UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

Commission File Number 001-35529
333-190106

Flint Hills Resources Houston Chemical, LLC

(formerly known as PL Propylene LLC and as successor by merger to PetroLogistics LP)
(Exact name of registrant as specified in its charter)

Delaware	**20-8366084**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4111 E. 37th St. North **Wichita, KS**	**67220**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(316) 828-5000**

PetroLogistics LP **600 Travis Street, Suite 3250** **Houston, TX 77002**	**PL Propylene LLC** **600 Travis Street, Suite 3250** **Houston, TX 77002**

(Former names, former addresses and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2014, there were 139,355,037 common units representing limited partner interests in PetroLogistics LP outstanding. As of the close of business on July 16, 2014, there were no outstanding common units representing limited partner interests of PetroLogistics LP following the merger of PetroLogistics LP into Flint Hills Resources Houston Chemical, LLC. Flint Hills Resources Houston Chemical, LLC is a privately-owned limited liability company.

EXPLANATORY NOTE

This Quarterly Report on Form 10-Q (this "Report") is filed by Flint Hills Resources Houston Chemical, LLC ("FHRHC"), a Delaware limited liability company formerly known as PL Propylene LLC and the successor by merger to PetroLogistics LP.

On July 16, 2014, PetroLogistics LP, a Delaware limited partnership ("PetroLogistics"), completed its merger (the "Merger") with FHR Propylene, LLC, a Delaware limited liability company ("FHR Propylene") and subsidiary of Flint Hills Resources, LLC, a Delaware limited liability company ("New Parent"). PetroLogistics was the surviving entity in the Merger and as a result of the Merger became an indirect subsidiary of New Parent. In connection with the Merger, Propylene Holdings LLC transferred to an indirect subsidiary of New Parent 100% of the issued and outstanding membership interests of the General Partner (the "GP Equity Transfer"). Further, as a result of the Merger, PetroLogistics' outstanding common units ceased trading on the New York Stock Exchange. PetroLogistics filed a Form 15 with the Securities and Exchange Commission (the "SEC") to terminate the registration of its $365.0 million in principal amount of 6.25% Senior Notes due 2020 (the "Notes"). Under the Indenture governing the Notes, PetroLogistics has a contractual obligation to file reports with the SEC.

Following the Merger and the GP Equity Transfer, New Parent affected an internal restructuring, pursuant to which the following transactions were consummated sequentially on July 16, 2014:

1. the merger (the "MLP Merger") of PetroLogistics with and into PL Propylene LLC ("PL Propylene");

2. the merger (the "GP Merger") of PetroLogistics GP LLC ("General Partner") with and into PL Propylene;

3. PL Propylene amended its certificate of formation to change its name to Flint Hills Resources Houston Chemical, LLC; and

4. PetroLogistics Finance Corp., the co-issuer of the Notes, amended its certificate of incorporation to change its name to FHR Houston Chemical Finance Corp.

FHRHC was the surviving entity in the MLP Merger and the GP Merger and assumed all of the obligations of PetroLogistics and the General Partner by operation of law, including SEC reporting obligations. All future SEC reporting obligations with respect to common units of PetroLogistics or the contractual reporting obligations of PetroLogistics with respect to the Notes will be performed by FHRHC. Following the MLP Merger and the GP Merger, FHRHC is an indirect subsidiary of New Parent.

This Report covers a period prior to the Merger, GP Equity Transfer, MLP Merger and GP Merger and provides both historical information of PetroLogistics and certain current information with respect to FHRHC. For periods prior to the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to "we," 'us," "our" or similar terms refer to PetroLogistics LP, unless the context otherwise requires. For periods after the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to "we," 'us," "our" or similar terms refer to FHRHC, unless the context otherwise requires. See Note 1 and Note 10 to the notes to consolidated financial statements included elsewhere in this Report for additional information.

PETROLOGISTICS LP
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PART I–FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PETROLOGISTICS LP
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 48,399	$ 25,424
Accounts receivable	58,848	75,322
Accounts receivable, related parties	133	109
Inventory	13,259	20,061
Prepaid expenses and other current assets	6,293	2,642
Total current assets	126,932	123,558
Property, plant, and equipment, net	604,918	612,448
Intangible asset, net	21,611	21,901
Deferred financing costs and other assets	10,999	12,038
Total assets	$ 764,460	$ 769,945
Liabilities and partners' capital		
Current liabilities:		
Accounts payable	$ 37,305	$ 34,576
Accounts payable, related parties	179	134
Accrued liabilities	21,095	24,168
Deferred revenue	-	9,960
Total current liabilities	58,579	68,838
Long-term debt	365,000	365,000
Asset retirement obligation	1,427	1,376
Deferred income taxes	1,776	1,680
Total liabilities	426,782	436,894
Commitments and contingencies (Note 9)		
Partners' capital (139,355,037 and 139,212,737 common units issued and outstanding at June 30, 2014 and December 31, 2013)	337,678	333,051
Total liabilities and partners' capital	$ 764,460	$ 769,945

See accompanying notes to consolidated financial statements.

PETROLOGISTICS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In thousands, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales	$ 211,916	$ 159,378	$ 431,904	$ 368,088
Cost of sales	144,496	111,081	306,085	225,204
Gross profit	67,420	48,297	125,819	142,884
General and administrative expense	10,622	5,321	15,365	10,758
Gain on derivatives, net	—	(5,438)	—	(1,700)
Operating income	56,798	48,414	110,454	133,826
Interest expense, net	(6,447)	(6,431)	(12,885)	(13,549)
Loss on extinguishment of debt	—	—	—	(20,446)
Net income before income tax expense	50,351	41,983	97,569	99,831
Income tax expense	(1,084)	(576)	(1,635)	(1,347)
Net income	$ 49,267	$ 41,407	$ 95,934	$ 98,484
Comprehensive income	$ 49,267	$ 41,407	$ 95,934	$ 98,484
Net income per common unit - basic and diluted	$ 0.35	$ 0.29	$ 0.69	$ 0.70
Weighted average number of common units outstanding - basic and diluted	139,295,615	139,077,484	139,254,405	139,038,956

See accompanying notes to consolidated financial statements.

PETROLOGISTICS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Operating activities		
Net income	$ 95,934	$ 98,484
Adjustments to reconcile net income to net cash provided by operations:		
Equity-based compensation expense	2,488	2,249
Amortization of deferred financing costs	1,040	1,432
Loss on extinguishment of debt	—	13,498
Depreciation and amortization expense	23,766	20,303
Accretion expense	51	51
Reversal of unrealized loss on derivatives	—	(63,053)
Non-cash gain on insurance reimbursement	—	(1,368)
Deferred income tax expense	96	699
Changes in working capital:		
Accounts receivable	16,474	13,741
Accounts receivable, related parties	(24)	(202)
Inventory	6,802	(18,822)
Prepaid expenses and other current assets	(3,651)	31,644
Accounts payable	2,730	(20,657)
Accounts payable, related parties	45	(94)
Accrued liabilities	(3,347)	3,402
Deferred revenue	(9,960)	(2,425)
Net cash provided by operations	132,444	78,882
Investing activities		
Capital expenditures and deferred major maintenance costs	(15,674)	(24,923)
Net cash used in investing activities	(15,674)	(24,923)
Financing activities		
Deferred financing costs	—	(1,199)
Proceeds from borrowings	45,300	27,255
Repayments on borrowings	(45,300)	(20,450)
Cash distributions, net of contributions	(93,795)	(44,438)
Total cash used in financing activities	(93,795)	(38,832)
Net change in cash	22,975	15,127
Cash at beginning of period	25,424	31,434
Cash at end of period	$ 48,399	$ 46,561
Noncash activities:		
Increase in non-cash capital expenditures	$ 274	$ —
Insurance proceeds receivable	$ —	$ 1,368
Capital contributions receivable from PL Manufacturing and PL Manufacturing Members for realized losses on derivatives	$ —	$ 4,808

See accompanying notes to consolidated financial statements.

PETROLOGISTICS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Nature of Operations

As used in this Report, the term “PetroLogistics” refers to PetroLogistics LP. References to “PL Propylene” refer to PL Propylene LLC, our sole operating subsidiary at June 30, 2014. References in this Report to our “Sponsors” refer to Lindsay Goldberg LLC (“Lindsay Goldberg”) and York Capital Management, our sponsors at June 30, 2014.

For periods prior to the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to “we,” ‘us,” “our” or like terms refer to PetroLogistics, unless the context otherwise requires.

For periods after the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to the “Company,” “FHRHC”, “we,” ‘us,” “our” or like terms refer to Flint Hills Resources Houston Chemical, LLC, formerly known as PL Propylene and the successor by merger to PetroLogistics and PetroLogistics GP LLC (the “General Partner”), unless the context otherwise requires. See Note 10 for additional information.

Organization

PetroLogistics was a Delaware limited partnership that was formed on June 9, 2011, by Propylene Holdings LLC (“Propylene Holdings”) to own PL Propylene, a wholly owned subsidiary of Propylene Holdings. The General Partner held a non-economic interest in PetroLogistics.

On March 30, 2012, Propylene Holdings contributed PL Propylene to PetroLogistics. Because this transaction was a transaction between entities under common control, the contributed assets and liabilities of PL Propylene were recorded in the consolidated financial statements at PL Propylene’s historical cost. Prior to the contribution, PetroLogistics had no operations and nominal assets and liabilities.

Merger Agreement

On May 27, 2014, the Board of Directors of our General Partner unanimously approved an Agreement and Plan of Merger and Membership Interest Transfer Agreement by and among Flint Hills Resources, LLC, a Delaware limited liability company (“New Parent”), FHR Propylene, LLC, a Delaware limited liability company and subsidiary of New Parent (“Merger Sub”), PetroLogistics, our General Partner and Propylene Holdings. In this Report, we refer to the Agreement and Plan of Merger and Membership Interest Transfer Agreement as the “Merger Agreement” and to the merger of Merger Sub with and into PetroLogistics that is contemplated by the Merger Agreement as the “Merger.”

The Board of Directors of our General Partner unanimously approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement (collectively with the Merger, the “Transactions”) on the terms and subject to the conditions set forth in the Merger Agreement, declared the Merger Agreement and the Transactions to be advisable and in the best interest of PetroLogistics, the General Partner and the holders of common units of PetroLogistics (the “Unitholders”), and recommended that the Unitholders approve the Merger Agreement and Transactions.

Under the applicable provisions of our First Amended and Restated Agreement of Limited Partnership, the approval of the Merger Agreement by our Unitholders required the affirmative vote or written consent of the holders of a majority of the outstanding common units. On May 27, 2014, a majority of the Unitholders delivered to PetroLogistics a written consent approving the Merger Agreement. Accordingly, the approval of the Merger Agreement was effected on May 27, 2014, and no further action of the Unitholders was required to approve the Merger Agreement. No dissenters’ or appraisal rights are or were available with respect to the transactions contemplated by the Merger Agreement. See Note 10 for additional information regarding the Merger and Transactions.

