek the same remedy, the imposition of a trust, an accounting and the return of crude oil or the proceeds therefrom. The amount of the plaintiffs' alleged claims is unknown since the price and amount of crude oil sold by the plaintiffs and eventually received by CRRM through Sem and J. Aron, if any, is unknown. CRRM timely paid for all crude oil purchased from J. Aron. On January 26, 2011, CRRM and J. Aron entered into an agreement whereby J. Aron agreed to indemnify and defend CRRM from any damage, out-of-pocket expense or loss in connection with any crude oil involved in the lawsuits which CRRM purchased through J. Aron, and J. Aron agreed to reimburse CRRM's prior attorney fees and out-of-pocket expenses in connection with the lawsuits. Samson and CRRM entered a stipulation of dismissal with respect to all of the Samson cases and the Samson cases were dismissed with prejudice on February 8, 2012. The dismissal does not pertain to the Anstine and Arrow cases.

On June 21, 2012, Goldman, Sachs & Co. (“GS”) filed suit against CVR in state court in New York, alleging that CVR failed to pay GS approximately $18.5 million in fees allegedly due to GS by CVR pursuant to an engagement letter dated March 21, 2012, which according to the allegations set forth in the complaint, provided that GS was engaged by CVR to assist CVR and the CVR board of directors in connection with a tender offer for CVR's common stock made by Carl C. Icahn and certain of his affiliates. CVR believes it has meritorious defenses and intends to vigorously defend against the suit. This amount has been fully accrued as of September 30, 2012.

On August 10, 2012, Deutsche Bank (“DB”) filed suit against CVR in state court in New York, alleging that CVR failed to pay DB $18.5 million in fees allegedly due to DB by CVR pursuant to an engagement letter dated March 23, 2012, which according to the allegations set forth in the complaint, provided that DB was engaged by CVR to assist CVR and the CVR board of directors in connection with a tender offer for CVR's stock made by Carl C. Icahn and certain of his affiliates. CVR believes it has meritorious defenses and intends to vigorously defend against the suit. This amount has been fully accrued as of September 30, 2012.

CRNF received a ten-year property tax abatement from Montgomery County, Kansas in connection with the construction of the nitrogen fertilizer plant that expired on December 31, 2007. In connection with the expiration of the abatement, the county reassessed CRNF's nitrogen fertilizer plant and classified the nitrogen fertilizer plant as almost entirely real property instead of almost entirely personal property. The reassessment resulted in an increase in CRNF's annual property tax expense by an average of $11 million per year for each of the years ended December 31,

2008 and 2009, $12 million for the year ended December 31, 2010 and $11 million for the year ended December 31, 2011. CRNF does not agree with the county's classification of its nitrogen fertilizer plant and protested the classification and resulting valuation for each of those years to the Kansas Court of Tax Appeals, or COTA. However, CRNF has fully accrued and paid the property taxes the county claims are owed for the years ended December 31, 2011, 2010, 2009 and 2008 and has estimated and accrued for property tax for the first nine months of 2012. This property tax expense is included in cost of goods sold in our Energy segment's financial results. In February 2011, CRNF tried the 2008 case to COTA and in January 2012, COTA issued its decision holding that CRNF's fertilizer plant was almost entirely real property instead of almost entirely personal property was appropriate. CRNF disagreed with the ruling and filed a petition for reconsideration with COTA (which was denied) and has filed an appeal to the Kansas Court of Appeals. CRNF is also protesting the valuation of the CRNF fertilizer plant for tax years 2009 through 2012, which

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cases remain pending before COTA. If CRNF is successful in having the nitrogen fertilizer plant reclassified as personal property, in whole or in part, then a portion of the accrued and paid property tax expenses would be refunded to CRNF, which could have a material positive effect on our Energy segment's results of operations. If CRNF is not successful in having the nitrogen fertilizer plant reclassified as personal property, in whole or in part, then CRNF expects that it will continue to pay property taxes at elevated rates.

Flood, Crude Oil Discharge and Insurance

Crude oil was discharged from CVR's Coffeyville refinery on July 1, 2007, due to the short amount of time available to shut down and secure the refinery in preparation for the flood that occurred on June 30, 2007. In connection with the discharge, CVR received in May 2008 notices of claims from 16 private claimants under the Oil Pollution Act ("OPA") in an aggregate amount of approximately $4 million (plus punitive damages). In August 2008, those claimants filed suit against CVR in the United States District Court for the District of Kansas in Wichita (the "Angleton Case"). In October 2009 and June 2010, companion cases to the Angleton Case were filed in the United States District Court for the District of Kansas in Wichita, seeking a total of approximately $3 million (plus punitive damages) for three additional plaintiffs as a result of the July 1, 2007 crude oil discharge. CVR has settled all of the claims with the plaintiffs from the Angleton Case and has settled all of the claims except for one of the plaintiffs from the companion cases. CVR believes that the resolution of the remaining claim will not have a material adverse effect on our Energy segment's financial results.

As a result of the crude oil discharge that occurred on July 1, 2007, CVR entered into an administrative order on consent (the "Consent Order") with the U.S. Environmental Protection Agency (the "EPA") on July 10, 2007. As set forth in the Consent Order, the EPA concluded that the discharge of crude oil from CVR's Coffeyville refinery caused an imminent and substantial threat to the public health and welfare. Pursuant to the Consent Order, CVR agreed to perform specified remedial actions to respond to the discharge of crude oil from CVR's refinery. The substantial majority of all required remedial actions were completed by January 31, 2009. CVR prepared and provided its final report to the EPA in January 2011 to satisfy the final requirement of the Consent Order. In April 2011, the EPA provided CVR with a notice of completion indicating that CVR has no continuing obligations under the Consent Order, while reserving its rights to recover oversight costs and penalties.

On October 25, 2010, CVR received a letter from the United States Coast Guard on behalf of the EPA seeking $2 million in oversight cost reimbursement. CVR responded by asserting defenses to the Coast Guard's claim for oversight costs. On September 23, 2011, the United States Department of Justice ("DOJ"), acting on behalf of the EPA and the United States Coast Guard, filed suit against CRRM in the United States District Court for the District of Kansas seeking (i) recovery from CRRM of the EPA's oversight costs under the OPA, (ii) a civil penalty under the Clean Water Act (as amended by the OPA) and (iii) recovery from CRRM related to alleged non-compliance with the Clean Air Act's Risk Management Program ("RMP"). (See "Environmental, Health and Safety ("EHS") Matters" below.) CVR has reached an agreement in principle with the DOJ to resolve the DOJ's claims. CVR anticipates that civil penalties associated with the proceeding will exceed $100,000; however, CVR does not anticipate that civil penalties or any other costs associated with the proceeding will be material. The lawsuit is stayed while the consent decree is finalized.

CVR is seeking insurance coverage for this release and for the ultimate costs for remediation and third-party property damage claims. On July 10, 2008, CVR filed a lawsuit in the United States District Court for the District of Kansas against certain of CVR's environmental insurance carriers requesting insurance coverage indemnification for the June/July 2007 flood and crude oil discharge losses. Each insurer reserved its rights under various policy exclusions and limitations and cited potential coverage defenses. Although the Court has now issued summary judgment opinions that eliminate the majority of the insurance defendants' reservations and defenses, CVR cannot be certain of the ultimate amount or timing of such recovery because of the difficulty inherent in projecting the ultimate resolution of

CVR's claims. CVR has received $25 million of insurance proceeds under its primary environmental liability insurance policy which constitutes full payment to CVR of the primary pollution liability policy limit.

The lawsuit with the insurance carriers under the environmental policies remains the only unsettled lawsuit with the insurance carriers related to these events.

Environmental, Health and Safety ("EHS") Matters

CRRM, Coffeyville Resources Crude Transportation, LLC ("CRCT"), Coffeyville Resources Terminal, LLC ("CRT"), and Wynnewood Refining Company, LLC ("WRC"), all of which are wholly owned subsidiaries of CVR, and CRNF are subject to various stringent federal, state, and local EHS rules and regulations. Liabilities related to EHS matters are recognized when the related costs are probable and can be reasonably estimated. Estimates of these costs are based upon currently available facts,

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existing technology, site-specific costs, and currently enacted laws and regulations. In reporting EHS liabilities, no offset is made for potential recoveries.

CRRM, CRNF, CRCT, WRC and CRT own and/or operate manufacturing and ancillary operations at various locations directly related to petroleum refining and distribution and nitrogen fertilizer manufacturing. Therefore, CRRM, CRNF, CRCT, WRC and CRT have exposure to potential EHS liabilities related to past and present EHS conditions at these locations. Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the Resource Conservation and Recovery Act (“RCRA”), and related state laws, certain persons may be liable for the release or threatened release of hazardous substances. These persons include the current owner or operator of property where a release or threatened release occurred, any persons who owned or operated the property when the release occurred, and any persons who disposed of, or arranged for the transportation or disposal of, hazardous substances at a contaminated property. Liability under CERCLA is strict, and under certain circumstances, joint and several, so that any responsible party may be held liable for the entire cost of investigating and remediating the release of hazardous substances. Similarly, the OPA generally subjects owners and operators of facilities to strict, joint and several liability for all containment and cleanup costs, natural resource damages, and potential governmental oversight costs arising from oil spills into the waters of the United States.

CRRM and CRT have agreed to perform corrective actions at the Coffeyville, Kansas refinery and the now-closed Phillipsburg, Kansas terminal facility, pursuant to Administrative Orders on Consent issued under RCRA to address historical contamination by the prior owners (RCRA Docket No. VII-94-H-0020 and Docket No. VII-95-H-011, respectively). As of September 30, 2012, environmental accruals of $2 million were reflected in the consolidated balance sheets for probable and estimated costs for remediation of environmental contamination under the RCRA Administrative Orders. CVR's accruals were determined based on an estimate of payment costs through 2031, for which the scope of remediation was arranged with the EPA, and were discounted at the appropriate risk free rates at September 30, 2012. The accruals include estimated closure and post-closure costs of $1 million for the two landfills at September 30, 2012.

CVR's management periodically reviews and, as appropriate, revises its environmental accruals. Based on current information and regulatory requirements, CVR's management believes that the accruals established for environmental expenditures are adequate.

CRRM, CRNF, CRCT, WRC and CRT are subject to extensive and frequently changing federal, state and local, environmental and health and safety laws and regulations governing the emission and release of hazardous substances into the environment, the treatment and discharge of waste water, the storage, handling, use and transportation of petroleum and nitrogen products, and the characteristics and composition of gasoline and diesel fuels. The ultimate impact on CVR's business of complying with evolving laws and regulations is not always clearly known or determinable due in part to the fact that our operations may change over time and certain implementing regulations for laws, such as the federal Clean Air Act, have not yet been finalized, are under governmental or judicial review or are being revised. These laws and regulations could result in increased capital, operating and compliance costs.

In 2007, the EPA promulgated the Mobile Source Air Toxic II (“MSAT II”) rule that requires the reduction of benzene in gasoline by 2011. CRRM and WRC are considered to be small refiners under the MSAT II rule and compliance with the rule is extended until 2015 for small refiners. As a result of our purchase of a controlling interest in CVR on May 4, 2012, CVR's MSATII projects have been accelerated by three months due to the loss of small refiner status. Capital expenditures to comply with the rule are expected to be approximately $45 million for CRRM and $49 million for WRC.