Nature of Operations

We currently own and operate the only U.S. propane dehydrogenation facility (the "facility") producing polymer grade and chemical grade propylene from propane. Propylene is used as one of the basic building blocks for petrochemicals in a variety of end uses, including paints, coatings, building materials, clothing, automotive parts, packaging and a range of other consumer and industrial products. In addition to propylene, the facility generates commercial quantities of the following by-products during the production process: hydrogen, C4 mix stream and C5+ stream.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The interim consolidated financial statements and notes thereto have been prepared by management without audit according to the rules and regulations of the Securities and Exchange Commission ("SEC") and reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of results for the periods presented. Such adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been omitted pursuant to the SEC's rules and regulations. However, management believes that the disclosures presented herein are adequate to fairly present the information. All inter-company transactions and balances have been eliminated upon consolidation. The accompanying interim consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K as filed with the SEC on March 7, 2014. The critical accounting policies used in applying U.S. GAAP to the financial statements included in this Report are the critical accounting policies of PetroLogistics prior to the Merger.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the reporting periods. We review our estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ materially from those estimates. The results of operations of PetroLogistics for any interim period are not necessarily indicative of results for the full year.

Derivative Instruments

Commencing October 2011 and through March 2012, we entered into commodity derivative contracts (the "propane swaps") with settlement dates in 2012 and 2013 to manage our exposure to commodity price risk with respect to propane, our sole feedstock. The propane swaps were designed to mitigate the risk associated with unfavorable market movements in the price of energy commodities. Our propane swaps were intended to act as a hedging (offset) mechanism against the volatility of energy commodity prices by allowing us to transfer some of the price risk to counterparties who were able and willing to bear it.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") Topic 815, Derivatives and Hedging ("ASC Topic 815"), addresses the accounting for derivative contracts. We entered into our commodity derivative contracts to economically hedge an exposure through a relationship that did not qualify for hedge accounting under ASC Topic 815. Our derivative contracts were recorded as derivative assets and liabilities, as applicable, at fair value on the consolidated balance sheets, and the associated unrealized gains and losses were recorded as current expense or income in the consolidated statements of comprehensive income. Unrealized gains or losses on commodity derivative contracts represent the non-cash change in the fair value of these derivative instruments and do not impact operating cash flows in the consolidated statements of cash flows. Until settlement occurred, the changes in fair value of the propane swaps resulted in non-cash gains or losses being reported in our operating results as gain or loss on derivatives.

Omnibus Agreement

On May 9, 2012, the General Partner, PetroLogistics, Propylene Holdings, PL Propylene and PL Manufacturing LLC ("PL Manufacturing") entered into an omnibus agreement (the "omnibus agreement"). Pursuant to the omnibus agreement and a related pledge agreement (the "pledge agreement"), we allocated all of our benefits and obligations under the propane swaps to PL Manufacturing and the owners of 100% of the issued and outstanding equity interests in PL Manufacturing (the "PL Manufacturing Members").

On April 19, 2013, we, PL Manufacturing and the counterparty to the propane swaps agreed to terminate the propane swaps remaining as of May 1, 2013. Under the omnibus agreement and the pledge agreement, any amounts that we were required to pay under the propane swaps were contributed to us as a capital contribution by PL Manufacturing and the PL Manufacturing Members.

While we did not bear any of the costs nor receive any of the benefits of the propane swaps, we remained a party to the propane swaps and were obligated to make payments to the propane swap counterparties as they came due and to post any collateral as required under the terms of the propane swap agreement. As a result, we continued to record the fair value of the propane swaps on our consolidated balance sheets with the related gains or losses reflected in our consolidated statements of comprehensive income. To the extent that we made payments under the propane swaps, PL Manufacturing and the PL Manufacturing Members were responsible for making quarterly capital contributions in an amount equal to the sum of all payments we made under such propane swaps during the applicable fiscal quarter or that we owed at the end of the quarter. During the six months ended June 30, 2013, we recorded a capital contribution of approximately $22.1 million for the reimbursement of the realized losses on the propane swaps that we incurred in the first quarter of 2013.

In connection with the termination of the propane swaps, we paid a cancellation payment of $34.4 million in May 2013, of which $5.4 million was reimbursed to us through a reduction in the distribution paid to PL Manufacturing and the PL Manufacturing Members in May 2013 in accordance with the terms of the omnibus agreement. The remaining $29.0 million was settled with cash held as collateral by the propane swap counterparty, and we were immediately reimbursed by PL Manufacturing and the PL Manufacturing Members. We received the final reimbursement for realized losses from PL Manufacturing and the PL Manufacturing Members on August 14, 2013, at which time the omnibus agreement terminated in accordance with its terms.

Equity-Based Compensation

We recognize compensation expense related to unit-based awards granted to employees based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures (see Note 6). The grant date fair value of the unit-based awards is generally recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards.

Fair Value of Financial Instruments

We consider cash and cash equivalents, accounts receivable, accounts payable, accounts receivable-related parties, accounts payable-related parties, and accrued liabilities to be financial instruments in which the carrying amounts represent fair value because of the short-term nature of the accounts.

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. We make certain assumptions we believe that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of PetroLogistics and its counterparties is incorporated in the valuation of assets and liabilities. We believe we use valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

The following table presents the financial instruments that require fair value disclosure as of June 30, 2014:

	Fair Value (in thousands)			
	Level 1	Level 2	Level 3	Carrying Value
Financial liabilities				
Notes	$ —	$ 397,840	$ —	$ 365,000

The following table presents the financial instruments that require fair value disclosure as of December 31, 2013:

	Fair Value (in thousands)			
	Level 1	Level 2	Level 3	Carrying Value
Financial liabilities				
Notes	$ —	$ 367,401	$ —	$ 365,000

The Notes are deemed to be Level 2 financial instruments because the fair value is based on observable market data. At June 30, 2014 and December 31, 2013, the fair value of the Notes was determined based on market transactions and external market corroborated data.

There are no financial instruments that are split across the levels, and there have been no financial instruments that transferred between the levels during the six months ended June 30, 2014.

Segment Reporting

We operated in one segment for the production and sale of propylene and related by-products. All of our operations were located in Houston, Texas.

Net Income Per Common Unit

Net income per common unit for a given period is based on the distributions that are made to the unitholders plus an allocation of undistributed net income based on provisions of the partnership agreement, divided by the weighted average number of common units outstanding. The two-class method dictates that net income for a period be reduced by the amount of distributions and that any residual amount representing undistributed net income be allocated to common unitholders and other participating unitholders to the extent that each unit may share in net income as if all of the net income for the period had been distributed in accordance with the partnership agreement. Unit-based awards granted under the PetroLogistics Long-Term Incentive Plan (the “Long-Term Incentive Plan”) were eligible for Distribution Equivalent Rights (“DERs”). To the extent that non-forfeitable DERs are awarded, the underlying nonvested unit-based awards were considered participating securities for purposes of determining net income per unit. Undistributed income was allocated to participating securities based on the proportional relationship of the weighted average number of common units and unit-based awards outstanding. Undistributed losses (including those resulting from distributions in excess of net income) were allocated to common units based on provisions of the partnership agreement. Undistributed losses were not allocated to nonvested unit-based awards as they did not participate in net losses. Distributions declared and paid in the period were treated as distributed earnings in the computation of earnings per common unit even though cash distributions were not necessarily derived from current or prior period earnings.

The General Partner did not have an economic interest in PetroLogistics and, therefore, did not participate in PetroLogistics’ net income.

The following table provides a reconciliation of net income and the allocation of net income to the common units and the unit-based awards for purposes of computing net income per unit for the three months ended June 30, 2014 (in thousands, except units and per unit data):

	Limited Partner Units		
	Total	Common Units	Long-Term Incentive Plan Unit-Based Awards
Net income	$ 49,267		
Less: Distributions to unitholders	51,797	$ 51,509	$ 288
Assumed allocation of undistributed net loss	$ (2,530)	$ (2,530)	$ —
Weighted average units outstanding		139,295,615	675,849
Net income per unit:			
Distributed earnings		$ 0.37	$ 0.43
Undistributed net loss allocation		(0.02)	—
Net income per common unit - basic and diluted		$ 0.35	$ 0.43

The following table provides a reconciliation of net income and the allocation of net income to the common units and the unit-based awards for purposes of computing net income per unit for the six months ended June 30, 2014 (in thousands, except units and per unit data):

	Limited Partner Units		
	Total	Common Units	Long-Term Incentive Plan Unit-Based Awards
Net income	$ 95,934		
Less: Distributions to unitholders	93,795	$ 93,273	$ 522
Assumed allocation of undistributed net income	$ 2,139	$ 2,127	$ 12
Weighted average units outstanding		139,254,405	710,929
Net income per unit:			
Distributed earnings		$ 0.67	$ 0.73
Undistributed net income allocation		0.02	0.02
Net income per common unit - basic and diluted		$ 0.69	$ 0.75

The following table provides a reconciliation of net income and the allocation of net income to the common units and the unit-based awards for purposes of computing net income per unit for the three months ended June 30, 2013 (in thousands, except units and per unit data):

	Limited Partner Units		
	Total	Common Units	Long-Term Incentive Plan Unit-Based Awards
Net income	$ 41,407		
Less: Distributions to unitholders	93,704	$ 93,135	$ 569
Assumed allocation of undistributed net loss	$ (52,297)	$ (52,297)	$ —
Weighted average units outstanding		139,077,484	755,077
Net income per unit:			
Distributed earnings		$ 0.67	$ 0.75
Undistributed net loss allocation		(0.38)	—
Net income per common unit - basic and diluted		$ 0.29	$ 0.75

The following table provides a reconciliation of net income and the allocation of net income to the common units and the unit-based awards for purposes of computing net income per unit for the six months ended June 30, 2013 (in thousands, except units and per unit data):

	Limited Partner Units		
	Total	Common Units	Long-Term Incentive Plan Unit-Based Awards
Net income	$ 98,484		
Less: Distributions to unitholders	132,865	$ 132,055	$ 810
Assumed allocation of undistributed net loss	$ (34,381)	$ (34,381)	$ —
Weighted average units outstanding		139,038,956	806,143
Net income per unit:			
Distributed earnings		$ 0.95	$ 1.00
Undistributed net loss allocation		(0.25)	—
Net income per common unit - basic and diluted		$ 0.70	$ 1.00

Recent Accounting Pronouncements

In April 2014, the FASB issued Accounting Standard Update (or "ASU") 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"). Under this amendment, requirements for reporting discontinued operations have changed. Discontinued operations may include disposals of a business, nonprofit activity and component of an entity upon meeting certain other criteria. Disposals representing components of an entity must reflect a strategic shift that has a major effect on the entity's operations and financial results. Previous conditions prohibiting the entity from having significant continuing involvement in the disposal group and requiring the elimination of operations and cash flows from ongoing operations of the entity have been removed. The update is effective on a prospective basis for disposals that occur within annual periods beginning on or after December 15, 2014, and interim periods in those years. We are evaluating the provisions of this statement and have not determined what impact the adoption of ASU 2014-08 will have on our financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. We will adopt ASU 2014-09 during the first quarter of fiscal 2017. We are evaluating the provisions of this statement and have not determined what impact the adoption of ASU 2014-09 will have on our financial position or results of operations.

3. Inventory

Inventory is recorded at the lower of cost or market, with cost determined using the weighted-average method. Inventory consists of the following (in thousands):

	June 30, 2014	December 31, 2013
Product inventory		
Raw materials	$ 3,055	$ 8,356
Work in progress	1,577	1,615
Finished product	1,198	3,014
Total product inventory	5,830	12,985
Maintenance spares	7,429	7,076
Total inventory	$ 13,259	$ 20,061

Raw materials inventory consists primarily of propane. Work in progress inventory represents pipeline and plant fill inventory, which were a combination of propane and propylene. Finished goods inventory includes inventory stored at third party facilities pursuant to our propylene exchange and storage contracts. At June 30, 2014, the exchange and storage contracts provided for storage capacity of 95 million pounds. Legal title and custody, control and risk of loss of finished goods inventory remained with us until the finished goods inventory were delivered to the customer pursuant to our propylene sales contracts.

4. Derivative Instruments

Our business activities expose us to risks associated with unfavorable changes in the market price of propylene and propane. Commencing October 2011 and through March 2012, we entered into derivative transactions with the intent of reducing volatility in our cash flows due to fluctuations in the price of propane, our sole feedstock. Under the terms of the arrangement, for a portion of our propane consumption, we locked in the price of propane as a fixed percentage of the price of Brent crude oil (the "contractual percentage"). Beginning in January 2012, and at the conclusion of each month thereafter through the May 2013 cancellation date, we performed a calculation to determine the average actual price of propane for that month as a percentage of the average actual price of Brent crude oil for that month (the "actual percentage"). If the actual percentage exceeded the contractual percentage under the propane swaps, we were owed a sum by the propane swaps counterparty. If the contractual percentage exceeded the actual percentage under the propane swaps, we owed a sum to the propane swaps counterparty.

On April 19, 2013, we, PL Manufacturing and the counterparty to the propane swaps agreed to terminate the propane swaps remaining as of May 1, 2013. Under the omnibus agreement and the pledge agreement, any amounts that we were required to pay under the propane swaps were contributed to us as a capital contribution by PL Manufacturing and the PL Manufacturing Members. See Note 2 regarding the omnibus agreement.

As of June 30, 2014 and December 31, 2013, we did not have any outstanding commodity forward contracts to hedge our forecasted energy commodity purchases.

Effect of Derivative Contracts on the Consolidated Statements of Comprehensive Income

The following table summarizes the impact of our derivative contracts on our accompanying consolidated statements of comprehensive income (in thousands):

	Net Gain Recognized in Statement of Comprehensive Income	
Derivatives Not Designated as Hedging Contracts	**Three Months Ended June 30, 2013**	**Six Months Ended June 30, 2013**
Realized loss on propane swaps	$ 39,223	$ 61,353
Unrealized gain on propane swaps	44,661	63,053
Propane swaps	$ 5,438	$ 1,700
Total net gain on derivatives	$ 5,438	$ 1,700

5. Debt

2012 Credit Facilities

On March 27, 2012, PL Propylene entered into a $350.0 million term loan facility (the "2012 Term Loan Facility") and a $120.0 million revolving credit facility with Morgan Stanley Senior Funding, Inc., and the lenders party thereto (the "2012 Revolving Credit Facility" and collectively with the 2012 Term Loan Facility, the "2012 Credit Facilities"). Borrowings under the 2012 Credit Facilities carried interest at a rate per annum based on an underlying base rate plus an applicable margin. The applicable margin for the 2012 Term Loan Facility and the 2012 Revolving Credit Facility ranged from 4.75% for loans bearing interest at the alternate base rate to 5.75% for loans bearing interest at LIBOR. During the first quarter of 2013, the interest rate on the term loan was based on LIBOR, subject to a LIBOR floor of 1.25%, resulting in a rate of 7%.

The 2012 Revolving Credit Facility also included a commitment fee calculated at a rate per annum equal to 0.50% on the average daily unused portion of the commitments under that facility. In addition, we paid an annual management fee for the 2012 Term Loan Facility and the 2012 Revolving Credit Facility. We were also required to pay a participation fee equal to the applicable margin for LIBOR loans, and a fronting fee to lenders participating in any letter of credit of 5.75% and 0.125%, respectively.

As required by the 2012 Term Loan Facility, we entered into an interest rate protection agreement in July 2012 whereby we capped the three month LIBOR rate at 2.0% for up to $115.5 million on the 2012 Term Loan Facility. The agreement terminated on March 27, 2014.

2013 Credit Facilities and Debt Refinancing

On March 28, 2013, we and our wholly owned finance subsidiary, PetroLogistics Finance Corp. ("Finance Corp."), co-issued jointly and severally $365.0 million of senior unsecured notes due 2020 (the "Notes"), and we amended and extended the 2012 Revolving Credit Facility (the "2013 Revolving Credit Facility" and together with the Notes, the "2013 Credit Facilities") from $120 million to $170 million with Morgan Stanley Senior Funding, Inc. (the "Agent"), and the lender parties thereto. We used the net proceeds from the issuance of the Notes, after underwriting fees of $7.3 million, to (1) repay all borrowings outstanding under the 2012 Term Loan Facility in the amount of $347.4 million, (2) pay $6.9 million for the call premium and costs associated with the cancellation of the 2012 Term Loan Facility and (3) pay $3.0 million in commitment fees for the 2013 Revolving Credit Facility and approximately $0.4 million in transaction fees. The proceeds from the Notes, the repayment of the 2012 Term Loan Facility and the transaction fees were net settled with the Agent as presented in the consolidated statement of cash flows for the six months ended June 30, 2013. In addition, we incurred approximately $1.3 million in third-party transaction costs. The Notes were issued at the par value of $365 million and are reported as long-term debt in our consolidated balance sheets at June 30, 2014 and December 31, 2013. We recorded total deferred financing costs of approximately $12.0 million in connection with the issuance of the Notes and the amendment and extension of our 2013 Revolving Credit Facility. Cash paid for deferred financing costs totaled approximately $1.3 million with the remaining portion of $10.7 million net settled with the Agent through the Note proceeds. We amortized the deferred financing costs using the effective interest method over the terms of the Notes and 2013 Revolving Credit Facility.

At June 30, 2014, the 2013 Credit Facilities contained certain restrictive financial covenants, including limitations on our ability to incur additional debt and the requirement under the terms of our 2013 Revolving Credit Facility to maintain a total senior secured leverage ratio, as defined, no greater than 2.0 to 1.0, but only in the event that on the last day of any quarter beginning with the quarter ended June 30, 2013, the aggregate amounts outstanding under the 2013 Revolving Credit Facility exceeds $120 million.

Interest Rate and Fees. The Notes bear interest at a fixed rate of 6.25% per annum, payable on April 1 and October 1. Prior to the repayment and termination of the 2013 Revolving Credit Facility in connection with the completion of the Merger, the 2013 Revolving Credit Facility bore interest at a rate per annum based on an underlying base rate plus an applicable margin. The applicable margin for the 2013 Revolving Credit Facility ranged from 2.0% for loans bearing interest at the alternate base rate to 3.0% for loans bearing interest at LIBOR. The alternate base rate was defined as the greater of the prime rate in effect or the federal funds effective rate in effect plus ½ of 1.0%. The 2013 Revolving Credit Facility also contained a facility commitment fee at a rate of 0.50% per annum based on the daily unused amount of the commitment amount of $170 million payable in arrears on the last day of March, June, September and December of each year.

Amortization and Final Maturity. The Notes have a maturity date of April 1, 2020. Prior to April 1, 2016, we may redeem all or part of the senior notes at a redemption price equal to the sum of 100% of the principal amount of the Notes, plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem some or all of the Notes on or after April 1, 2016, at the redemption prices (expressed as percentages of principal) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed to the applicable redemption date.

Year	Percentage
2016	103.125
2017	101.563
2018 and thereafter	100.000

At June 30, 2014 and December 31, 2013, there were no amounts outstanding under the 2013 Revolving Credit Facility. The 2013 Revolving Credit Facility was repaid in full and terminated in connection with the Merger. See Note 10 for additional information.

Guarantees. The Notes rank equally in right of payment with all of our existing and future senior indebtedness. Prior to the merger of PetroLogistics into PL Propylene, the Notes were guaranteed on a senior unsecured basis by PetroLogistics' wholly owned subsidiary PL Propylene. The full and unconditional guarantee ranked equally with all of the existing and future senior indebtedness of PL Propylene. At June 30, 2014, PL Propylene and PetroLogistics Finance Corp. were our only subsidiaries. At June 30, 2014, PetroLogistics had no independent assets or operations and there were no significant restrictions upon our ability to obtain funds from our subsidiaries by dividend or loan. Finance Corp. has no material assets and does not conduct any operations. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended. Prior to the merger of PetroLogistics into PL Propylene, (1) the Notes were effectively subordinated to all of our and our guarantor subsidiaries' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and (2) the Notes were structurally subordinated to all future indebtedness and other liabilities of any of our subsidiaries that are not issuers or guarantors of the Notes. See Note 10 for additional information.

Loss on Extinguishment of Debt

When we entered into the 2013 Credit Facilities, we recognized a loss on extinguishment of debt of approximately $20.4 million in our consolidated statements of comprehensive income for the six-month period ended June 30, 2013. This loss on extinguishment resulted from the write off of approximately $7.7 million of unamortized deferred financing costs associated with the 2012 Credit Facilities. We also wrote off the unamortized original issue discount associated with the 2012 Credit Facilities in the amount of approximately $5.8 million. In addition, we paid a call premium of approximately $6.9 million for the prepayment of the 2012 Term Loan Facility.

Interest expense, net consists of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest expense incurred on borrowings	$ (5,713)	$ (5,705)	$ (11,430)	$ (11,784)
Amortization of discount	—	—	—	(315)
Loan commitment fees	(214)	(220)	(426)	(374)
Amortization of deferred financing costs	(524)	(523)	(1,039)	(1,117)
Interest income	4	17	10	41
Interest expense, net	$ (6,447)	$ (6,431)	$ (12,885)	$ (13,549)

6. Long-Term Incentive Plan

2012 Long-Term Incentive Plan

Our General Partner adopted the Long-Term Incentive Plan in May 2012. The Long-Term Incentive Plan was intended to promote our interests by providing incentive compensation, based on our common units, to employees, consultants and directors and to encourage superior performance. The Long-Term Incentive Plan provided for grants of restricted units, phantom units, unit awards and other unit-based awards up to a plan maximum of 5,882,352 common units. See Note 10 for additional information.