CRRM's refinery is subject to the Renewable Fuel Standard ("RFS") which requires refiners to blend "renewable fuels" in with their transportation fuels or purchase renewable energy credits in lieu of blending. The EPA is required to determine and publish the applicable annual renewable fuel percentage standards for each compliance year by

November 30 for the forthcoming year. The percentage standards represent the ratio of renewable fuel volume to gasoline and diesel volume. In 2012, about 9% of all fuel used was required to be "renewable fuel." The EPA has not yet proposed renewable fuel percentage standards for 2013. Due to mandates in the RFS requiring increasing volumes of renewable fuels to replace petroleum products in the U.S. motor fuel market, there may be a decrease in demand for petroleum products. In addition, CRRM may be impacted by increased capital expenses and production costs to accommodate mandated renewable fuel volumes to the extent that these increased costs cannot be passed on to the consumers. CRRM's small refiner status under the original RFS expired on December 31, 2010. Beginning on January 1, 2011, CRRM was required to blend renewable fuels into its gasoline and diesel fuel or purchase renewable energy credits, known as Renewable Identification Numbers ("RINs") in lieu of blending. To achieve compliance with the renewable fuel standard for the remainder of 2012, CRRM is able to blend a small amount of ethanol into gasoline sold at its refinery loading rack, but otherwise will have to purchase RINs to comply with the rule. CRRM

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requested "hardship relief" (an extension of the compliance deadline) from the EPA based on the disproportionate economic impact of the rule on CRRM, but the EPA denied CRRM's request on February 17, 2012. CRRM may appeal the denial of its hardship petition.

WRC's refinery is a small refinery under the RFS and has received a two-year extension of time to comply. Therefore, WRC will have to begin complying with the RFS beginning in 2013 unless a further extension is requested and granted.

The EPA is expected to propose "Tier 3" gasoline sulfur standards in 2012. If the EPA were to propose a standard at the level recently being discussed in the pre-proposal phase by the EPA, CRRM will need to make modifications to its equipment in order to meet the anticipated new standard. It is not anticipated that the Wynnewood refinery would require additional capital to meet the anticipated new standard. CVR does not believe that costs associated with the EPA's proposed Tier 3 rule will be material.

In March 2004, CRRM and CRT entered into a Consent Decree (the "2004 Consent Decree") with the EPA and the Kansas Department of Health and Environment (the "KDHE") to resolve air compliance concerns raised by the EPA and KDHE related to Farmland Industries Inc.'s prior ownership and operation of the Coffeyville crude oil refinery and the now-closed Phillipsburg terminal facilities. Under the 2004 Consent Decree, CRRM agreed to install controls to reduce emissions of sulfur dioxide, nitrogen oxides and particulate matter from its FCCU by January 1, 2011. In addition, pursuant to the 2004 Consent Decree, CRRM and CRT assumed cleanup obligations at the Coffeyville refinery and the now-closed Phillipsburg terminal facilities.

In March 2012, CRRM entered into a "Second Consent Decree" with the EPA, which replaces the 2004 Consent Decree (other than the RCRA provisions) and the First Material Modification. The Second Consent Decree gives CRRM more time to install the FCCU controls from the 2004 Consent Decree and expands the scope of the settlement so that it is now considered a "global settlement" under the EPA's "National Petroleum Refining Initiative." Under the National Petroleum Refining Initiative, the EPA identified industry-wide noncompliance with four "marquee" issues under the Clean Air Act: New Source Review, Flaring, Leak Detection and Repair, and Benzene Waste Operations NESHAP. The National Petroleum Refining Initiative has resulted in most U.S. refineries (representing more than 90% of the US refining capacity) entering into consent decrees imposing civil penalties and requiring the installation of pollution control equipment and enhanced operating procedures. Under the Second Consent Decree, CVR will be required to pay a civil penalty of less than $1 million and complete the installation of FCCU controls required under the 2004 Consent Decree, the remaining costs of which are expected to be approximately $49 million, of which approximately $47 million is expected to be capital expenditures and complete a voluntary environmental project that will reduce air emissions and conserve water at an estimated cost of $1 million. The incremental capital expenditures associated with the Second Consent Decree will not be material and will be limited primarily to the retrofit and replacement of heaters and boilers over a five to seven year time-frame. The Second Consent Decree was entered by the U.S. District Court for the District of Kansas on April 19, 2012.

WRC's refinery has not entered into a global settlement with the EPA and the Oklahoma Department of Environmental Quality (the "ODEQ") under the National Petroleum Refining Initiative, although it had discussions with the EPA and the ODEQ about doing so. Instead, WRC entered into a Consent Order with the ODEQ in August 2011 (the "Wynnewood Consent Order"). The Wynnewood Consent Order addresses some, but not all, of the traditional marquee issues under the National Petroleum Refining Initiative and addresses certain historic Clean Air Act compliance issues that are generally beyond the scope of a traditional global settlement. Under the Wynnewood Consent Order, WRC paid a civil penalty of $950,000, and agreed to install certain controls, enhance certain compliance programs, and undertake additional testing and auditing. The costs of complying with the Wynnewood Consent Order, other than costs associated with a planned turnaround, are not expected to be material. In consideration for entering into the Wynnewood Consent Order, WRC received a release from liability from ODEQ for

matters described in the ODEQ order. The EPA may later request that WRC enter into a global settlement which, if WRC agreed to do so, would necessitate the payment of a civil penalty and the installation of additional controls.

On February 24, 2010, CRRM received a letter from the DOJ on behalf of the EPA seeking an approximately $1 million civil penalty related to alleged late and incomplete reporting of air releases in violation of CERCLA and the Emergency Planning and Community Right-to-Know Act ("EPCRA"). CVR has reached an agreement with EPA to resolve these claims. The resolution was included in the Second Consent Decree described above pursuant to which CVR has agreed to pay an immaterial civil penalty.

The EPA has investigated CRRM's operation for compliance with the Clean Air Act's RMP. On September 23, 2011, the

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DOJ, acting on behalf of the EPA and the United States Coast Guard, filed suit against CRRM in the United States District Court for the District of Kansas (in addition to the matters described above, see "Flood, Crude Oil Discharge and Insurance") seeking recovery from CRRM related to alleged non-compliance with the RMP. CVR has reached an agreement to settle the claims. Civil penalties associated with the proceeding will exceed $100,000; however, CVR does not anticipate that civil penalties or any other costs associated with the settlement will be material. The lawsuit is stayed while the parties attempt to finalize and file the consent decree.
From time to time, the EPA has conducted inspections and issued information requests to CRNF with respect to CVR's compliance with the RMP and the release reporting requirements under CERCLA and the EPCRA. These previous investigations have resulted in the issuance of preliminary findings regarding CRNF's compliance status. In the fourth quarter of 2010, following CRNF's reported release of ammonia from its cooling water system and the rupture of its UAN vessel (which released ammonia and other regulated substances), the EPA conducted its most recent inspection and issued an additional request for information to CRNF. The EPA has not made any formal claims against CVR and CVR has not accrued for any liability associated with the investigations or releases.
WRC has entered into a series of Clean Water Act consent orders with ODEQ. The latest Consent Order (the "CWA Consent Order"), which supersedes other consent orders, became effective in September 2011. The CWA Consent Order addresses alleged noncompliance by WRC with its Oklahoma Pollutant Discharge Elimination System permit limits. The CWA Consent Order requires WRC to take corrective action steps, including undertaking studies to determine whether the Wynnewood refinery's wastewater treatment plant capacity is sufficient. The Wynnewood refinery may need to install additional controls or make operational changes to satisfy the requirements of the CWA Consent Order. The cost of additional controls, if any, cannot be predicted at this time. However, based on our experience with wastewater treatment and controls, we do not believe that the costs of the potential corrective actions would be material.
Environmental expenditures are capitalized when such expenditures are expected to result in future economic benefits. For the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012, capital expenditures were $8 million and $12 million, respectively, and were incurred to improve the environmental compliance and efficiency of the operations.
CRRM, CRNF, CRCT, WRC and CRT each believes it is in substantial compliance with existing EHS rules and regulations. There can be no assurance that the EHS matters described above or other EHS matters which may develop in the future will not have a material adverse effect on CVR's business, financial condition, or results of operations.

On September 28, 2012, the Wynnewood refinery experienced an explosion in a boiler unit that had been temporarily shut down as part of the turnaround process. Two employees were fatally injured. Damage at the refinery was limited to the boiler; process and other areas of the facility were unaffected. Additionally, there has been no evidence of environmental impact. The refinery was shut down for turnaround maintenance at the time of the incident. CVR immediately launched an internal investigation of the incident and continues to cooperate with U.S. Occupational Health and Safety Administration (“OSHA”) and Oklahoma Department of Labor (“ODL”) investigations.
Gaming
Aztar v. Marsh
Aztar filed a broker malpractice and breach of contract action in the Superior Court of New Jersey, Atlantic County, Law Division (the “Court”) on August 12, 2010, against Marsh & McLennan Companies, Marsh, Inc., Marsh USA, Inc. and various fictitious Marsh entities (together, the "Marsh Defendants"). The claim seeks $100 million or more in compensatory damages against the Marsh Defendants, Aztar's risk management and insurance brokers at the time of a 2002 expansion of Tropicana AC by Aztar, including, but not limited to, lost profits, expenses arising from the

interruption of operations, attorneys' fees, loss of the use of the insurance proceeds at issue, and litigation expenses resulting from the Marsh Defendants' failure to secure for Aztar business interruption and property damage coverage covering losses sustained by Aztar from the collapse of a parking garage that occurred at Tropicana AC on October 30, 2003.

The Marsh Defendants filed an answer on October 20, 2010 denying the material allegations of the complaint and subsequently filed a Motion to Dismiss for Forum Non Conveniens in December 2010, which motion was denied by the Court on April 12, 2011. On August 18, 2011 the Marsh Defendants filed a Motion for Summary Judgment arguing that the Court should apply the Arizona Statue of Limitations to the action. Aztar filed an objection to the Marsh Defendants' motion on September 23, 2011 arguing, inter alia, that the New Jersey Statute of Limitations applies to the action. The Marsh Defendants

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filed its Reply on October 3, 2011. The motion was argued in January 2012. In April 2012, the Court granted the Marsh Defendants' motion for Summary Judgment dismissing Aztar's complaint with prejudice. Subsequently, Aztar filed a Motion for Reconsideration with the Court, which motion was denied. In September 2012, Aztar appealed the Court's decision to dismiss the case with the Superior Court of New Jersey, Appellate Division, which appeal is currently pending. Any recovery obtained by Aztar in this action will be recoverable by Tropicana as the current owner of Tropicana AC.

Railcar

Environmental Matters

ARI is subject to comprehensive federal, state, local and international environmental laws and regulations relating to the release or discharge of materials into the environment, the management, use, processing, handling, storage, transport or disposal of hazardous materials and wastes, or otherwise relating to the protection of human health and the environment. These laws and regulations not only expose ARI to liability for the environmental condition of its current or formerly owned or operated facilities, and its own negligent acts, but also may expose ARI to liability for the conduct of others or for ARI's actions that were in compliance with all applicable laws at the time these actions were taken. In addition, these laws may require significant expenditures to achieve compliance, and are frequently modified or revised to impose new obligations. Civil and criminal fines and penalties and other sanctions may be imposed for non-compliance with these environmental laws and regulations. ARI's operations that involve hazardous materials also raise potential risks of liability under common law. Management believes that there are no current environmental issues identified that would have a material adverse effect on ARI. Certain real property ARI acquired from ACF Industries LLC ("ACF") in 1994 has been involved in investigation and remediation activities to address contamination. Substantially all of the issues identified relate to the use of this property prior to its transfer to ARI by ACF and for which ACF has retained liability for environmental contamination that may have existed at the time of transfer to ARI. ACF has also agreed to indemnify ARI for any cost that might be incurred with those existing issues. As of September 30, 2012, ARI does not believe it will incur material costs in connection with any investigation or remediation activities relating to these properties, but it cannot assure that this will be the case. If ACF fails to honor its obligations to ARI, ARI could be responsible for the cost of such remediation. ARI believes that its operations and facilities are in substantial compliance with applicable laws and regulations and that any noncompliance is not likely to have a material adverse effect on its operations or financial condition.