Unit-based Awards

A unit-based award under the Long-Term Incentive Plan was a phantom unit whose terms and conditions were set by the Long-Term Incentive Plan administrative committee and that generally vested over a period of time and during that time is subject to forfeiture. Our unit-based awards to employees generally vested over a three-year period either annually from the date of grant or upon the third anniversary of the grant date, provided the recipient had continuously provided services to us, our General Partner, or any other of our affiliates. Unit awards to members of our General Partner's board of directors vested upon the first anniversary of the date of grant.

Certain unit-based awards were eligible for DERs. Absent any restrictions on the DERs in an award agreement, we paid DERs to the holder of the award without restriction at approximately the same time as we paid quarterly cash distributions to our common unitholders.

During the three and six months ended June 30, 2014, we recognized total equity-based compensation expense of approximately $1.2 million and $2.5 million, respectively, related to the unit-based awards ($0.5 million and $1.1 million as cost of sales and $0.7 million and $1.4 million as general and administrative expense for the three and six month periods, respectively).

During the three and six months ended June 30, 2013, we recognized total equity-based compensation expense of approximately $1.2 million and $2.2 million, respectively, related to the unit-based awards ($0.5 million and $1.0 million as cost of sales and $0.7 million and $1.2 million as general and administrative expense).

The following table presents activity related to our Long-Term Incentive Plan awards, including those granted to employees during the six months ended June 30, 2014:

	Unit-Based Awards	Weighted average grant date fair value
Awards outstanding December 31, 2013	543,774	$ 15.14
Awards granted	212,372	12.00
Awards vested	(172,702)	16.60
Awards forfeited	(4,091)	13.65
Awards outstanding June 30, 2014	579,353	$ 13.55

At June 30, 2014, none of the outstanding unit-based awards were vested. The aggregate intrinsic value of outstanding unit-based awards at June 30, 2014, was approximately $8.3 million. Also at June 30, 2014, total compensation cost related to nonvested employee unit-based awards that had not yet been recognized totaled approximately $6.3 million. The weighted-average period over which this amount will be recognized is approximately 2.2 years.

Upon the closing of the Merger, the outstanding unit-based awards became immediately vested. The New Parent paid holders of the unit-based awards $14.00 per unit, or approximately $8.1 million, in exchange for the rights to the units underlying the unit-based awards. In addition, holders received a one-time cash payment as a DER of $0.40 per common unit for a total of approximately $0.2 million. Upon closing of the Merger, the unit-based awards were cancelled.

The following table presents activity related to our Long-Term Incentive Plan awards granted to employees during the six months ended June 30, 2013:

	Unit-Based Awards	Weighted average grant date fair value
Awards outstanding December 31, 2012	845,736	$ 15.19
Awards granted	—	—
Awards vested	(181,344)	16.60
Awards forfeited	(10,416)	16.60
Awards outstanding June 30, 2013	653,976	$ 14.78

These service-based awards provided for vesting ratably over three years. At June 30, 2013, none of the outstanding unit-based awards were vested.

The following table presents activity related to our Long-Term Incentive Plan awards granted to members of our General Partner's Board of Directors during the six months ended June 30, 2014:

	Unit-Based Awards	Weighted average grant date fair value
Awards outstanding December 31, 2013	23,289	$ 12.88
Awards granted	22,884	13.05
Awards vested	(23,289)	12.88
Awards forfeited	—	—
Awards outstanding June 30, 2014	22,884	$ 13.05

Generally, these awards were to vest on the first anniversary of the grant date. At June 30, 2014, none of the outstanding awards were vested. Upon the closing of the Merger, the outstanding awards immediately vested. In connection with the Merger, the New Parent paid holders of the awards $14.00 per unit, or approximately $0.3 million, in exchange for the rights to the units underlying the awards. In addition, holders received a one-time cash payment as a DER of $0.40 per common unit. Upon closing of the Merger, the awards were cancelled.

The following table presents activity related to our Long-Term Incentive Plan awards granted to members of our General Partner's Board of Directors during the six months ended June 30, 2013:

	Unit-Based Awards	Weighted average grant date fair value
Awards outstanding December 31, 2012	16,182	$ 12.36
Awards granted	15,638	12.79
Awards vested	(8,091)	12.36
Awards forfeited	—	—
Awards outstanding June 30, 2013	23,729	$ 12.64

7. Related Party and Affiliate Transactions

Services Agreement with our General Partner

At June 30, 2014, our General Partner provided certain operational, managerial and general administrative services to us. All employees of PL Propylene were employees of our General Partner. We reimbursed the General Partner for all direct and indirect expenses the General Partner incurred or payments the General Partner made on our behalf including, without limitation, salary, bonus, incentive cash compensation and employee benefits. During the three months ended June 30, 2014 and 2013, we incurred fees of $5.8 million and $5.5 million, respectively, under the services agreement with our General Partner. During the six months ended June 30, 2014 and 2013, we incurred fees of $14.2 million and $12.7 million, respectively, under the services agreement. The amounts we paid the General Partner for these services are reported in the consolidated statements of comprehensive income in the line item to which the expense relates. In connection with the GP Merger, this service agreement was terminated.

We utilized the services of a company owned by Lindsay Goldberg for facilities maintenance activities. During the six months ended June 30, 2014 and 2013, we paid approximately $1.1 million and $0.8 million, respectively, for these services which are reported in cost of sales. For the three months ended June 30, 2014 and 2013, we paid approximately $0.5 million and $0.4 million, respectively, for these services.

8. Concentration of Risk

Credit Risk Due to Industry and Customer Concentrations

All of our revenues are derived from companies in the petrochemical industry, and our principal market is the Texas Gulf Coast region. This concentration could affect our overall exposure to credit risk since these customers may be affected by similar economic or other conditions. Generally, we do not require collateral for our accounts receivable; however, we attempt to negotiate prepayment agreements with customers that are deemed to be credit risks in order to minimize our potential exposure to any defaults.

The following table presents the concentration of total sales to our largest customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Dow Chemical Company (Dow)	50%	43%	46%	42%
Total Petrochemicals USA, Inc. (Total)	23%	20%	23%	21%
INEOS Olefins and Polymers USA (INEOS)	17%	18%	19%	19%
Others (less than 10% individually)	10%	19%	12%	18%
Total sales	100%	100%	100%	100%

At June 30, 2014, we had market-based sales contracts with our propylene customers to provide minimum and maximum annual quantities. See Note 9. These maximum quantities comprise the substantial majority of our facility's anticipated annual production of propylene. This concentration in the volume of business transacted with a limited number of customers subjects us to substantial risks. The loss of any of the above-named customers without replacement on comparable terms could adversely affect our business, results of operations and financial condition. If we were to lose one or more of our current customers, we would seek to engage in sales transactions with other petrochemical companies on either a long-term contract basis or in the spot market, although there is no assurance we would be able to do so.

Feedstock Supplier Concentration Risk

At June 30, 2014, we had long-term market-based contracts for the purchase of propane, our sole feedstock, as well as nitrogen and natural gas. There is only one supplier in each of these contracts. Interruptions in or limitations on volumes provided under these contracts subject us to the risk that we would be unable to meet our production requirements if we were unable to locate and procure replacement volumes from alternate sources.

9. Commitments and Contingencies

At June 30, 2014, we were obligated under long-term market-based propylene sales agreements to supply our customers with minimum quantities of propylene annually.

The following table illustrates certain information regarding our propylene contracts (in millions of pounds):

Company	Max	Min	Ends December 31
Contracts:			
Dow	690	510	2018
Total	300	240	2017
INEOS	288	228	2016
LyondellBasell Industries N.V.	60	60	2014
BASF Corporation	60	48	2016
Total	1,398	1,086	

Legal Matters

We are routinely involved in various legal matters arising from the normal course of business for which no provision has been made in the financial statements. The outcome of these proceedings cannot be predicted with certainty. However, except for the matters described below, we believe that these proceedings, when resolved, will not have a material adverse effect on our results of operations financial position or liquidity.

On June 2, 2014, a putative class action complaint by unitholders of PetroLogistics, captioned Klemesrud v. PetroLogistics LP, et al., C.A. No. 9723-VCP, which we refer to as the "Klemesrud Action," was filed in the Court of Chancery of the State of Delaware. Between June 4 and June 25, 2014, two additional putative class action complaints by unitholders of PetroLogistics, captioned Swanson v. PetroLogistics LP, et al., C.A. No. 9737-VCP, which we refer to as the "Swanson Action," and Henry v. PetroLogistics LP, et al., C.A. No. 9759-VCP, which we refer to as the "Henry Action," were filed in the Delaware Court, and three additional putative class action complaints by unitholders of PetroLogistics, captioned Basaraba v. PetroLogistics LP, et al., No. 4:14-cv-1558, which we refer to as the "Basaraba Action," Wolfson v. PetroLogistics LP, et al., No. 4:14-cv-1723, which we refer to as the "Wolfson Action," and Maggi v. Petrologistics, LP, et al., No. 4:14-cv-1786, which we refer to as the “Maggi Action,” were filed in the United States District Court for the Southern District of Texas, Houston Division. Each of the complaints names PetroLogistics and the General Partner, the members of the board of directors of the General Partner, Propylene Holdings LLC, New Parent and Merger Sub as defendants, and the complaints in the Klemesrud Action and the Henry Action also name Koch Industries, Inc. or Koch Industries, LLC as defendants. In each of the complaints, the plaintiffs generally allege that the members of the board of directors of the General Partner breached their duties to the unitholders of PetroLogistics by entering into the Merger Agreement and further allege that the other defendants aided and abetted the alleged breaches of duty by the members of the board of directors of the General Partner. The Henry Action also alleges that the defendants breached the terms of our partnership agreement, and the Wolfson Action and the Maggi Action allege that the defendants violated Sections 14(a) and 20(a) of the Securities and Exchange Act of 1934 by issuing an information statement that omits and/or misrepresents material information concerning the Merger. In each of the complaints, the plaintiffs seek, among other things, to enjoin the Merger and/or money damages.

No plaintiff in any of the actions sought injunctive relief before the merger closed. The Company intends to vigorously defend these lawsuits.

10. Subsequent Events

Merger of PetroLogistics LP with a subsidiary of Flint Hills Resources, LLC

On July 16, 2014, PetroLogistics completed the Merger with FHR Propylene. PetroLogistics was the surviving entity in the Merger and as a result of the Merger became an indirect subsidiary of New Parent. In connection with the Merger, Propylene Holdings also transferred to an indirect subsidiary of New Parent 100% of the issued and outstanding membership interests of the General Partner (the "GP Equity Transfer").

Upon the closing of Merger and GP Equity Transfer, by virtue of the Merger and without any action on the part of PetroLogistics or the General Partner, (a) each common unit issued and outstanding and owned by holders, other than the Sponsors and the Founding Unitholders (each as defined below) (such holders, the "Public Unitholders") was cancelled and converted automatically into the right to receive an amount in cash equal to $14.00, without interest and subject to any required withholding taxes (the "Public Merger Consideration"), and (b) each common unit issued and outstanding and beneficially owned by (1) our Sponsors and (2) David Lumpkins, Nathan Ticatch and a related family partnership and family trust (collectively, the "Founding Unitholders") was cancelled and converted automatically into the right to receive an amount in cash equal to $12.00, without interest and subject to any required withholding taxes, in each case, upon the terms and subject to the conditions set forth in the Merger Agreement. No additional consideration was delivered in exchange for the GP Equity Transfer.