Other Matters

One of ARI's joint ventures entered into a credit agreement in December 2007. Effective August 5, 2009, ARI and the other initial partner acquired this loan from the lenders party thereto, with each party acquiring a 50% interest in the loan. The total commitment under the term loan is $60 million with an additional $10 million commitment under the revolving loan. ARI is responsible to fund 50% of the loan commitments. The balance outstanding on these loans, due to ARI, was $36 million of principal and accrued interest as of September 30, 2012. ARI's share of the remaining commitment on these loans was $3 million as of September 30, 2012.

On September 2, 2009, a complaint was filed by George Tedder (the "Plaintiff") against ARI in the U.S. District Court, Eastern District of Arkansas. The Plaintiff alleged that ARI was liable for an injury that resulted during the Plaintiff's break on April 24, 2008. At trial on April 9, 2012, the jury ruled in favor of the Plaintiff, thus ARI recorded a related charge that was included in the consolidated financial results in the first quarter of 2012. ARI intends to appeal this decision.

Metals

Environmental Matters

Certain of PSC Metals' facilities are environmentally impaired in part as a result of operating practices at the sites prior to their acquisition by PSC Metals and as a result of PSC Metals' operations. PSC Metals has established

procedures to periodically evaluate these sites, giving consideration to the nature and extent of the contamination. PSC Metals has provided for the remediation of these sites based upon management's judgment and prior experience. PSC Metals has estimated the liability to remediate these sites to be $29 million and $30 million at September 30, 2012 and December 31, 2011, respectively. Management believes, based on past experience, that the vast majority of these environmental liabilities and costs will be assessed and paid over an extended period of time. PSC Metals believes that it will be able to fund such costs in the ordinary course of business.

Estimates of PSC Metals' liability for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions that are inherently difficult to make, and the ultimate outcome may be materially different

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from current estimates. Moreover, because PSC Metals has disposed of waste materials at numerous third-party disposal facilities, it is possible that PSC Metals will be identified as a PRP at additional sites. The impact of such future events cannot be estimated at the current time.

PSC Metals has been designated as a PRP under U.S. federal and state superfund laws with respect to certain sites with which PSC Metals may have had a direct or indirect involvement. It is alleged that PSC Metals and its subsidiaries or their predecessors transported waste to the sites, disposed of waste at the sites or operated the sites in question. PSC Metals has negotiated a settlement with the EPA that resolves PSC Metals and its predecessors' liability associated with the Port Refinery superfund site in the Village of Rye Brook, NY. PSC Metals made a one-time payment of $225,000 to resolve the matter. With respect to all other matters in which PSC Metals has been designated as a PRP under U.S. federal and state superfund laws, PSC Metals has reviewed the nature and extent of the allegations, the number, connection and financial ability of other named and unnamed PRPs and the nature and estimated cost of the likely remedy. Based on reviewing the nature and extent of the allegations, PSC Metals has estimated its liability to remediate these sites to be immaterial at each of September 30, 2012 and December 31, 2011. If it is determined that PSC Metals has liability to remediate those sites and that more expensive remediation approaches are required in the future, PSC Metals could incur additional obligations, which could be material.

In November and December of 2011, PSC Metals received three notices of violation from the Missouri Department of Natural Resources, or MDNR, for hazardous waste and water violations related to its Festus, Missouri location. PSC Metals has responded to the notices of violation and is cooperating with MDNR. PSC Metals is in the beginning stages of negotiating a settlement with MDNR that will resolve the three notices of violation referenced above. PSC Metals cannot estimate the cost of any settlement with MDNR at this time. PSC Metals believes that it has a claim for indemnification against the prior owner of the facility associated with the above-referenced notices of violation.

MDNR has recently undertaken sampling for lead at residences near PSC Metals' Festus yard. MDNR has indicated to PSC Metals that this sampling was initiated in response to citizen complaints regarding its Festus yard. MDNR has received the results of this sampling. PSC Metals recently was provided with the MDNR sampling results and is undertaking a technical review with its environmental experts. PSC Metals has been informed by MDNR that of the approximately 50 residences that were sampled and tested, 11 tested above residential standards for lead contamination. Neither MDNR nor PSC Metals has undertaken a lead isotope or similar analysis that would tie the lead contamination that was discovered to a specific location or source. MDNR has requested that PSC Metals sample 19 additional residential properties to access whether those sites are above residential standards for lead contamination. PSC Metals and MDNR are discussing the scope and extent of any future sampling. At this time, PSC Metals believes that it has adequately reserved for the cost of remediation associated with its Festus yard and the residential areas near the yard, should such remediation be required. However, as negotiations with MDNR are on-going and additional sampling could be required, PSC Metals cannot assess its liability with certainty at this time. To the extent that MDNR does seek to hold PSC Metals liable for off-site contamination, PSC Metals believes that such liability was retained by the prior owner of the Festus yard and it would have a claim for indemnification against the prior owner.

In 2011, PSC Metals entered into a consent decree with the EPA regarding PSC Metals' scrap processing facility located in Cleveland, Ohio. The EPA alleged that PSC Metals violated the requirements of Section 608 of the Clean Air Act, 42 USC Section 761, which requires scrap processors to either recover refrigerants from appliances in accordance with the procedures described in the applicable federal regulations or verify through certifications that refrigerants have previously been evacuated. The consent decree includes injunctive relief that, among other things, will require PSC Metals to offer refrigerant extraction services at 11 of its scrap processing facilities for the next four years. PSC Metals estimates that the cost associated with the required injunctive relief will range from $0.8 million to $1.7 million, exclusive of a civil penalty of $199,000 assessed in connection with the consent decree which PSC

Metals paid in 2011.

Home Fashion

Environmental Matters

WPH is subject to various federal, state and local environmental laws and regulations governing, among other things, the discharge, storage, handling and disposal of a variety of hazardous and nonhazardous substances and wastes used in or resulting from its operations and potential remediation obligations. WPH's operations are also governed by U.S. federal, state, local and foreign laws, rules and regulations relating to employee safety and health which, among other things, establish exposure limitation for cotton dust, formaldehyde, asbestos and noise, and which regulate chemical, physical and ergonomic hazards in the workplace. WPH estimated its environmental accruals to be $1 million at both September 30, 2012 and December 31, 2011.

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Other Matters

Mr. Icahn, through certain affiliates, owns 100% of Icahn Enterprises GP and approximately 93.3% of our outstanding depositary units as of September 30, 2012 and 92.6% as of December 31, 2011. Applicable pension and tax laws make each member of a "controlled group" of entities, generally defined as entities in which there is at least an 80% common ownership interest, jointly and severally liable for certain pension plan obligations of any member of the controlled group. These pension obligations include ongoing contributions to fund the plan, as well as liability for any unfunded liabilities that may exist at the time the plan is terminated. In addition, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation ("PBGC") against the assets of each member of the controlled group.

As a result of the more than 80% ownership interest in us by Mr. Icahn's affiliates, we and our subsidiaries are subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF, is the sponsor of several pension plans. All the minimum funding requirements of the Code and the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, for these plans have been met as of September 30, 2012 and December 31, 2011. If the plans were voluntarily terminated, they would be underfunded by approximately $71 million and $112 million as of September 30, 2012 and December 31, 2011, respectively. These results are based on the most recent information provided by the plans' actuaries. These liabilities could increase or decrease, depending on a number of factors, including future changes in benefits, investment returns, and the assumptions used to calculate the liability. As members of the controlled group, we would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the ACF pension plans. In addition, other entities now or in the future within the controlled group in which we are included may have pension plan obligations that are, or may become, underfunded and we would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon termination of such plans.

The current underfunded status of the ACF pension plans requires ACF to notify the PBGC of certain "reportable events," such as if we cease to be a member of the ACF controlled group, or if we make certain extraordinary dividends or stock redemptions. The obligation to report could cause us to seek to delay or reconsider the occurrence of such reportable events.

Starfire Holding Corporation ("Starfire") which is 100% owned by Mr. Icahn, has undertaken to indemnify us and our subsidiaries from losses resulting from any imposition of certain pension funding or termination liabilities that may be imposed on us and our subsidiaries or our assets as a result of being a member of the Icahn controlled group. The Starfire indemnity (which does not extend to pension liabilities of our subsidiaries that would be imposed on us as a result of our interest in these subsidiaries and not as a result of Mr. Icahn and his affiliates holding more than an 80% ownership interest in us) provides, among other things, that so long as such contingent liabilities exist and could be imposed on us, Starfire will not make any distributions to its stockholders that would reduce its net worth to below $250 million. Nonetheless, Starfire may not be able to fund its indemnification obligations to us.

20. Subsequent Events.

Distribution

On November 2, 2012, the board of directors declared a quarterly distribution of $0.35 per depositary unit, comprised of a combination of $0.10 payable in cash and $0.25 payable in depositary units. The distribution will be paid on November 30, 2012 to depositary unitholders of record at the close of business on November 15, 2012. We calculated the depositary units to be distributed based on the 20 trading-day volume weighted-average price of our depositary units ended on October 31, 2012, resulting in 0.005978 of a unit to be distributed per depositary unit. To the extent

that the aggregate units distributed to any holder include a fraction of a unit, that fractional unit will be settled in cash.
Energy
Formation and Initial Public Offering of CVR Refining, LP
During the third quarter of 2012, in contemplation of an initial public offering, CRLLC formed CVR Refining Holdings, LLC, which in turn formed CVR Refining GP, LLC. CVR Refining Holdings, LLC and CVR Refining GP, LLC formed the Refining Partnership which issued them a 100% limited partnership interest and a non-economic general partner interest,

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respectively. CVR Refining Holdings, LLC formed CVR Refining, LLC and CRLLC contributed its petroleum and logistics subsidiaries in October 2012, as well as its equity interests in Coffeyville Finance Inc., to CVR Refining, LLC in October 2012.
On October 1, 2012, the Refining Partnership filed a registration statement on Form S-1 to effect an initial public offering of its common units representing limited partner interests (the “Offering”). The number of common units to be sold in the Offering has not yet been determined. The Offering is subject to numerous conditions including, without limitation, market conditions, pricing, regulatory approvals, including clearance from the SEC, compliance with contractual obligations, and reaching agreements with the underwriters and lenders.
Upon consummation of the Offering, CVR will indirectly own the Refining Partnership's general partner and limited partnership interests in the form of common units. There can be no assurance that any such offering will be consummated on the terms described in the registration statement or at all. Following the Offering, the Refining Partnership will have two types of partnership interests outstanding:

- common units representing limited partner interests, a portion of which the Refining Partnership will have sold in the Offering; and
- a general partner interest, which is not entitled to any distributions, and which will be held by the Refining Partnership's general partner.