As a result of the Merger, PetroLogistics outstanding common units ceased trading on the New York Stock Exchange. Further, PetroLogistics terminated the registration of its Notes. Under the Indenture governing the Notes, PetroLogistics has a contractual obligation to file reports with the SEC.

In addition, a one-time cash distribution of $0.40 per common unit, payable to the Unitholders of record on the day preceding the closing date of the Merger, was declared and made in accordance with the provisions of the Merger Agreement (the "Merger Related Distribution").

In addition, in connection with the Merger, each phantom unit granted pursuant to the Long Term Incentive Plan (collectively, the "Phantom Units") (a) was cancelled and converted into the right to receive from New Parent (through General Partner) an amount of cash equal to the Public Merger Consideration plus the Merger Related Distribution for each Phantom Unit (the "Phantom Unit Consideration"), (b) is no longer outstanding, and (c) ceased to exist. Following the Merger, New Parent caused the General Partner to pay the Phantom Unit Consideration to each holder of Phantom Units, upon the terms and subject to the conditions set forth in the Merger Agreement, in full satisfaction of all rights pertaining to the Phantom Units formerly outstanding. See Note 6 for additional information.

Reorganization Following the Merger

Following the Merger, New Parent affected an internal restructuring, pursuant to which the following transactions were consummated sequentially on July 16, 2014:

1. the MLP Merger consisting of the merger of PetroLogistics with and into PL Propylene;
2. the GP Merger consisting of the merger of the General Partner with and into PL Propylene;
3. PL Propylene amended its certificate of formation to change its name to Flint Hills Resources Houston Chemical, LLC; and
4. Finance Corp., the co-issuer of the Notes, amended its certificate of incorporation to change its name to FHR Houston Chemical Finance Corp.

FHRHC was the surviving entity in the MLP Merger and the GP Merger and assumed all of the obligations of PetroLogistics and General Partner by operation of law, including SEC reporting obligations. All future SEC reporting obligations with respect to common units of PetroLogistics or the contractual reporting obligations of PetroLogistics with respect to the Notes will be performed by FHRHC. Following the MLP Merger and the GP Merger, FHRHC is an indirect subsidiary of New Parent.

In connection with the GP Merger, our services agreement with the General Partner was cancelled. See Note 7 for additional information.

Agreements Assumed Following the Merger

As a result of the Merger, PetroLogistics assumed certain agreements of FHR Propylene. As a result of the MLP Merger, FHRHC assumed these agreements from PetroLogistics.

Termination of the 2013 Revolving Credit Facility and Assumption of the New Credit Facility. In connection with the Merger, FHR Propylene entered into a $290.0 million unsecured revolving credit facility as the borrower with the lenders party thereto and FHR Liquidity Holdings I, LLC ("FHR Liquidity"), as administrative agent (the "New Credit Facility"). In connection with the Merger, PetroLogistics (as successor by merger to FHR Propylene) assumed the rights and obligations of FHR Propylene under the New Credit Facility. In connection with the MLP Merger, FHRHC (as successor by merger to PetroLogistics) assumed the rights and obligations of PetroLogistics under the New Credit Facility. The New Credit Facility matures on July 1, 2020. The lender under the New Credit Facility is an affiliate of New Parent. The New Credit Facility is pari passu in right of payment with the Notes.

The New Credit Facility accrues interest, at the election of the borrower, at an alternative base rate or based on LIBOR, in each case, plus an applicable margin. In addition, the New Credit Facility also requires FHRHC to pay an unused commitment fee. The New Credit Facility contains customary affirmative and negative covenants and events of default for financings of this type by investment grade borrowers.

Upon completion of the Merger, PetroLogistics caused PL Propylene to terminate the 2013 Revolving Credit Facility. With proceeds of loans borrowed by PetroLogistics under the New Credit Facility, all indebtedness, liabilities and obligations (other than contingent reimbursement and indemnification obligations for which a claim had not been made as of the termination date) were paid in full, and all commitments of the lenders to extend credit under the 2013 Revolving Credit Facility were terminated in full. No prepayment or early termination penalties or premiums were incurred as a result of the termination of the 2013 Revolving Credit Facility.

Demand Note. In connection with the Merger, FHR Propylene received a contribution in the form of a $500.0 million demand note receivable with New Parent (the "Demand Note"), which is payable by New Parent. In connection with the Merger, PetroLogistics (as successor by merger to FHR Propylene) assumed the rights of FHR Propylene under the Demand Note. In connection with the MLP Merger, FHRHC (as successor by merger to PetroLogistics) assumed the rights of PetroLogistics under the Demand Note. FHRHC may call for repayment as needed to pay amounts due to holders of the Notes issued under the Indenture governing the Notes. The New Parent must prepay the Demand Note in each of the following circumstances:

1. the Demand Note must be prepaid in an aggregate amount equal to any principal or interest payment that FHRHC fails to make on the Notes in accordance with the Indenture if such payment has not been made on the 20th day after FHRHC receives written notice under the Demand Note of such failure from the Trustee (any prepayment required as described in this clause (1) is referred to as a "Default Mandatory Prepayment");

2. the Demand Note must be prepaid in full if a major casualty loss occurs and the New Parent elects not to repair or rebuild FHRHC's facility; and

3. the Demand Note must be prepaid in the amount of any payment due on the Notes (whether principal, interest, make-whole premium or otherwise) if FHRHC requests such payment.

FHRHC must cause the proceeds of any such prepayment to be applied to the payment of the Notes (the "Note Application Requirement"). The Trustee is a third party beneficiary of the Default Mandatory Prepayment and Note Application Requirement provisions of the Demand Note, entitled to enforce such provisions if FHRHC and New Parent do not comply with the terms of such provisions.

Master Sales Agreement. In connection with the Merger, FHR Propylene entered into a master sales agreement (the "Master Sales Agreement") with Flint Hills Resources, LP, an affiliate of New Parent ("FHRLP"). In connection with the Merger, PetroLogistics (as successor by merger to FHR Propylene) assumed the rights and obligations of FHR Propylene under the Master Sales Agreement. In connection with the MLP Merger, FHRHC (as successor by merger to PetroLogistics) assumed the rights and obligations of PetroLogistics under the Master Sales Agreement. The Master Sales Agreement effectively obligates FHRLP (1) to supply up to 75% of feedstock requirements of FHRHC or pay FHRHC for its lost production margin and (2) to purchase or pay for 100% of the propylene production of FHRHC, priced at the higher of (a) propylene market price less $0.038 per pound or (b) the propane market price plus $0.15 per pound.

Termination of Indenture Covenants Governing the Notes

Following the Merger, the ratings of the Notes were upgraded by Standard & Poor's Ratings Services from B to AA- and by Moody's Investors Service from B2 to A3. As permitted under the terms of the Indenture governing the Notes, FHRHC delivered an officers' certificate to the trustee under the Indenture terminating substantially all of the covenants under the Indenture, except for the SEC reporting covenant. See Note 5 for additional information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, references in this report to "PetroLogistics" for periods after the closing of our initial public offering (the "IPO") on May 9, 2012, refer to PetroLogistics LP. References in this Report to our "Sponsors" refer to Lindsay Goldberg LLC ("Lindsay Goldberg") and York Capital Management ("York Capital"). References to FHRHC refer to Flint Hills Resources Houston Chemical, LLC. For periods prior to the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to "we," "us," "our" or like terms refer to PetroLogistics LP, unless the context otherwise requires. For periods after the Merger, GP Equity Transfer, MLP Merger and GP Merger, references to the "Company," "FHRHC," "we," "us," "our" or like terms refer to Flint Hills Resources Houston Chemical, LLC, unless the context otherwise requires.

You should read the following discussion of the financial condition and results of operations for PetroLogistics in conjunction with (a) our accompanying interim consolidated financial statements and related notes (included elsewhere in this Report); (b) our consolidated financial statements and related notes included in our Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K"); and (c) our management's discussion and analysis of financial condition and results of operations included in our 2013 Form 10-K.

Forward-Looking Statements

This Report, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words "will," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our cash distributions, our expected capital expenditures and the impact of such expenditures on our performance. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements including, but not limited to, the factors discussed under the caption "Factors Affecting the Comparability of Future Results" and those set forth under Part I, Item 1A, under the heading "Risk Factors" in our 2013 Form 10-K.

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

Merger and Subsequent Events

On July 16, 2014, PetroLogistics completed the Merger pursuant to which it became a subsidiary of New Parent. For additional information on the Merger and certain events following the Merger, see the Explanatory Note at the beginning of this Report and Note 10 to the notes to consolidated financial statements included elsewhere in this Report.

Overview

We currently own and operate the only U.S. propane dehydrogenation facility (or "our facility") producing propylene from propane. Propylene is one of the basic building blocks for petrochemicals that is utilized in the production of a variety of end uses including paints, coatings, building materials, clothing, automotive parts, packaging and a range of other consumer and industrial products. We are located in the vicinity of the Houston Ship Channel. We also have access to a global fractionation and storage hub for propane located in Mt. Belvieu, Texas. Our location provides us with access and connectivity to both customers and feedstock suppliers.

As of June 30, 2014, we had multi-year contracts for the sale of our propylene with The Dow Chemical Company ("Dow"), Total Petrochemicals & Refining USA, Inc. ("Total"), BASF Corporation ("BASF") and INEOS Olefins and Polymers USA ("INEOS") that expire between 2016 and 2018 and a contract with LyondellBasell Industries N.V. ("LyondellBasell") that ends in December 2014. These customer contracts provide for minimum and maximum offtake volumes, with the minimum customer-contracted volumes representing approximately 75% of our current facility capacity and the maximum reflecting approximately 96% of our current facility capacity. Each of these customer contracts contain pricing terms based upon market rates. In addition to our contracted sales, we make additional propylene sales on a spot basis. Also, if necessary, we may purchase propylene in order to meet short-term customer obligations.

Propylene comprised approximately 97% of our sales during both the three and six months ended June 30, 2014. Propylene also comprised 98% of our sales during both the three and six months ended June 30, 2013. In addition to propylene, we produce commercial quantities of hydrogen, C4 mix stream and C5+ stream.

Factors Affecting the Comparability of Future Results

Our historical results of operations and cash flows may not be indicative of results of operations and cash flows to be expected in the future, principally for the following reasons:

- *We will periodically experience planned and unplanned downtime.* Safe and reliable operations at our facility are critical to our performance and financial results. As such, we plan for periodic periods of major maintenance, during which the most significant activity is the replacement of the reactor catalyst which is required approximately every three years based on estimated catalyst life. Our first triennial turnaround commenced on September 28, 2013, and lasted 32 days and had a total cost of $47.4 million which included capitalized and deferred major maintenance costs and repairs and maintenance expense. The scope of the work completed during the 2013 turnaround included additional work within the reactors and the completion of other projects that were designed to improve our reliability. The catalyst change-out projects may last more or less than 32 days depending on the scope of the actual work performed during the turnaround. We anticipate future catalyst change-out projects to be similar as to time and cost, although the cost and duration of other work performed during that time may vary. Also, we may undertake additional major maintenance and/or expansion projects. If we elect to undertake such projects, these projects will require additional time and expense.