Following the Offering, the Refining Partnership expects to make quarterly cash distributions to unitholders. The board of directors of the general partner will adopt a policy, which it may change at any time, whereby distributions for each quarter will be in an amount equal to available cash generated in such quarter. Available cash will be determined by the board of directors of the general partner.
The general partner will manage and operate the Refining Partnership. Common unitholders will only have limited voting rights on matters affecting the Refining Partnership's business. Common unitholders will have no right to elect the general partner or its directors on an annual or other continuing basis.
Issuance of Second Lien Senior Secured Notes and Tender Offer
On October 23, 2012, Refining LLC and its wholly-owned subsidiary, Coffeyville Finance Inc. (the “CVR Issuers”), completed a private offering of $500 million in aggregate principal amount of 6.50% Second Lien Secured Notes due 2022 (the "2022 Notes"). The 2022 Notes were issued at par. Refining LLC received approximately $493 million of cash proceeds, net of the underwriting fees, but before deducting other third-party fees and expenses associated with the offering. The 2022 Notes are secured by substantially the same assets that secure the outstanding Second Lien Notes, subject to exceptions, until such time that the outstanding Second Lien Notes have been discharged in full. Approximately $348 million of the net proceeds from the offering was used to purchase approximately $323 million of the 9.0% First Lien Notes due April 1, 2015 pursuant to a tender offer and to settle accrued interest of approximately $2 million through October 23, 2012 and to pay related fees and expenses. A premium of approximately $23 million was incurred associated with the tender. The debt issuance costs of the 2022 Notes will be amortized over the term of the 2022 Notes as interest expense using the effective-interest amortization method. The 2022 Notes mature on November 1, 2022, unless earlier redeemed or repurchased by the Issuers. Interest is payable on the 2022 Notes semi-annually on May 1 and November 1 of each year, commencing on May 1, 2013.
CRLLC intends to use the remaining proceeds from the offering to either (1) purchase the remaining $124 million of existing First Lien Note, if any, tendered in the tender offer by November 5, 2012 or (2) redeem any remaining non-tendered First Lien Notes on November 23, 2012 pursuant to a notice of redemption issued on October 23, 2012. Any remaining proceeds will be used for general corporate purposes.

The 2022 Notes will be secured by substantially the same assets that secure the outstanding Second Lien Notes, subject to exceptions, until such time that the outstanding Second Lien Notes have been discharged in full.
The 2022 Notes are guaranteed by Refining LLC and its existing domestic subsidiaries. Prior to the redemption, repurchase or other discharge in full of the existing Second Lien Notes, the 2022 Notes will also be guaranteed by Coffeyville Resources. CVR and CVR Partners, LP and its subsidiary are not guarantors.

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The 2022 Notes mature on November 1, 2022. At any time prior to November 1, 2017 the CVR Issuers may redeem all or a portion of the 2022 Notes at the “make-whole” redemption price plus any accrued and unpaid interest. In addition, prior to November 1, 2015, the CVR Issuers at their option, may redeem up to 35% of the aggregate principal amount of the 2022 Notes at 106.5% of the principal amount with the net proceeds of a public or private equity offering. On or after November 1, 2017, the CVR Issuers may redeem all or a portion of the 2022 Notes at the redemption prices set forth below (expressed as percentages of principal amount), plus any accrued and unpaid interest, if any, redeemed during the twelve month period beginning November 1 of the years indicated below:

Year	Percentage
2017	103.250%
2018	102.167%
2019	101.083%
2020 and thereafter	100.000%

In the event of a “change of control” as defined in the indenture governing the 2002 Notes, the CVR Issuers are required to offer to buy back all of the 2022 Notes at 101% of their principal amount. A change of control is generally defined as (1) the direct or indirect sale or transfer (other than by a merger) of “all or substantially all of the assets of Refining LLC” to any person other than Qualifying Owners (as defined in the indenture), (2) liquidation or dissolution of Refining LLC, or (3) any person, other than a Qualifying Owner, directly or indirectly acquiring 50% of the voting stock of Refining LLC.

The indenture governing the 2022 Notes restricts the ability of Refining LLC and its restricted subsidiaries to: (i) incur additional debt or enter into sale and leaseback transactions; (ii) pay distributions on, or repurchase, equity interests; (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets. These covenants are subject to a number of important exceptions and qualifications. If at any time the 2022 Notes are rated investment grade by each of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and no Default (as defined in the indenture) has occurred and is continuing, many of these restrictive covenants will terminate. However, such covenants would be reinstituted if the 2022 Notes subsequently lost their investment grade rating. The indenture also includes customary events of default.

Wynnewood Refinery Major Scheduled Turnaround

The Wynnewood refinery began turnaround maintenance in the fourth quarter of 2012. CVR expects to incur approximately $100 million of expenses during 2012 related to the Wynnewood refinery's turnaround. The Wynnewood refinery has incurred approximately $13 million of turnaround costs for the period May 5, 2012 through September 30, 2012. It is anticipated that the downtime associated with the Wynnewood refinery turnaround will approximate 40 to 45 days and will significantly impact the revenue for the fourth quarter of 2012.

Nitrogen Fertilizer Major Scheduled Turnaround

The nitrogen fertilizer facility's previously scheduled major turnaround began on October 3, 2012. The turnaround was completed on October 22, 2012 with the gasification and ammonia units in operation on that date and the UAN unit in operation on October 25, 2012. Operating income is impacted negatively by both the expenses associated with the scheduled turnaround and the lost revenue the CVR LP would have generated had the nitrogen fertilizer plant not been shut down. Turnaround expenses are recognized as incurred as a component of direct operating expenses. As of September 30, 2012, less than $1 million of turnaround expenses had been incurred. It is estimated that approximately $5 million of expenses were incurred in October 2012 associated with the turnaround.

Gaming

Hurricane Sandy forced a city mandated five-day closure for all casinos in Atlantic City beginning on October 28, 2012. Although our Gaming segment does not believe that it incurred any significant damage to its Tropicana AC facility and reopened on November 2, 2012, an estimate of the amount of loss cannot currently be

made.

Tender Offer - Oshkosh Corporation

On October 17, 2012, IEP Vehicles Sub LLC, a Delaware limited liability company ("IEP Vehicles Sub") and Icahn Enterprises Holdings L.P., a Delaware limited partnership ("Icahn Enterprises Holdings", and together with IEP Vehicles Sub, the "Offeror"), filed a Schedule TO in connection with the offer by the Offeror to purchase for cash any and all of the issued

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and outstanding shares of common stock, par value $0.01 per share, of Oshkosh Corporation, a Wisconsin corporation ("Oshkosh"), at a price of $32.50 per share, without interest and less any required withholding taxes, if any (the "Offer"). Both IEP Vehicles Sub and Icahn Enterprises Holdings are co-bidders for all purposes in the Offer.

On October 26, 2012, the Oshkosh Board of Directors rejected the Offer and adopted a rights plan, or poison pill. In addition, on October 26, 2012, affiliates of the Offeror submitted a notice to Oshkosh of its intent to nominate a full slate of directors at Oshkosh's upcoming annual shareholder meeting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Icahn Enterprises L.P.
We have reviewed the accompanying consolidated balance sheet of Icahn Enterprises L.P and Subsidiaries (the "Partnership") (a Delaware limited partnership) as of September 30, 2012, and the related consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2012 and 2011, the consolidated statement of cash flows for the nine-month periods ended September 30, 2012 and 2011, and the consolidated statement of changes in equity for the nine-month period ended September 30, 2012. These consolidated interim financial statements are the responsibility of the Partnership's management.
We were furnished with the report of other accountants on their reviews of the consolidated interim financial statements of CVR Energy, Inc., a subsidiary, whose total assets as of September 30, 2012 were $3,652 million, and whose revenues for the three-month period ended September 30, 2012 and the period from May 5, 2012 to September 30, 2012, constituted $2,410 million and $3,882 million, respectively, of the related consolidated totals.
We were also furnished with the report of other accountants on their reviews of the consolidated interim financial statements of Federal-Mogul Corporation, a subsidiary, whose revenues for the three-month and nine-month periods ended September 30, 2011 constituted $1,734 million and $5,273 million, respectively, of the related consolidated totals.
We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
Based on our reviews and the report of other accountants, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.
We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Partnership as of December 31, 2011, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated March 9, 2012, we expressed an unqualified opinion on those consolidated financial statements. Our report made reference to the report of other auditors as it relates to amounts included for Federal-Mogul Corporation. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.
/s/Grant Thornton LLP
New York, New York
November 7, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Federal-Mogul Corporation
We have reviewed the consolidated statements of operations and consolidated statements of comprehensive (loss) income of Federal-Mogul Corporation for the three-month and nine-month periods ended September 30, 2011, and the consolidated statements of cash flows for the nine-month period ended September 30, 2011 (not presented herein). These financial statements are the responsibility of the Company's management.
We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.
We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Federal-Mogul Corporation as of December 31, 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein) and in our report dated February 28, 2012, we expressed an unqualified opinion on those consolidated financial statements. As described in Note 19 of the September 30, 2012 Form 10-Q of Federal-Mogul Corporation (not presented herein), Federal-Mogul Corporation changed the composition of reportable segments on a retrospective basis resulting in the revision of the disclosure of total assets by reporting segment for the year ended December 31, 2011. We have not audited and reported on the revised financial statements reflecting the change in composition of reportable segments.

/s/Ernst & Young LLP

Detroit, Michigan
October 27, 2011
except for the 2011 consolidated statements of comprehensive (loss) income and 2011 information presented in Note 19 of the financial statements included in the September 30, 2012 Form 10-Q of Federal-Mogul Corporation (not presented herein), as to which the date is
October 29, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
CVR Energy, Inc.:

We have reviewed the condensed consolidated balance sheet of CVR Energy, Inc. and subsidiaries (the Company) as of September 30, 2012, the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month period ended September 30, 2012 and for the period from May 5, 2012 to September 30, 2012, and changes in equity and cash flows for the period from May 5, 2012 to September 30, 2012. These condensed consolidated financial statements are the responsibility of the Company's management.
We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.
Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

/s/KPMG LLP

Houston, Texas
November 6, 2012

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
The following discussion is intended to assist you in understanding our present business and the results of operations together with our present financial condition. This section should be read in conjunction with our Consolidated Financial Statements and the accompanying notes contained in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, and in our Annual Report on Form 10-K for the year ended December 31, 2011, or our 2011 Form 10-K.
Overview
Introduction
Icahn Enterprises L.P., or Icahn Enterprises, is a master limited partnership formed in Delaware on February 17, 1987. We own a 99% limited partner interest in Icahn Enterprises Holdings L.P., or Icahn Enterprises Holdings. Icahn Enterprises Holdings and its subsidiaries own substantially all of our assets and liabilities and conduct substantially all of our operations. Icahn Enterprises G.P. Inc., or Icahn Enterprises GP, our sole general partner, which is owned and controlled by Mr. Icahn, owns a 1% general partner interest in both us and Icahn Enterprises Holdings, representing an aggregate 1.99% general partner interest in us and Icahn Enterprises Holdings. As of September 30, 2012, affiliates of Mr. Icahn owned 97,183,300 of our depositary units which represented approximately 93.3% of our outstanding depositary units.
We are a diversified holding company owning subsidiaries engaged in the following operating businesses: Investment, Automotive, Energy, Gaming, Railcar, Food Packaging, Metals, Real Estate and Home Fashion. In addition to our operating businesses, we discuss the Holding Company, which includes the unconsolidated results of Icahn Enterprises and Icahn Enterprises Holdings, and investment activity and expenses associated with the activities of the Holding Company.
Rights Offering
In connection with a certain rights offering consummated during the first quarter of the year ending December 31, 2012, we distributed an aggregate 13,590,238 additional depositary units to unitholders that subscribed to the basic subscription rights and the over-subscription rights and we received proceeds of $500 million. Of these additional depositary units distributed pursuant to the rights offering, Mr. Icahn and his affiliates received 12,995,584 additional depositary units.
See Note 14, "Net Income Per LP Unit-Rights Offering," to the consolidated financial statements for additional information regarding the rights offering.
Debt Offerings
On January 17, 2012, February 6, 2012 and July 12, 2012, we issued an aggregate $1,000 million principal amount of the 8% Senior Unsecured Notes due 2018 (such notes are collectively referred to as the “2012 Additional Notes”). The 2012 Additional Notes constitute the same series of securities as the 8% Senior Unsecured Notes due 2018 for purposes of the indenture governing the notes and will vote together on all matters with such series. The 2012 Additional Notes have substantially identical terms as the 8% Senior Unsecured Notes due 2018. (The 8% Senior Unsecured Notes due 2018 together with the Senior Unsecured Notes due 2016 are collectively referred to as the "Initial Notes".) See Note 11, "Debt," for further discussion.
On October 23, 2012, CVR Refining LLC (“Refining LLC”) and its wholly-owned subsidiary, Coffeyville Finance Inc., completed a private offering of $500 million in aggregate principal amount of 6.50% Second Lien Secured Notes due 2022 (the "2022 Notes"). Approximating $348 million of the net proceeds was used to fund a completed and settled tender offer resulting in the purchase of approximately $323 million of the 9.0% First Lien Notes due April 1, 2015 and to settle accrued interest of approximately $2 million through October 23, 2012 and to pay related fees and expenses. A premium of approximately $23 million was incurred associated with the tender. See Note 20, "Subsequent Events-Energy," for further discussion.
Formation and Initial Public Offering of CVR Refining, LP
During the third quarter of 2012, in contemplation of an initial public offering, Coffeyville Resources, LLC (or CRLLC) formed CVR Refining Holdings, LLC, which in turn formed CVR Refining GP, LLC. CVR Refining Holdings, LLC and CVR Refining GP, LLC formed CVR Refining, LP (the “Refining Partnership”) which issued them a 100% limited partnership interest and a non-economic general partner interest, respectively. CVR Refining Holdings, LLC formed CVR Refining, LLC and CRLLC contributed its petroleum and logistics subsidiaries in