  Our results of operations for the years in which we complete our triennial maintenance project, or turnaround, will be affected by the costs associated with the turnaround. Extraordinary maintenance activities performed during the turnaround which do not qualify for deferral are expensed, affecting our net income, and we will continue to incur production overhead costs during a turnaround, which also affects net income. Our sales might be affected by the lack of production during the turnaround, and we may purchase propylene inventory in order to supply customers during the turnaround, which may further increase our costs of sales. The additional capital costs and deferred maintenance costs incurred during a turnaround and expenses associated with extraordinary maintenance activities will affect our cash flows.

- *Our historical results of operations reflect losses on commodity derivative contracts that may not be indicative of future results of operations.* Commencing October 2011 through March 2012, we entered into commodity derivative contracts (the "propane swaps") with settlement dates in 2012 and 2013. On April 19, 2013, we, PL Manufacturing and the counterparty to the propane swaps agreed to terminate the propane swaps remaining as of May 1, 2013. While we did not ultimately bear the cost of the propane swaps as a result of an omnibus agreement (the "omnibus agreement") among our General Partner, PetroLogistics, Propylene Holdings, PL Propylene, and PL Manufacturing, we remained a party to the propane swaps, and were obligated to make payments to the propane swap counterparties as they came due and to post any collateral as required, under the terms of the propane swaps. As a result, we recorded the fair value of the propane swaps on our consolidated balance sheets with the related charge reflected in our consolidated statements of comprehensive income. Volatility in the propane and crude oil commodity markets significantly affected the fair value of our commodity derivative contracts which significantly affected the gains or losses on commodity derivative contracts recognized in our consolidated statements of comprehensive income. With the termination of the propane swaps, we will no longer incur such gains or losses.

- *As the result of the Merger, our common units are no longer listed or traded on the New York Stock Exchange and our Sponsors are no longer our controlling Unitholders.* Following the Merger, we are a subsidiary of Flint Hills Resources, LLC. Further, in connection with the Merger, the board of directors of our General Partner and each of our officers, including our co-chief executive officers, our chief financial officer and our general counsel, resigned. As a result, following the Merger we have a new owner and new senior management. We expect our new management will evaluate our business and operations and may make changes in how we operate. At the present time, we cannot anticipate what changes may occur or the potential impact of these changes on our operations or results of operations.

Factors Affecting Results

We believe key factors that impact our operating results are (1) the propane-to-propylene spread, (2) our facility's capacity utilization and (3) customer sales.

Propane-to-Propylene Spread. The price spread between propane, our sole feedstock, and propylene, our primary product, largely determines our gross margin and is the key driver of our profitability.

Propylene sales constitute substantially all of our sales. Propylene is a commodity, and its price can be cyclical and highly volatile. The price of propylene depends on a number of factors, including general economic conditions, cyclical trends in end-user markets and supply and demand imbalances. At June 30, 2014, the customers under our propylene sales contracts (Dow, Total, BASF, INEOS and LyondellBasell) each paid market-based prices for propylene. A significant decrease in propylene prices would have a material adverse effect on revenue generated from these customers. In addition, a decrease in the price of propylene would result in decreased revenue from any sales of propylene on the spot market. Assuming annual sales of 1.3 billion pounds, a one cent increase (decrease) in the propane-to-propylene spread results in an annual increase (decrease) of $13 million in gross margin and approximately $0.09 per unit in distributable cash flow on an annual basis.

Propane is the sole feedstock in our production process, and the cost of propane represents a substantial portion of our cost of sales. At June 30, 2014, Enterprise Products Operating LLC (together with its affiliates, "Enterprise") supplied 100% of our required propane feedstock volume under a multi-year contract at market-based prices, which prices are subject to fluctuations in response to changes in supply, demand, market uncertainties and a variety of additional factors beyond our control. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk."

Capacity Utilization. Our facility had an original nameplate capacity of 1.2 billion pounds of propylene annually. However, based on plant optimization and operating improvements, our facility currently has an annual production capacity of approximately 1.4 billion pounds. Actual annual production will vary based on a number of factors, including the amount of downtime for planned and unplanned maintenance on the facility and the overall efficiency of the facility. Any significant planned or unplanned downtime may affect not only production, and therefore sales, but also capital expenditures and direct operating expenses, primarily maintenance expenses and fuel and utilities.

Customer Sales. Our results are affected by customer demand. When propylene production exceeds customer nominations, we build inventory for future sales or seek opportunities to sell the excess production on the spot market. When customer nominations exceed our propylene production and we elect not to declare force majeure, we satisfy the shortfall out of inventory or purchase propylene on the spot market. In certain circumstances, a customer will nominate more than it will actually take in a month. In those situations, we deliver the excess product into storage and defer the sales recognition until the customer takes actual delivery. We invoice customers for quantities delivered to the customer and for quantities delivered into storage on the customer's behalf and are paid by the customer based on its actual monthly nominations. As a result of the foregoing, customer billings in one month may not result in sales until a future month.

Results of Operations

The period-to-period comparisons of our results of operations have been prepared using the historical periods included in our consolidated financial statements. In order to effectively review and assess our historical financial information below, we have also included a description of the components of the various financial statement line items included in this Report.

Sales. Sales are comprised of propylene sales and by-product sales, which include hydrogen, C4 mix stream and C5+ stream.

Cost of Sales. Cost of sales represents the costs of propylene and by-products sold. These costs include the cost of propane, fuel and utilities used in the propylene production process, as well as direct operating expenses and insurance and property tax expenses associated with our facility. Direct operating expenses include all direct and indirect labor at our facility, materials, supplies, and other expenses associated with the operation and maintenance of the facility. Depreciation, amortization and accretion expenses, exclusive of amortization of deferred financing fees, as well as equity-based compensation expense for awards granted to operating personnel are also included within cost of sales. During periods in which our facility operates below normal capacity, we record charges to cost of sales to reflect unabsorbed fixed overhead costs.

General and Administrative Expense. General and administrative expense includes salary and benefits costs for executive management, accounting and information technology personnel, as well as legal, audit, tax and other professional service costs and charges for equity-based compensation expense. Also included in general and administrative expense is development expense which includes preliminary engineering and design work for capital projects which do not qualify for capitalization under GAAP.

(Gain) Loss on Derivatives. Our propane swaps were recorded as derivative assets and liabilities, as applicable, at fair value on our consolidated balance sheets. Our derivative contracts did not qualify for hedge accounting treatment. Consequently, the associated realized and unrealized gains and losses were recorded as current expense or income in the consolidated statements of comprehensive income. Unrealized gains or losses on derivatives represent the non-cash change in the fair value of these derivative instruments and do not impact operating cash flows until settlement occurs. For further discussion see "—Liquidity and Capital Resources."

Interest Expense, net. Interest expense, net, includes expense incurred on outstanding debt balances, the amortization of loan discount and deferred financing fees and loan commitment expenses under our credit facilities. Loan commitment expense is comprised of the fees assessed on the unutilized portion of our credit facility. Interest income results from earnings on available cash balances and is offset against interest expense.

Income Tax Expense. As an entity operating in the State of Texas, we are subject to the Texas Margin Tax. This tax represents a tax on gross margin, as adjusted, and is reported as income tax expense in the accompanying statements of comprehensive income.

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

	Three Months Ended June 30,		Increase/(Decrease)	
	2014	2013		%
	(Unaudited) (Amounts in Thousands)			
Sales	$ 211,916	$ 159,378	$ 52,538	33%
Cost of sales	144,496	111,081	33,415	30%
Gross profit	67,420	48,297	19,123	40%
General and administrative expense	10,622	5,321	5,301	100%
(Gain) loss on derivatives, net	—	(5,438)	(5,438)	(100)%
Operating income	56,798	48,414	8,384	17%
Interest expense, net	(6,447)	(6,431)	16	0%
Net income before income tax expense	50,351	41,983	8,368	20%
Income tax expense	(1,084)	(576)	508	88%
Net income	$ 49,267	$ 41,407	$ 7,860	19%

Sales. For the three months ended June 30, 2014 and 2013, we recognized sales on approximately 314.6 million and 264.6 million pounds of propylene, respectively. Propylene produced and delivered out of storage increased from 3.2 million pounds in the second quarter of 2013 compared to 20.4 million pounds in the second quarter of 2014. Also contributing to the increase in sales was an increase in the average polymer grade contract benchmark propylene price. The average polymer grade contract benchmark propylene price in the three months ended June 30, 2014, was 69.7 cents per pound compared to an average of 63.3 cents per pound for the three months ended June 30, 2013, an increase of 6.4 cents per pound or 10%.

	Three Months Ended June 30,		Increase/(Decrease)	
	2014	2013		%
	(Unaudited) (Amounts in Thousands)			
Propane	$ 93,980	$ 70,449	$ 23,531	33%
Fuel and utilities	12,809	10,498	2,311	22%
Depreciation, amortization and accretion	11,287	10,670	617	6%
Insurance and property taxes	3,940	4,504	(564)	(13)%
Direct operating expenses and other	11,953	8,604	3,349	39%
Total production costs	133,969	104,725	29,244	28%
Purchased propylene	6,139	12,916	(6,777)	(52)%
Change in inventory	4,388	(6,560)	10,948	167%
Cost of sales	$ 144,496	$ 111,081	$ 33,415	30%

Cost of Sales. Cost of sales was $144.5 million, or approximately 68% of sales for the three months ended June 30, 2014, compared to $111.1 million, or approximately 70% of sales, for the same period during 2013, which represents an increase of $33.4 million. Propylene production for the second quarter of 2014 totaled approximately 296.0 million pounds of propylene compared to 254.8 million pounds of propylene produced during the second quarter of 2013, which represents an increase in production of approximately 16%. The primary component of cost of sales was the propane feedstock, which represented approximately 70% and 67% of total production costs for the three months ended June 30, 2014 and 2013, respectively. An increase in propane pricing from an average of $0.91 per gallon in 2013 to $1.06 per gallon in 2014 combined with an increase in propylene production in the second quarter of 2014 compared to the same period in 2013 resulted in an increase in propane expense of $23.5 million. In the second quarter of 2013, we purchased propylene from third parties for $12.9 million in anticipation of our October 2013 triennial turnaround as compared to $6.1 million of propylene purchased from third parties in the second quarter of 2014. The change in inventory represents the change in the production value of the product inventory between the beginning and end of the period based on the weighted average cost of production. This amount fluctuated with our average cost of production and the amount of product inventory we carried.

During the quarter ended June 30, 2013, we recognized a gain of approximately $3.9 million for insurance recoveries for losses incurred in 2011 related to our gas turbines and 2012 related to a compressor. We have reported the gain from the insurance recoveries against cost of sales for the three months ended June 30, 2013, as the losses for repairs on the equipment was originally recorded as cost of sales. Cost of sales for the three months ended June 30, 2013, before the insurance recoveries totaled $115.0 million.

General and Administrative Expense. General and administrative expense was $10.6 million for the three months ended June 30, 2014, compared to $5.3 million for the three months ended June 30, 2013, which represented an increase of $5.3 million. The higher general and administrative expense for the three months ended June 30, 2014, was primarily attributable to an additional $6.7 million in expenses related to professional services related to the Merger.

(Gain) Loss on Derivatives. The net gain on derivatives represented the net realized and unrealized gains and losses on the propane swaps. We recorded the propane swaps at fair value using observable inputs based on market data obtained from independent sources. Because the propane swaps did not qualify for hedge accounting treatment, the mark-to-market adjustments were reported in our consolidated statements of comprehensive income. We incurred no gains or losses associated with propane swaps during the three months ended June 30, 2014, as all swap positions were terminated during the second quarter of 2013. The net gain on derivatives of $5.4 million for the three months ended June 30, 2013, was comprised of mark-to-market unrealized gains of $44.6 million and realized losses of $39.2 million which were recognized at each monthly settlement date.

Interest Expense, net. Interest expense of $6.4 million was incurred for the three months ended June 30, 2014, on an average daily debt balance of $365.8 million. For the three months ended June 30, 2013, we incurred $6.4 million in interest expense on an average debt balance of $365.0 million. Total interest expense for the three months ended June 30, 2014 and 2013, includes $0.5 million of amortized deferred financing costs. Loan commitment expense was $0.2 million for the three months ended June 30, 2014 and 2013.

Income Tax Expense. Income tax expense was $1.1 million for the three months ended June 30, 2014, compared to $0.6 million for the three months ended June 30, 2013, in each case, resulting from income taxes incurred on gross margin with the State of Texas.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

	Six Months Ended June 30,		Increase/(Decrease)	
	2014	2013		%
	(Unaudited) (Amounts in Thousands)			
Sales	$ 431,904	$ 368,088	$ 63,816	17%
Cost of sales	306,085	225,204	80,881	36%
Gross profit	125,819	142,884	(17,065)	(12)%
General and administrative expense	15,365	10,758	4,607	43%
(Gain) loss on derivatives, net	—	(1,700)	(1,700)	(100)%
Operating income	110,454	133,826	(23,372)	(17)%
Interest expense, net	(12,885)	(13,549)	(664)	(5)%
Loss on extinguishment of debt	—	(20,446)	(20,446)	(100)%
Net income before income tax expense	97,569	99,831	(2,262)	(2)%
Income tax expense	(1,635)	(1,347)	288	21%
Net income loss	$ 95,934	$ 98,484	$ (2,550)	(3)%

Sales. For the six months ended June 30, 2014 and 2013, we recognized sales on approximately 625.3 million and 553.3 million pounds of propylene, respectively. Propylene produced and delivered out of storage increased from 4.6 million pounds in the six months ended June 30, 2013, compared to 15.2 million pounds in the six months ended June 30, 2014. Also contributing to the increase in sales was an increase in the average benchmark polymer grade propylene price of 2.3 cents per pound from an average of 69.2 cents per pound for the six months ended June 30, 2013, to an average of 71.5 cents per pound for the six months ended June 30, 2014. In addition to the increase in propylene sales, by-product sales increased $3.2 million in the six months ended June 30, 2014, compared to the comparable period of 2013 as a direct result of higher propylene production volume in 2014.

	Six Months Ended June 30,		Increase/(Decrease)	
	2014	2013		%
	(Unaudited) (Amounts in Thousands)			
Propane	$ 217,793	$ 148,461	$ 69,332	47%
Fuel and utilities	25,490	19,877	5,613	28%
Depreciation, amortization and accretion	23,818	20,354	3,464	17%
Insurance and property taxes	8,182	8,785	(603)	(7)%
Direct operating expenses and other	22,611	17,931	4,680	26%
Total production costs	297,894	215,408	82,486	38%
Purchased propylene	6,139	27,392	(21,253)	(78)%
Change in inventory	2,052	(17,596)	19,648	112%
Cost of sales	$ 306,085	$ 225,204	$ 80,881	36%

Cost of Sales. Cost of sales was $306.1 million or 71% of sales for the six months ended June 30, 2014, compared to $225.2 million, or approximately 61% of sales, for the six months ended June 30, 2013. Total propylene production volume in the six months ended June 30, 2014 and 2013 was 611.5 and 553.7 million pounds of propylene, respectively. This increase in production volume was driven by unplanned downtime at the facility during the six months ended June 30, 2013. The primary component of cost of sales was the propane feedstock, which represented 73% and 69% of total production costs for the six months ended June 30, 2014 and 2013, respectively. The increase in propane expense in 2014 from the first six months of 2013 is partially due to the 10% increase in propylene production volumes in 2014. Also contributing to the increase in propane expense was a higher average propane price of $1.18 per gallon in 2014 compared to $0.88 per gallon in 2013, an increase of 34%. In addition, fuel and utilities expense increased $5.6 million or 28% due to the increase in propylene production. Depreciation, amortization and accretion expense was $23.8 million for the six months ended June 30, 2014, compared to $20.4 million for the six months ended June 30, 2013, an increase of $3.5 million. The increase in cost of sales was partially offset by a decrease in propylene purchased from third parties from $27.4 million in the first half of 2013 to $6.1 million in the first half of 2014. In 2013, we purchased significantly more volumes of propylene from third parties in preparation for the planned triennial turnaround in the third quarter of 2013. The change in inventory represents the change in the production value of the product inventory between the beginning and end of the period based on the weighted average cost of production, including the cost of propane. This amount fluctuates with our average cost of production and the amount of product inventory we carry.

During the six months ended June 30, 2013, we recognized a gain of approximately $3.9 million for insurance recoveries for losses incurred in 2011 related to our gas turbines and 2012 related to a compressor. Of this amount, we received payments of approximately $2.5 million with the remaining $1.4 million reflected as a receivable at June 30, 2013. All remaining amounts were received in 2013. We reported the gain from the insurance recoveries against cost of sales for the six months ended June 30, 2013, as the losses for repairs on the equipment was originally recorded as cost of sales. Cost of sales for the six months ended June 30, 2013, before the insurance recoveries totaled $229.1 million.

General and Administrative Expense. General and administrative expense was $15.4 million for the six months ended June 30, 2014, compared to $10.8 million for the six months ended June 30, 2013, an increase of $4.6 million. The increase was primarily attributable to costs incurred in connection with the Merger in the first half of 2014. This increase was offset by a decrease of $1.1 million for development expense related to potential expansion and profit enhancement projects at our facility.

(Gain) Loss on Derivatives. The net gain on derivatives of $1.7 million for the six months ended June 30, 2013, was comprised of mark-to-market unrealized gains of $63.1 million and realized losses of $61.4 million which were recognized at each monthly settlement date. The realized losses incurred during the period consist of $27.0 million for the recurring monthly settlement of the propane swap positions and $34.4 million for the termination of the remaining propane swaps on April 19, 2013.

Interest Expense, Net. We incurred interest expense of $11.4 million for the six months ended June 30, 2014, on an average daily debt balance of $366.0 million and $11.8 million on an average daily balance of $357.1 million for the six months ended June 30, 2013. Interest expense for the six months ended June 30, 2014 and 2013 also included $1.0 million and $1.1 million, respectively, of deferred financing cost amortization as well as loan commitment expense for both the six months ended June 30, 2014 and 2013, of $0.4 million.

Loss on Early Extinguishment of Debt. We recognized a loss on extinguishment of debt of $20.4 million for the six months ended June 30, 2013, related to the refinancing of our 2012 Credit Facilities. The loss on extinguishment resulted from the write-off of approximately $7.7 million of amortized deferred financing costs associated with the 2012 Credit Facilities, the write-off of $5.8 million of unamortized original issue discount associated with the 2012 Credit Facilities, and the payment of a $6.9 million call premium for the prepayment of the 2012 Term Loan Facility. See discussion under "Liquidity and Capital Resources."

Income Tax Expense. Income tax expense, resulting from income taxes incurred on gross margin with the State of Texas, was $1.6 million for the six months ended June 30, 2014, compared to $1.3 million for the same period in 2013.

Critical Accounting Policies

The preparation of our financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. There were no changes in our critical accounting policies for the period covered by this Report.

Liquidity and Capital Resources

Our principal source of liquidity is cash flows from operations. Our principal uses of cash have been and are expected to be for working capital, distributions, capital expenditures and funding our debt service obligations. We believe that our cash from operations will be adequate to satisfy commercial commitments for the next twelve months and that cash flow together with borrowings under the New Credit Facility (as defined below) will be adequate to fund our planned capital expenditures and working capital needs.

Our ability to make payments on and to refinance our indebtedness, to fund planned capital expenditures and to satisfy our other capital and commercial commitments will depend on our ability to generate cash flows in the future. This, to a certain extent, is subject to the prevailing propane-to-propylene spread, natural gas prices and general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business may not generate sufficient cash flows from operations, and future borrowings may not be available to us under our credit facilities in amounts sufficient to enable us to finance necessary capital expenditures, service our indebtedness or fund our other liquidity needs.

Our borrowing capacity has been increased. In connection with the Merger, the MLP Merger and the GP Merger, we assumed a New Credit Facility with an affiliate of New Parent that provides for revolving borrowings of up to $290.0 million. In addition, a $500 million Demand Note was contributed to Merger Sub and as a result the Merger and the MLP Merger, is an asset of FHRHC. The Demand Note is payable to us by New Parent. See the Explanatory Note at the beginning of this Report and Note 10 to the notes to consolidated financial statements included in this Report for additional information.

Capital Spending

During the six months ended June 30, 2014, we incurred capital expenditures of $15.7 million primarily for 109 splitter project, gas turbine upgrades, the replacement of two heat exchangers, and various upgrades and profit improvement projects. During the six months ended June 30, 2013, we incurred capital expenditures of $24.9 million consisting of catalyst for the turnaround, a fifth gas turbine, costs related to a regen air heater that was replaced during the turnaround and other capital costs related to the turnaround. Our future capital spending will be determined by new management and our new owner.

Notes and Credit Facilities

Notes and Debt Refinancing. On March 28, 2013, we and our wholly-owned finance subsidiary, PetroLogistics Finance Corp., co-issued jointly and severally $365.0 million of senior unsecured notes due 2020 (the "Notes"), and we amended and extended our prior revolving credit facility (as amended, the "2013 Revolving Credit Facility" and together with the Notes, the "2013 Credit Facilities") from $120 million to $170 million with Morgan Stanley Senior Funding, Inc. (the "Agent"), and the lender parties thereto. We used the net proceeds from the issuance of the Notes, after underwriting fees of $7.3 million, to (1) repay all borrowings outstanding under our $350.0 million term loan facility (the "2012 Term Loan Facility") in the amount of approximately $347.4 million, (2) pay approximately $6.9 million for the call premium and costs associated with the cancellation of our 2012 Term Loan Facility and (3) pay $3.0 million in commitment fees for the 2013 Revolving Credit Facility and approximately $0.4 million in transaction fees. In addition, we paid approximately $1.3 million in third-party transaction costs from cash on hand. The Notes were issued at the par value of $365 million, and are reported as long-term debt in our consolidated balance sheet at June 30, 2014.