October 2012, as well as its equity interests in Coffeyville Finance Inc., to CVR Refining, LLC.
On October 1, 2012, the Refining Partnership filed a registration statement on Form S-1 to effect an initial public offering of its common units representing limited partner interests (the “Offering”). The number of common units to be sold in the

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Offering has not yet been determined. The Offering is subject to numerous conditions including, without limitation, market conditions, pricing, regulatory approvals, including clearance from the SEC, compliance with contractual obligations, and reaching agreements with the underwriters and lenders. Note 20, "Subsequent Events-Energy," to the consolidated financial statements for additional information regarding this initial public offering.

Acquisition of CVR Energy, Inc.

On April 18, 2012, IEP Energy LLC, or IEP Energy, a majority owned subsidiary of Icahn Enterprise, and certain other affiliates of Icahn Enterprises (or collectively, the IEP Parties), entered into a Transaction Agreement (or the Transaction Agreement) with CVR, with respect to IEP Energy's tender offer (or the Offer) to purchase all of the issued and outstanding shares of CVR's common stock for a price of $30 per share in cash, without interest, less any applicable withholding taxes, plus one non-transferable contingent cash payment right for each share of CVR common stock (or the CCP), which represents the contractual right to receive an additional cash payment per share if a definitive agreement for the sale of CVR is executed on or prior to August 18, 2013 and such transaction closes.

The Offer expired on May 4, 2012. On May 7, 2012, we announced the results of the Offer. A total of 48,112,317 shares of CVR common stock were validly tendered for $30 per share plus a contingent value right. As all of the terms and conditions of the Offer had been satisfied, IEP Energy accepted for payment all of the tendered shares, which represented approximately 55% of the outstanding shares of CVR common stock. Following the purchase of these shares, the IEP Parties owned approximately 70% of the outstanding shares of CVR common stock. Subsequent to the expiration of the Offer on May 4, 2012, IEP Energy extended the Offer through May 18, 2012. As a result of the extension of the Offer and subsequent additional purchases of CVR common stock by IEP Energy, the IEP Parties increased their ownership in CVR. As of September 30, 2012, IEP Energy owned approximately 82.0% of total outstanding common stock of CVR.

On May 7, 2012, affiliates of Mr. Icahn contributed 4,566,546 shares of CVR common stock to IEP Energy with an aggregate value of $137 million, resulting in a 6.4% non-controlling interest in IEP Energy. Pursuant to a contribution and exchange agreement dated August 24, 2012, affiliates of Mr. Icahn contributed their their interest in IEP Energy to us for an aggregate consideration of 3,288,371 of our depositary units based on a 20 trading-day volume weighted average price of our depositary units. As a result of this transaction, we directly own 82.0% of the total outstanding common stock of CVR as of August 24, 2012. This transaction was approved by the Audit Committee of the board of directors of Icahn Enterprises GP. The Audit Committee was advised by independent counsel and an independent financial advisor which rendered a fairness opinion.

Tender Offer - Oshkosh Corporation

On October 17, 2012, IEP Vehicles Sub LLC, a Delaware limited liability company (“IEP Vehicles Sub”) and Icahn Enterprises Holdings L.P., a Delaware limited partnership (“Icahn Enterprises Holdings”, and together with IEP Vehicles Sub, the “Offeror”), filed a Schedule TO in connection with the offer by the Offeror to purchase for cash any and all of the issued and outstanding shares of common stock, par value $0.01 per share, of Oshkosh Corporation, a Wisconsin corporation (“Oshkosh”), at a price of $32.50 per share, without interest and less any required withholding taxes, if any (the “Offer”). Both IEP Vehicles Sub and Icahn Enterprises Holdings are co-bidders for all purposes in the Offer.

On October 26, 2012, the Oshkosh Board of Directors rejected the Offer and adopted a rights plan, or poison pill. In addition, on October 26, 2012, affiliates of the Offeror submitted a notice to Oshkosh of its intent to nominate a full slate of directors at Oshkosh's upcoming annual shareholder meeting.

Results of Operations

Consolidated Financial Results

The following tables summarize total revenues, net income (loss) and net income (loss) attributable to Icahn Enterprises for each of our reporting segments and our Holding Company for the three and nine months ended September 30, 2012, and 2011. Eliminations relate to the unrealized gains recorded by our Investment segment for its investment in Tropicana from the date of its acquisition of a controlling interest in Tropicana through the date that its investment in Tropicana was transferred to us. Refer to Note 3, "Operating Units," to the consolidated financial statements for further discussion.

	Revenues		Net Income (Loss)		Net Income (Loss) Attributable to Icahn Enterprises	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
	(in millions)					
Investment	$(62)	$(43)	$(69)	$(46)	$(27)	$(15)
Automotive	1,600	1,734	(10)	34	(8)	25
Energy[1]	2,241	—	213	—	167	—
Gaming	177	175	22	21	15	12
Railcar	150	125	12	4	6	2
Food Packaging	86	86	2	2	2	1
Metals	236	272	(5)	—	(5)	—
Real Estate	24	25	6	8	6	8
Home Fashion	54	80	(5)	(12)	(5)	(9)
Holding Company	(3)	(11)	(66)	(63)	(66)	(63)
Eliminations	—	—	—	—	—	—
	$4,503	$2,443	$100	$(52)	$85	$(39)

	Revenues		Net Income (Loss)		Net Income (Loss) Attributable to Icahn Enterprises	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011	2012	2011
	(in millions)					
Investment	$304	$1,159	$284	$1,126	$121	$527
Automotive	5,083	5,273	55	148	38	108
Energy[1]	3,651	—	292	—	228	—
Gaming	488	477	36	29	25	15
Railcar	488	319	37	(1)	20	(1)
Food Packaging	253	255	4	9	3	6
Metals	872	839	(21)	11	(21)	11
Real Estate	69	70	17	15	17	15
Home Fashion	176	263	(16)	(29)	(16)	(20)
Holding Company	8	22	(37)	(166)	(37)	(166)
Eliminations	—	(14)	—	(14)	—	(5)
	$11,392	$8,663	$651	$1,128	$378	$490

[1] We consolidated CVR effective May 4, 2012.

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Overview

Our operating businesses are managed on a decentralized basis. Due to the structure of our business, we discuss the results of operations below by individual reportable segments. Refer to Note 15, "Segment Reporting," to the consolidated financial statements for a reconciliation of each of our reporting segment's results of operations to our consolidated results.

Refer to Note 3, “Operating Units,” to the consolidated financial statements for a description of each of our reporting segments.

Investment

Icahn Onshore LP, or the Onshore GP, and Icahn Offshore LP (or the Offshore GP and, together with the Onshore GP, the General Partners) act as general partner of Icahn Partners LP, or the Onshore Fund, and the Offshore Master Funds (as defined herein), respectively. The General Partners do not provide such services to any other entities, individuals or accounts. Interests in the Investment Funds (as defined below) are not offered to outside investors. Interests in the Investment Funds had been previously offered only to certain sophisticated and qualified investors on the basis of exemptions from the registration requirements of the federal securities laws and were not (and still are not) publicly available. The “Offshore Master Funds” consist of (i) Icahn Partners Master Fund LP (or Master Fund I), (ii) Icahn Partners Master Fund II LP (or Master Fund II) and (iii) Icahn Partners Master Fund III LP (or Master Fund III). The Onshore Fund and the Offshore Master Funds are collectively referred to herein as the “Investment Funds.”

Mr. Icahn, along with his affiliates, makes investments in the Investment Funds. As of September 30, 2012 and December 31, 2011, the total fair market value of investments in the Investment Funds made by Mr. Icahn and his affiliates was approximately $3.5 billion and $3.2 billion, respectively.

Incentive Allocations and Special Profits Interest Allocations

Historically, our Investment segment's revenues were affected by the combination of fee-paying assets under management, or AUM, and the investment performance of the Investment Funds. The General Partners' incentive allocations and special profits interest allocations earned from the Investment Funds were accrued on a quarterly basis and were allocated to the General Partners at the end of the Investment Funds' fiscal year (or sooner on redemptions) assuming there were sufficient net profits to cover such amounts. As more fully disclosed in a letter to investors in the Investment Funds filed with the SEC on Form 8-K on March 7, 2011, the Investment Funds returned all fee-paying capital to their investors during 2011. Payments were funded through cash on hand and borrowings under existing credit lines. As a result, no further incentive allocations or special profits interest allocations will accrue for periods subsequent to March 31, 2011.

The General Partners waived the special profits interest allocations and incentive allocations for our interests in the Investment Funds and Mr. Icahn's direct and indirect holdings.

We consolidate certain entities within our Investment segment. As a result, in accordance with U.S. GAAP, any special profits interest allocations, incentive allocations and earnings on investments in the Investment Funds are eliminated in consolidation. These eliminations have no impact on our net income; however, our allocated share of the net income from the Investment Funds includes the amount of these allocations and earnings.

As a result of the return of fee-paying capital as described above, a special profits interest allocation of $9 million was allocated to the General Partners at March 31, 2011. No further special profits interest allocation accrued in periods subsequent to March 31, 2011.

As a result of the return of fee-paying capital as described above, an incentive allocation of $7 million was allocated to the General Partners at March 31, 2011. No further incentive allocation will accrue in periods subsequent to March 31, 2011.

Our Interests in the Investment Funds

As of September 30, 2012, we had investments with a fair market value of approximately $2.3 billion in the Investment Funds.

Our share of the Investment Funds' net income or loss through our interests in the Investment Funds, excluding incentive allocations and special profits interest allocations earned, was losses of $27 million and $15 million for the three months ended September 30, 2012 and 2011, respectively, and gains of $121 million and $516 million for the nine months ended September 30, 2012 and 2011, respectively.

Results of operations for our Investment segment for the three and nine months ended September 30, 2012 and 2011, prior to eliminations relating to its investment in Tropicana, are presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Net (loss) gain from investment activities	$(81)	$(40)	$249	$1,151
Interest and dividend income	19	20	56	80
	(62)	(20)	305	1,231
Selling, general and administrative	7	1	18	22
(Loss) income before other income, net, interest expense and income taxes	$(69)	$(21)	$287	$1,209

Returns

The following table sets forth performance information for the Investment Funds for the comparative periods presented. These returns represent a weighted-average composite of the average returns, net of expenses for the Investment Funds.

	Returns[1]			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Investment Funds	-1.2 %	-0.9 %	5.0 %	19.8 %

[1] Returns for the three and nine months ended September 30, 2011 were gross of special profits interest allocations and incentive allocations, but net of expenses for the Investment Funds.

During the three months ended September 30, 2012, losses were primarily due to defensive short positions, partially offset by gains in certain core holdings. During the nine months ended September 30, 2012, gains were primarily due to our long exposure to the equity markets that were primarily driven by certain core holdings which were offset in part by our short positions.

During the three and nine months ended September 30, 2011, gains were primarily due to gains in one of our core holdings and portfolio hedge positions. These were gains were offset by losses in our other long equity positions resulting in a a small net loss for the three months ended September 30, 2011. During the nine months ended September 30, 2011, gains were primarily due to our long exposure to the equity markets that were primarily driven by certain core holdings as well as our portfolio hedge.

Since inception in November 2004, the Investment Funds' gross return is 169%, representing an annualized rate of return of 13% through September 30, 2012.

Net realized and unrealized losses on the investment activities of the Investment Funds increased by $41 million (103%) for the three months ended September 30, 2012 while net realized and unrealized gains decreased by $902 million (78%) for the nine months ended September 30, 2012 as compared to the respective prior year periods. The changes over the respective periods were attributable to lower rates of return in the Investment Funds.

Interest and dividend income decreased by $1 million (5%) and $24 million (30%) for the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended September 30, 2011. The decreases over the respective periods were primarily due to decreases in interest income resulting from a reduction in fixed-income investments.

Selling, general and administrative, or SG&A, increased by $6 million and decreased by $4 million for the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended September 30, 2011. The increase for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 was primarily due to the reversal of compensation expense attributable to the performance of a designated portfolio of assets within the Investment Funds during the three months ended September 30, 2011. The decrease for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 was primarily due to a decrease in certain expenses associated with shareholder actions and the elimination of expenses attributable to outsourced fund administration during 2011.

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Automotive

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Net sales	$1,602	$1,732	$5,070	$5,256
Cost of goods sold	1,390	1,469	4,327	4,415
Gross margin	212	263	743	841
Selling, general and administrative	137	184	524	558
Restructuring	5	3	19	4
Impairment	50	—	79	3
	192	187	622	565
Income before other income, net, interest expense and income taxes	$20	$76	$121	$276

Federal-Mogul's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain a detailed description of its business, products, industry, operating strategy and associated risks. Federal-Mogul's filings with the SEC are available on the SEC's website at www.sec.gov.

Federal-Mogul is a leading global supplier of technology and innovation in vehicle and industrial products for fuel economy, emissions reduction, alternative energies, environment and safety systems. Federal-Mogul serves the world's foremost original equipment manufacturers (“OEM”) and servicers (“OES”) of automotive, light, medium and heavy-duty commercial vehicles, off-road, agricultural, marine, rail, aerospace, power generation and industrial equipment (collectively, “OE”), as well as the worldwide aftermarket. Federal-Mogul participates in both of these markets by leveraging its original equipment product engineering and development capability, manufacturing know-how, and expertise in managing a broad and deep range of replacement parts to service the aftermarket. Federal-Mogul believes that it is uniquely positioned to effectively manage the life cycle of a broad range of products to a diverse customer base.

Geographically, Federal-Mogul derived 39% of its sales in the United States and 61% internationally during the nine months ended September 30, 2012. Federal-Mogul has operations in established markets including Canada, France, Germany, Italy, Japan, Spain, Sweden, the United Kingdom and the United States, and developing markets including Argentina, Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Russia, South Africa, Thailand, Turkey and Venezuela. The attendant risks of Federal-Mogul's international operations are primarily related to currency fluctuations, changes in local economic and political conditions, and changes in laws and regulations.

Federal-Mogul operates in an extremely competitive industry, driven by global vehicle production volumes and part replacement trends. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. Customers continue to require periodic cost reductions that require Federal-Mogul to continually assess, redefine and improve its operations, products, and manufacturing capabilities to maintain and improve profitability. Management continues to develop and execute initiatives to meet the challenges of the industry and to achieve its strategy for sustainable global profitable growth.

Effective September 1, 2012, Federal-Mogul began operating with two end-customer focused business units. The Powertrain (or “PT”) business unit focuses on original equipment products for automotive, heavy duty and industrial applications. The Vehicle Components Solutions (or “VCS”) business unit sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers with products including braking, chassis, wipers and other vehicle components. The new organizational model allows for a strong product line focus benefiting both original equipment and aftermarket customers and will enable the global Federal-Mogul teams to be responsive to customers' needs for superior products and to promote greater identification with Federal-Mogul premium brands. The division of the global Federal-Mogul business into two business units is expected to enhance management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases.

Approximately 90% of our Automotive segment's PT business unit's revenue consists of sales to OEM customers, with the remaining 10% sold directly to our Automotive segment's VCS business unit for eventual distribution, by the VCS business unit, to customers in the independent aftermarket. Discussions with respect to our Automotive segment's PT business unit or OE

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business are interchangeably analogous. The performance of PT business unit is therefore highly correlated to regional OEM light and commercial vehicle production, together with the changes in the mix of technologies (such as between light vehicle gasoline and light vehicle diesel), and changes in demand for non-automotive and industrial applications. These drivers are enhanced by the rate at which Federal-Mogul gains new programs, which is itself affected by the rate at which the OEM's make improvements to emissions and fuel economy, some in response to regional regulations.

Approximately 75% of our Automotive segment's VCS' business unit consists of sales to customer in the independent aftermarket, with a further 10% being sold into the OES market, which essentially represents dealer supplied replacement parts, a feature more prevalent in Europe than in North America. The OES market is subject to the same general commercial characteristics as the aftermarket business. The remaining 15% of our Automotive segment's VCS business is comprised of sales to OEM's or tier 1 suppliers to OEM's. The performance of the VCS business unit is therefore highly correlated with factors that influence the different regional replacement parts markets around the world, including vehicle miles driven, the average age of vehicles on the road, the size of the regional vehicle parcs and consumer confidence. These drivers are enhanced by the relative strength of our Automotive segment's aftermarket brands and the breadth of the portfolio offered relative to the changing needs of the local markets.

The fundamental causes of the decline in sales and margin performance for our Automotive segment are the U.S. dollar strengthening, primarily against the euro, combined with reductions in virtually all areas of European vehicle production, reductions in demand for European non-automotive and industrial applications and lower U.S. heavy duty production. Although the U.S. passenger car market grew slightly during 2012, this only had a minor impact on our Automotive segment's sales given that the majority of our Automotive segment's OEM sales are to customers outside the U.S. During 2012, the European passenger car market also underwent a shift in demand away from diesel towards gasoline vehicles. As a result of this change, the diesel share of the passenger car market in Europe moved from 48% in the third quarter of 2011 to 46% in 2012.

Over 70% of our Automotive segment's European OEM business serves the light vehicle diesel and heavy duty markets, and given the generally greater technical complexity of these applications, the margins for these parts are generally higher than those serving light vehicle gasoline market. Therefore, not only were our Automotive segment's sales significantly impacted by the changes in European demand, but profits were disproportionately and adversely impacted due to those reductions occurring in some of the most profitable applications within those regions.

Net sales for the three and nine months ended September 30, 2012 decreased by $130 million (8%) and $186 million (4%), respectively, as compared to the three and nine months ended September 30, 2011. Approximately 5.5 percentage points and 5 percentage points of the sales decline over the respective periods, respectively, reflect the impact of the U.S. dollar strengthening, primarily against the euro, which reduce reported sales by $100 million and $258 million for the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended September 30, 2011. Sales volumes decreased by $40 million and $67 million for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011. The vast majority of the decline in sales volumes over the respective periods occurred in the PT business unit. Net favorable customer pricing increased sales by $10 million for each of the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011. This was primarily attributable to the non-recurrence of aftermarket customer incentives during the prior year third quarter.

Cost of goods sold for the three and nine months ended September 30, 2012 decreased by $79 million (5%) and $88 million (2%), respectively, as compared to the three and nine months ended September 30, 2011. The impact of the relative strength of the U.S. dollar decreased cost of products sold by $82 million and $216 million for the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended September 30, 2011. Materials and services sourcing savings decreased cost of goods sold by $36 million and $79 million on a constant dollar basis, respectively. The reduction in materials, labor and overhead as a direct result of the reduction in sales volume was only $6 million and $178 million for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011, due to adverse changes in regional and product mix. Furthermore, because reductions in direct labor lagged behind the reductions in manufacturing output, our Automotive segment reported unfavorable productivity of $30 million and $9 million, for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011. In addition,

depreciation was higher by $3 million and $10 million for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011.

Gross margin for the three and nine months ended September 30, 2012 decreased by $51 million (15%) and $98 million (8%), respectively, as compared to the three and nine months ended September 30, 2011. As a percent of net sales, gross margin was 13.2% and 15.2% for the three months ended September 30, 2012 and 2011, respectively. As a percent of net sales, gross margin was 14.7% and 16.0% for the nine months ended September 30, 2012 and 2011, respectively. The decline in gross margin as a percent of sales by approximately 2 percentage points for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 mainly reflects the market driven decline in OEM volumes on the more profitable applications within the OE business, combined with reduction in direct labor, lagging behind the reductions in

manufacturing output. These elements, when combined with a shift in the mix aftermarket products away from premium and towards mid-grade products, are reflected as unfavorable sales volumes / mix impact of $46 million, and unfavorable productivity of $30 million, including year-over-year labor and benefits inflation. Additional decreases were due to a net currency movement impact of $18 million and increased depreciation of $3 million. These decreases were partially offset by a favorable impact on margin of $36 million from materials and services sourcing savings and $10 million of favorable customer pricing, mainly attributable to the non-recurrence of prior year aftermarket customer incentives. The favorable impact on margins of new program launches for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 was more than offset by the mix impact of production volume changes, primarily in Europe, and a shift in mix towards lower margin products, primarily in VCS, resulting in a net $116 million decrease in gross margin over the comparable periods. Other factors contributing to the decreased margin for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 were unfavorable productivity of $19 million and currency movements of $42 million, partly offset by materials and services sourcing savings of $79 million.

SG&A for the three and nine months ended September 30, 2012 decreased by $47 million ((25.5)%) and $34 million (6%) as compared to the three and nine months ended September 30, 2011. The decrease for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011 was primarily due to an pension curtailment gain of $51 million recorded in the third quarter of 2012. In July 2012, as a result of contract negotiations with a union at one of Federal-Mogul's U.S. manufacturing locations, the retiree medical benefits were modified for the location's active participants. Since this plan change reduced benefits attributable to employee service already rendered, it was treated as a negative plan amendment, which created a $13 million prior service credit in AOCI. The corresponding reduction in the average remaining future service period to the full eligibility date also triggered the recognition of a $51 million curtailment gain which was recognized in the consolidated statements of operations during the third quarter of 2012.

Federal-Mogul maintains technical centers throughout the world designed to integrate its leading technologies into advanced products and processes, to provide engineering support for all of its manufacturing sites and to provide technological expertise in engineering and design development providing solutions for customers and bringing new, innovative products to market. Included in SG&A were research and development costs, or R&D, including product and validation costs, of $45 million and $42 million for the three months ended September 30, 2012 and 2011, respectively, and $133 million and $129 million for the nine months ended September 30, 2012 and 2011, respectively.

During the three months ended September 30, 2012 and 2011, Federal-Mogul recorded $5 million and $3 million in restructuring charges, respectively. During the nine months ended September 30, 2012 and 2011, Federal-Mogul recorded $19 million and $4 million in restructuring charges, respectively. The restructuring charges for the three months ended September 30, 2012 consist of employee-related costs and were primarily related to corporate headcount reduction actions. The restructuring charges for the nine months ended September 30, 2012 consist of employee costs related to a restructuring plan announced in June 2012 ("Restructuring 2012") headcount reduction actions associated with the aftermarket and corporate unit.

In June 2012, Federal-Mogul announced Restructuring 2012 to reduce or eliminate capacity at several high-cost VCS facilities and transfer production to lower-cost locations. Restructuring 2012 is anticipated to be completed within two years. In connection with the initial phase of Restructuring 2012, Federal-Mogul recorded $8 million in restructuring charges for the nine months ended September 30, 2012, all of which pertain to employee costs. Federal-Mogul expects to incur restructuring charges related to Restructuring 2012 totaling approximately $37 million, of which $26 million relate to employee costs and $11 million relate to facility costs.

Our Automotive segment recorded $50 million and $79 million of impairment charge for the three and nine months ended September 30, 2012, respectively. Impairment charges for the three and nine months ended September 30, 2011 was $0 million and $3 million, respectively. The impairment charge for the three and nine months ended September 30, 2012 consisted of $17 million and $33 million, respectively, related to the identification of machinery and equipment that were no longer in use by Federal-Mogul and $33 million and $46 million for the three and nine months ended September 30, 2012 for the impairment of certain trademarks and brand names. The impairment charge for the three months ended September 30, 2012 related to certain trademarks and brand names were recorded as a

result of our trademarks and brand names impairment analysis in accordance with FASB ASC 350, as of September 1, 2012, in conjunction with our goodwill impairment test that was precipitated by Federal-Mogul's reorganization as of September 1, 2012 (as further discussed below). In determining the impairment charge for machinery and equipment, we applied the probability weighted, expected present value techniques to the estimated future cash flows using assumptions a market participant would utilize and through the use of valuation specialists. In determining the impairment charge for trademarks and brand names, we used the prospective stream of hypothetical after-tax royalty cost savings discounted at rates that reflect the rates of return appropriate for these intangible assets.

During the first half of 2012, Federal-Mogul was organized into four business units (Powertrain Energy ("PTE"), Powertrain Sealing and Bearings ("PTSB"), Vehicle Safety and Protection ("VSP") and Global Aftermarket). These four business units represented our reporting units for our goodwill impairment analysis for our Automotive segment for the periods

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prior and during the second quarter of 2012. During the second quarter of 2012, Federal-Mogul's board of directors approved a restructuring plan to reduce or eliminate capacity at several high cost VSP facilities and transfer production to lower cost locations. As a result, we determined that this restructuring plan indicated that an impairment may have existed in one of our Automotive reporting units, VSP, which had a balance of $720 million of goodwill allocated to it as of June 30, 2012. In assessing whether we had an impairment in our VSP reporting unit, we considered certain trends of businesses comprising our VSP reporting unit, along with other quantitative and qualitative factors, and concluded that this restructuring event did not result in a goodwill impairment charge during the second quarter of 2012 for our VSP reporting unit.

During the third quarter of 2012, the board of directors of Federal-Mogul decided to segment Federal-Mogul's operating businesses into two business units, Powertrain and Vehicle Component Solutions ("VCS"). Powertrain will focus primarily on the manufacture and sale of powertrain products to original equipment manufacturers while VCS will consist of Federal-Mogul's global aftermarket as well as its brake, chassis and wipers businesses. Federal-Mogul has initiated several actions in connection with the creation of the two business units, including the hiring of a new Chief Executive Officer for the VCS group and the identification of facilities that will be managed by each business group.

As a result of the reorganization of Federal-Mogul's operating businesses into two business units as of September 1, 2012, the reporting units for our Automotive segment have also been reorganized accordingly and now consists of Powertrain and VCS. As a result of this reorganization, we were required to reassign our Automotive segment's existing goodwill balances to the new reporting units utilizing a relative fair value allocation approach in accordance with FASB ASC Topic 350. With the assistance of a third-party appraiser, we allocated $485 million and $620 million of goodwill based on their fair values as of September 1, 2012 to the Powertrain and VCS reporting units, respectively. This allocation excludes an allocation of $20 million of goodwill related to the BERU purchase as discussed, all of which been allocated to the Powertrain reporting unit. In addition, we evaluated the potential for goodwill impairment resulting from the reorganization of reporting units. In assessing whether we had an impairment in either of our Powertrain or VCS reporting units, we considered certain trends of businesses comprising our Powertrain and VCS reporting units, along with other quantitative and qualitative factors, and concluded that the business reorganization did not result in a goodwill impairment charge during the third quarter of 2012.

We note that our Automotive segment's VCS reporting unit's fair value exceeded its carrying value by less than 1%, and accordingly is deemed to be at risk of failing “Step 1” of a goodwill impairment analysis. Because our Automotive segment's VCS reporting unit's fair value exceeded its carrying value by such a small margin, we believe that it was prudent to perform a "Step 2" goodwill impairment analysis for our Automotive segment's VCS reporting unit. "Step 2" calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit, from the fair value of the reporting unit as determined in "Step 1". The implied fair value of goodwill determined in this "Step 2" is compared to the carrying value of goodwill. Given the complexity of the calculation, we have not yet finalized “Step 2” of its goodwill impairment assessment. To the extent that the finalization of our assessment of goodwill requires adjustment to the preliminary impairment charge, such adjustment would be recorded in the fourth quarter of 2012.

Energy

	Three Months Ended September 30, 2012			
	Petroleum	Fertilizer	Corporate	Total
	(in millions, except for barrel metrics)			
Net sales	$2,335	$75	$—	$2,410
Cost of goods sold	1,815	42	—	1,857
Selling, general and administrative	19	8	7	34
Income before other income, net, interest expense and income taxes	$501	$25	$(7)	$519
Total crude oil throughput (barrels per day)	192,563			
Refining margin adjusted for FIFO impact per crude oil throughput barrel	$33.44			

	Period May 5, 2012 through September 30, 2012			
	Petroleum	Fertilizer	Corporate	Total
	(in millions, except for barrel metrics)			
Net sales	$3,698	$124	$—	$3,822
Cost of goods sold	3,029	66	—	3,095
Selling, general and administrative	31	17	22	70
Income before other income, net, interest expense and income taxes	$638	$41	$(22)	$657
Total crude oil throughput (barrels per day)	192,975			
Refining margin adjusted for FIFO impact per crude oil throughput barrel	$31.81			

CVR's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain a detailed description of its business, products, industry, operating strategy and associated risks. CVR's filings with the SEC are available on the SEC's website at www.sec.gov.

The following CVR entities are referenced elsewhere in this Report: Coffeyville Resources, LLC (or CRLLC); Coffeyville Resources Refining & Marketing, LLC (or CRRM) and Coffeyville Resources Nitrogen Fertilizers, LLC (or CRNF).

CVR is an independent petroleum refiner and marketer of high value transportation fuels in the mid-continental United States. CVR operates under two business units: petroleum and nitrogen fertilizer. In addition, CVR owns the general partner and approximately 70% of the common units of CVR Partners, LP, or CVR LP, a publicly traded limited partnership that is an independent producer and marketer of upgraded nitrogen fertilizers in the form of ammonia and urea ammonia nitrate, or UAN.

Our Energy segment's earnings and cash flows from its petroleum operations are primarily affected by the relationship between refined product prices and the prices for crude oil and other feedstocks. In the nitrogen fertilizer business, earnings and cash flows from operations are primarily affected by the relationship between nitrogen fertilizer product prices, on-stream factors and direct operating expenses.

Our Energy segment assesses its operating performance by comparing its refining margin against an industry refining margin benchmark. (Refining margin is net sales minus costs of goods sold, exclusive of certain direct operating expenses and depreciation and amortization.) The industry refining margin benchmark is calculated by assuming that two barrels of benchmark light sweet crude oil is converted into one barrel of conventional gasoline and one barrel of distillate. This benchmark is referred to as the 2-1-1 crack spread. Because CVR calculates the benchmark margin using the market value of NYMEX gasoline and heating oil against the market value of NYMEX WTI, the benchmark is referred to as the NYMEX 2-1-1 crack spread (“ 2-1-1 crack spread”.) The 2-1-1 crack spread is expressed in dollars per barrel and is a proxy for the per barrel

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margin that a sweet crude oil refinery would earn assuming it produced and sold the benchmark production of gasoline and distillate.
Refining margin is a non-GAAP measure that we believe is important to investors in evaluating the performance of our Energy segment's refineries as a general indication of the amount above our Energy segment's cost of product sold that it is able to sell refined products. Our Energy segment's calculation of refining margin may differ from similar calculations of other companies in its industry, thereby limiting its usefulness as a comparative measure. In order to derive the refining margin per crude oil throughput barrel, our Energy segment utilizes the total dollar figures for refining margin as derived above and divide by the applicable number of crude oil throughput barrels for the period. We believe that refining margin and refining margin per crude oil throughput barrel is important to enable investors to better understand and evaluate our Energy segment's ongoing operating results and allow for greater transparency in the review of our overall financial, operational and economic performance.
In assessing the operating performance of the nitrogen fertilizer business, CVR calculates plant gate price to determine its operating margin. Plant gate price refers to the unit price of nitrogen fertilizer, in dollars per ton, offered on a delivered basis, excluding shipment costs.

On August 31, 2012, CVR and Vitol Inc. ("Vitol") entered into an Amended and Restated Crude Oil Supply Agreement (the “Vitol Agreement”). The Vitol Agreement amends and restates the Crude Oil Supply Agreement between CVR and Vitol dated March 30, 2011, as amended (the “Previous Supply Agreement”). The terms of the Vitol Agreement provide that CVR will obtain all of the crude oil for CVR's two oil refineries through Vitol, other than crude oil that CVR acquires in Kansas, Missouri, North Dakota, Oklahoma, Texas, Wyoming and all states adjacent to such states and crude oil that is transported in whole or in part via railcar or truck. The Vitol Agreement has an initial term commencing on August 31, 2012 and extending through December 31, 2014 (the “Initial Term”). Following the Initial Term, the Vitol Agreement will automatically renew for successive one-year terms (each such term, a “Renewal Term”) unless either party provides the other with notice of nonrenewal at least 180 days prior to expiration of the Initial Term or any Renewal Term. Notwithstanding the foregoing, CVR has an option to terminate the Vitol Agreement effective December 31, 2013 by providing written notice of termination to Vitol on or before May 1, 2013. See Note 3, "Operating Units-Energy," to our consolidated financial statements for further discussion regarding this new agreement.
Net sales for the petroleum business for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was approximately $2.3 billion and $3.7 billion, respectively. For the three months ended September 30, 2012, CVR's petroleum business sold 403 million and 318 million gallons of gasoline and distillate, respectively, with an average sales price per gallon for gasoline and distillate of $3.03 and $3.15, respectively. For the period May 5, 2012 through September 30, 2012, CVR's petroleum business sold 655 million and 530 million gallons of gasoline and distillate, respectively, with an average sales price per gallon for gasoline and distillate of $2.94 and $3.02, respectively.
For the three months ended September 30, 2012, the fertilizer business recognized net sales of $75 million, of which $18 million and $57 million were attributable to ammonia and UAN, respectively. For the period May 5, 2012 through September 30, 2012, the fertilizer business recognized net sales of $124 million, of which $26 million and $98 million were attributable to ammonia and UAN, respectively. For the three months ended September 30, 2012, CVR sold 30,197 tons and 175,059 tons of ammonia and UAN, respectively, with an average plant gate price of $578 and $290, respectively. For the period May 5, 2012 through September 30, 2012, CVR sold 44,108 and 283,880 tons of ammonia and UAN, respectively, with an average plant gate price of $573 and $309, respectively. Plant gate prices are prices at the designated delivery point less any freight cost we absorb to deliver the product. CVR believes plant gate price is meaningful because it sells products both at its plant gate (sold plant) and delivered to the customer's designated delivery site (sold delivered) and the percentage of sold plant versus sold delivered can change month-to-month or quarter-to-quarter. Ammonia sales for the period May 5, 2012 through September 30, 2012 benefited from milder weather allowing for an earlier planting season in 2012. On-stream factors (total number of hours operated divided by total hours in the reporting period) for the gasification, ammonia and UAN units continue to demonstrate their reliability with the units reporting 99.1%, 98.4% and 96.9%, respectively, on-stream for the three months ended September 30, 2012. On-stream factors for the gasification, ammonia and UAN units continue to

demonstrate their reliability with the units reporting 98.9%, 97.8% and 96.5%, respectively, on-stream for the period May 5, 2012 through September 30, 2012.

Cost of goods sold for the petroleum business for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was approximately $1.8 billion and $3.0 billion, respectively. Cost of goods sold for the petroleum business includes cost of crude oil, other feedstocks and blendstocks, purchased products for resale, transportation distribution costs, costs associated with the actual operations of CVR's refineries (such costs are collectively referred to as "direct operating expenses") such as energy and utility costs, property taxes, catalyst and chemical costs, repairs and maintenance and labor and environmental compliance costs. In addition, cost of goods sold includes depreciation and amortization. The petroleum business' average cost per barrel of crude oil consumed for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was $87.80 and $86.88, respectively. Sales volume of refined

fuels for the petroleum business for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was 17 million and 28 million barrels, respectively. The impact of FIFO accounting also impacted cost of product sold the period May 5, 2012 through September 30, 2012. Under our FIFO accounting method, changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in a favorable FIFO inventory impact when crude oil prices increase and an unfavorable FIFO inventory impact when crude oil prices decrease. For the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012, the petroleum business had an favorable FIFO inventory impact of $51 million and unfavorable FIFO inventory impact of $52 million, respectively.

Refining margin per barrel of crude oil throughput for the petroleum business was $36.31 and $30.01 for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012, respectively. Refining margin adjusted for FIFO impact for CVR's petroleum business was $33.44 and $31.85 per crude oil throughput barrel for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012. Gross profit per barrel for the petroleum business was $29.75 and $23.75 for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012, respectively. (For the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012, approximately $89 million and $136 million of direct operating expenses, respectively, and $35 million and $57 million of depreciation and amortization, respectively, are excluded in the calculation of the refining margin per barrel of crude oil throughput and gross profit per barrel related to the petroleum business).

The fertilizer business' cost of product sold for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was $42 million and $66 million, respectively. Cost of goods sold for the fertilizer business is primarily comprised of pet coke expense, freight expense, distribution expense, direct operating expenses and depreciation and amortization.

SG&A for the three months ended September 30, 2012 and the period May 5, 2012 through September 30, 2012 was $34 million and $70 million, respectively. Included in SG&A are staffing and integration costs related to the GWEC acquisition made in December 2011.

Gaming

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Other Revenues From Operations:				
Casino	$133	$140	$393	$384
Room	29	30	78	84
Food and Beverage	23	23	66	67
Other	8	7	19	18
Gross revenues	193	200	556	553
Less promotional allowances	(22)	(25)	(66)	(76)
Net revenues	171	175	490	477
Other Expenses From Operations:				
Casino	57	62	174	185
Room	10	10	28	25
Food and Beverage	11	10	30	29
Other	5	4	13	10
Total other expenses from operations	83	86	245	249
Selling, general and administrative	66	62	192	191

Income before other income, net, interest expense and income taxes	$22	$27	$53	$37

Tropicana's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain a detailed description of its

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business, products, industry, operating strategy and associated risks. Tropicana's filings with the SEC are available on the SEC's website at www.sec.gov.

Uncertain economic conditions continue to adversely impact the gaming industry and Tropicana. We cannot predict whether, or how long, current market conditions will continue to persist. As published in a third party report, the Atlantic City market experienced year-over-year declines in casino revenue of 1.8% and 4.8% for the three and nine months ended September 30, 2012, respectively, as compared to the three and nine months ended September 30, 2011. Net revenues from Tropicana AC comprise approximately 49% of our Gaming segment's net revenues for each of the three months ended September 30, 2012 and 2011. Net revenues from Tropicana AC comprise approximately 44% of our Gaming segment's net revenues for each of the nine months ended September 30, 2012 and 2011.

Hurricane Sandy forced a city mandated five-day closure for all casinos in Atlantic City beginning on October 28, 2012. Although our Gaming segment does not believe that it incurred any significant damage to its Tropicana AC facility and reopened on November 2, 2012, regional storm damage in the northeast is likely to deter customers from visiting Atlantic City and Tropicana AC for some period of time. Our Gaming segment is currently assessing the effect that the storm and associated closure and loss of business, will have on its fourth quarter results from Tropicana AC.

Casino revenues are one of Tropicana's main performance indicators and account for a significant portion of its net revenues. The decrease in casino revenues for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 was due to a decrease in consolidated table game volumes and table game hold percentage offset in part by an increase in consolidated slot hold percentage. Tropicana's consolidated table hold percentage was 16.9% for the three months ended September 30, 2012, a 0.7 percentage point decrease as compared to the three months ended September 30, 2011 primarily due to volatility in the hold percentage associated with high end table games play at Tropicana AC. Consolidated gaming volumes for the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 decreased by 5.1% primarily due to lower table game volumes at Tropicana AC and lower slot volumes at all properties except Tropicana AC.

The increase in casino revenues for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 was primarily due to an increase in consolidated slot volumes. Tropicana's consolidated table hold percentage was 14.9% and 15.0% for the nine months ended September 30, 2012 and 2011, respectively, and was primarily due to a decrease in table hold percentage for Tropicana AC over the respective period. Table hold percentage for Tropicana AC was 13.0% and 13.4% for the nine months ended September 30, 2012 and 2011, respectively. Consolidated gaming volumes for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 decreased by 0.3% primarily due to lower table volumes at Tropicana AC, offset in part by higher slot volumes in Tropicana AC and Baton Rouge.

Revenues from rooms for the three months ended September 30, 2012 decreased by $1 million (3%) compared to the three months ended September 30, 2011. The average daily room rate and occupancy across all of Tropicana's gaming properties were $74 and 69%, respectively, for the three months ended September 30, 2012 compared to $76 and 71%, respectively, for the three months ended September 30, 2011. Revenues from rooms for the nine months ended September 30, 2012 decreased by $6 million (7%) compared to the nine months ended September 30, 2011. The average daily room rate and occupancy across all of Tropicana's gaming properties were $70 and 65%, respectively, for the nine months ended September 30, 2012 compared to $72 and 69%, respectively, for the nine months ended September 30, 2011.

Other expenses from operations for the three months ended September 30, 2012 decreased by $3 million (3)% as compared to the three months ended September 30, 2011, primarily due to decreased gaming taxes on lower revenues as well as decreased payroll and related expenses. Other expenses from operations for the nine months ended September 30, 2012 decreased by $4 million (2%) as compared to the nine months ended September 30, 2011 primarily due to certain cost-cutting measures, particularly in respect of payroll and related benefits, partially offset by increased gaming taxes on increased revenues.

SG&A increased by $4 million (6%) for the three months ended September 30, 2012 compared to the three months ended September 30, 2011. This increase over the comparative periods is primarily due to lower expenses for the three months ended September 30, 2011 associated with the reduction of reserves of pre-bankruptcy emergence claims and escrow amounts of the predecessor company to Tropicana AC as well as increased marketing spending at Tropicana

AC in 2012. SG&A increased by $1 million (1%) for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. This increase is primarily due to increased marketing spend at Tropicana AC and reduction of reserves of pre-bankruptcy emergence claims and escrow amounts of the predecessor company to Tropicana AC, offset in part by decreased payroll and related benefits and decreased energy costs.

Railcar

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Manufacturing Operations:				
Net sales	$131	$108	$430	$271
Cost of goods sold	103	98	347	251
Gross margin	28	10	83	20
Leasing and Services Operations:				
Other revenues from operations	21	18	58	52
Other expenses from operations	15	13	43	39
Gross margin	6	5	15	13
Selling, general and administrative	6	3	20	15
Income before other income, net, interest expense and income taxes	$28	$12	$78	$18

ARI's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain a detailed description of its business, products, industry, operating strategy and associated risks. ARI's filings with the SEC are available on the SEC's website at www.sec.gov.

The North American railcar market has been, and we expect it to continue to be highly cyclical. We have seen consistent improvements in the railcar manufacturing market over approximately the past two years. We cannot assure you that the railcar market will continue to improve or that railcar orders and shipments will continue to increase.

Railcar shipments for the three months ended September 30, 2012 were 1,460 railcars, including approximately 436 railcars to leasing customers, as compared to 1,340 railcars for the three months ended September 30, 2011, of which approximately 90 railcars were to leasing customers. Railcar shipments for the nine months ended September 30, 2012 were 5,870 railcars, including approximately 1,816 railcars to leasing customers, as compared to 3,060 railcars for the nine months ended September 30, 2011, of which approximately 90 railcars were to leasing customers. (Shipments of railcars for lease are excluded from manufacturing operations' net sales as they represent shipments to ARI's leasing business and AEP Leasing, which are eliminated in consolidation).

As of September 30, 2012, our Railcar segment a backlog of approximately 7,630 railcars, including approximately 3,560 railcars for lease customers as compared to a backlog of approximately 6,530 railcars as of December 31, 2011. In response to changes in customer demand, our Railcar segment continues to adjust production rates at its railcar manufacturing facilities.

Total manufacturing revenues for the three and nine months ended September 30, 2012 increased by $23 million (21%) and $159 million (59%), as compared to the three and nine months ended September 30, 2011, respectively. The increase over the respective periods were due to an increase in railcar shipments, improved pricing and a shift in the sales mix to more tank railcars.

Combined leasing and services operations revenues for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011 increased by $3 million (17%) and $6 million (12%), respectively. The increases over the respective periods were primarily attributable to increased railcars on lease with third parties. The addition of AEP Leasing in the third quarter of 2012 has not yet had a significant impact on our Railcar segment's results of operations.

A portion of our Railcar segment's manufacturing, leasing and services revenue is derived from companies affiliated with Mr. Icahn. Such revenues from companies affiliated with Mr. Icahn accounted for approximately 26% and 6% of total manufacturing, leasing and services revenues for the three months ended September 30, 2012 and 2011, respectively, and approximately 13% and 6% of total manufacturing, leasing and services revenues for the nine months ended September 30, 2012 and 2011, respectively. See Note 4, "Related Party Transactions-Railcar," to the consolidated financial statements for further discussion.

Gross margin from manufacturing operations for the three and nine months ended September 30, 2012 was $28 million

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and $83 million, respectively, as compared to $10 million and $20 million for the three and nine months ended September 30, 2011, respectively. Gross margin from manufacturing operations as a percentage of manufacturing operations revenues was 21% and 19% for the three and nine months ended September 30, 2012, respectively, as compared to 9% and 7% for the three and nine months ended September 30, 2011, respectively. The improvements over the respective periods were primarily due to improved sales mix and pricing, and operating leverages and efficiencies as a result of higher production volumes.

Gross margin from leasing and services operations for the three and nine months ended September 30, 2012 was $6 million and $15 million, respectively, as compared to $5 million and $13 million for the three and nine months ended September 30, 2011, respectively. Gross margin from leasing and services operations as a percentage of leasing and services operations revenues was 29% and 26% for the three and nine months ended September 30, 2012, respectively, as compared to 28% and 25% for the three and nine months ended September 30, 2011, respectively. The improvements over the respective periods were due to increased railcars on lease with third parties.

SG&A for the three and nine months ended September 30, 2012 increased by $3 million (100%) and $5 million (33%), as compared to the three and nine months ended September 30, 2011, respectively. The increases over the respective periods were primarily due to increases in incentive compensation and stock-based compensation, which fluctuates with ARI's stock price.

Food Packaging

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in millions)			
Net sales	$86	$87	$255	$256
Cost of goods sold	66	66		