At June 30, 2014, the indenture governing the Notes and the 2013 Revolving Credit Facility contained certain restrictive financial covenants including limitations on our ability to incur additional debt and the requirement under the terms of the 2013 Revolving Credit Facility to maintain a total senior secured leverage ratio, as defined, no greater than 2.0 to 1.0, but as to the senior secured leverage ratio test only in the event that on the last day of any quarter beginning with the quarter ended June 30, 2013, the aggregate amounts outstanding under the 2013 Revolving Credit Facility exceeds $120 million. At June 30, 2014, there were no outstanding borrowings under the 2013 Revolving Credit Facility, and our borrowing capacity was $170 million. The 2013 Revolving Credit Facility was repaid in full and terminated in connection with the Merger.

Interest Rate and Fees. The Notes bear interest at a fixed rate of 6.25% per annum, payable on April 1 and October 1. Prior to the repayment and termination of the 2013 Revolving Credit Facility in connection with the completion of the Merger, the 2013 Revolving Credit Facility bore interest at a rate per annum based on an underlying base rate plus an applicable margin. The applicable margin for the 2013 Revolving Credit Facility ranged from 2.0% for loans bearing interest at the alternate base rate to 3.0% for loans bearing interest at LIBOR. The alternate base rate was defined as the greater of the prime rate in effect or the federal funds effective rate in effect plus ½ of 1.0%. The 2013 Revolving Credit Facility also contained a facility commitment fee at a rate of 0.50% per annum based on the daily unused amount of the commitment amount of $170 million payable in arrears on the last day of March, June, September and December of each year.

Amortization and Final Maturity. The Notes have a maturity date of April 1, 2020. Prior to April 1, 2016, we may redeem all or part of the Notes at a redemption price equal to the sum of 100% of the principal amount of the Notes, plus a "make-whole" premium, plus accrued and unpaid interest, if any, to the date of redemption. We may also redeem some or all of the Notes from the period beginning on April 1, 2016 through March 31, 2018, at a premium (expressed as a percentage of principal) plus accrued and unpaid interest, if any, on the Notes redeemed to the applicable redemption date. From April 1, 2018 through the maturity date, we may redeem some or all of the Notes at par plus accrued and unpaid interest, if any, on the Notes redeemed to the applicable redemption date.

Guarantees. The Notes rank equally in right of payment with all of our existing and future senior indebtedness. Prior to the merger of PetroLogistics into PL Propylene, the Notes were guaranteed on a senior unsecured basis by PetroLogistics' wholly owned subsidiary PL Propylene. The full and unconditional guarantee ranked equally with all of the existing and future senior indebtedness of PL Propylene. At June 30, 2014, PL Propylene and PetroLogistics Finance Corp. were our only subsidiaries. At June 30, 2014, PetroLogistics had no independent assets or operations and there were no significant restrictions upon our ability to obtain funds from our subsidiaries by dividend or loan. Finance Corp. has no material assets and did not conduct any operations. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X under the Securities Act of 1933, as amended. The Notes and any future guarantee are effectively subordinated to all of our and such guarantor subsidiaries' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the Notes are structurally subordinated to all future indebtedness and other liabilities of any of our subsidiaries that are not issuers or guarantors of the Notes. Following the merger of PetroLogistics into PL Propylene, the guarantee of PL Propylene was released. Flint Hills Resources Houston Chemical, LLC, formerly known as PL Propylene, became a joint and several co-issuer under the Notes with FHR Houston Chemical Finance Corp.

In connection with our refinancing, we wrote off approximately $20.4 million of unamortized deferred financing costs, unamortized issue discount, and retirement premium associated with the prior credit facility in the first half of 2013. The write-off of these costs is reflected as a loss on extinguishment of debt in our consolidated statements of comprehensive income for the six month periods ended June 30, 2013. At June 30, 2014, we had $170.0 million available under the 2013 Revolving Credit Facility.

Termination of the 2013 Revolving Credit Facility and Assumption of the New Credit Facility. In connection with the Merger, FHR Propylene entered into a $290.0 million unsecured revolving credit facility as the borrower with the lenders party thereto and FHR Liquidity Holdings I, LLC, as administrative agent (the "New Credit Facility"). PetroLogistics (as successor by merger to FHR Propylene) assumed the rights and obligations of FHR Propylene under the New Credit Facility. FHRHC (as successor by merger to PetroLogistics) subsequently assumed the rights and obligations of PetroLogistics under the New Credit Facility. The New Credit Facility matures on July 1, 2020. The lender under the New Credit Facility is an affiliate of New Parent. The lender's obligations under the New Credit Facility, including the obligations to extend credit, are guaranteed by New Parent. The New Credit Facility is pari passu in right of payment with the Notes.

The New Credit Facility accrues interest, at the election of the borrower, at an alternative base rate or based on LIBOR, in each case, plus an applicable margin. The applicable margin for the New Credit Facility ranges, based on FHRHC's credit ratings, from 0.625% to 1.500% for loans bearing interest at LIBOR or from 0.000% to 0.500% for loans bearing interest at the alternate base rate. The alternate base rate is defined as the greater of the prime rate in effect or the federal funds effective rate in effect plus ½ of 1.0%. As of the date of this Report, the applicable margin was 0.750% for loans bearing interest at LIBOR or 0.000% for loans bearing interest at the alternative base rate. The New Credit Facility also contains a facility commitment fee ranging, based on FHRHC's credit ratings, between a rate of 0.050% to 0.225% per annum based on the daily unused amount of the commitment amount of $290 million payable in arrears on the last day of March, June, September and December of each year. As of the date of this Report, the facility commitment fee was 0.060%. The New Credit Facility contains customary affirmative and negative covenants and events of default for financings of this nature for investment grade borrowers.

Upon completion of the Merger, PetroLogistics caused PL Propylene to terminate the 2013 Revolving Credit Facility. With proceeds of loans borrowed by PetroLogistics under the New Credit Facility, all indebtedness, liabilities and obligations (other than contingent reimbursement and indemnification obligations for which a claim had not been made as of the termination date) were paid in full, and all commitments of the lenders to extend credit under the 2013 Revolving Credit Facility were terminated in full. No prepayment or early termination penalties or premiums were incurred as a result of the termination of the 2013 Revolving Credit Facility.

Termination of Indenture Covenants Governing the Notes. Following the Merger, the ratings of the Notes were upgraded by Standard & Poor's Ratings Services from B to AA- and by Moody's Investors Service from B2 to A3. As permitted under the terms of the Indenture governing the Notes, FHRHC delivered an officers' certificate to the trustee under the Indenture terminating substantially all of the covenants under the Indenture, except for the SEC reporting covenant.

Cash Flows

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2014, was $132.4 million. This positive cash flow from operating activities resulted from net income of $95.9 million which reflects certain non-cash items for equity-based compensation, depreciation, amortization and accretion, amortization of deferred financing costs and deferred income taxes totaling $27.4 million. Cash flows from operations increased $9.1 million as a result of a net decrease in working capital driven by a $16.5 million decrease in accounts receivable and a $6.8 million decrease in inventory. These decreases in assets were offset by decreases in accrued liabilities and deferred revenue totaling $3.3 million and $10.0 million, respectively. Inventory and deferred revenue decreased as a result of an increase in propylene deliveries in the first half of 2014 while accrued liabilities decreased due primarily to the payment of accrued property taxes in January 2014. Accounts receivable decreased as a result of lower nominations in June 2014 compared to December 2013 and also as a result of a reduction in the average benchmark polymer grade propylene price from 70.5 cents per pound in December 2013 to 67.5 cents per pound in June 2014.

Net cash provided by operating activities for the six months ended June 30, 2013, was $78.9 million. This positive cash flow from operating activities resulted from net income of $98.5 million which includes certain non-cash items for unrealized gains on derivatives, equity-based compensation, depreciation, amortization and accretion, amortization of deferred financing costs, loss on extinguishment of debt and deferred income taxes totaling $24.8 million net. Cash flows from operations was increased by a $5.2 million net decrease in working capital driven primarily by a $13.7 million decrease in accounts receivable and a $30.3 million decrease in prepaid expenses and other current assets for the return of cash held in collateral by the propane swaps counterparty following the termination of the propane swaps. These working capital decreases were offset by an $18.8 million inventory increase for propylene stored in advance of our 2013 turnaround and a $20.7 million decrease in accounts payable.

Investing Activities. Net cash used in investing activities for the six months ended June 30, 2014 and 2013, was $15.7 million and $24.9 million, respectively, related to capital expenditures for our facility.

Financing Activities. Net cash used in financing activities for the six months ended June 30, 2014, was $93.8 million, which resulted from cash distributions to unit holders during the period.

Net cash used in financing activities for the six months ended June 30, 2013, was $38.8 million. Our cash flows used in financing activities resulted from net borrowings of approximately $6.8 million offset by net cash distributions totaling $44.4 million. Additionally, we had cash outflows for financing costs of $1.2 million related to the 2013 Credit Facilities.

Off-Balance Sheet Arrangements

We do not have any material "off-balance sheet arrangements" as such term is defined within the rules and regulations of the SEC.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in financial and commodity market prices and rates. Given that our business is currently based entirely in the U.S., we are not directly exposed to foreign currency exchange rate risk.

Commodity Price Risk

Propylene sales constitute substantially all of our sales. Propylene is a commodity, and its price can be cyclical and highly volatile. The price of propylene depends on a number of factors, including general economic conditions, cyclical trends in end-user markets and supply and demand balances. The customers under our propylene sales contracts (Dow, Total, BASF, INEOS and LyondellBasell) each pay market-based prices for propylene, and a significant decrease in propylene prices would have a material adverse effect on revenue generated from these customers.

Propane is the sole feedstock in our production process, and the cost of propane represents a substantial portion of our cost of sales. The price of propane is correlated to the price of crude oil and is influenced by the price of natural gas. The prices for crude oil and natural gas are cyclical and volatile, and as a result, the price of propane can be cyclical and volatile. The propane export market may also impact the price of propane. According to the U.S. Energy Information Administration, propane exports increased significantly during 2013.

If propane costs increase, the market price of propylene may not rise correspondingly or at all. Timing differences between propane prices, which may change daily, and the market price of propylene, which is set monthly, may narrow the propane-to-propylene spread and thus reduce our cash flow, which reduction could be material. Assuming annual sales of 1.3 billion pounds, a one cent increase (decrease) in the propane-to-propylene spread results in an annual increase (decrease) of $13 million in gross margin and approximately $0.09 per unit in distributable cash flow on an annual basis. We obtain all of the propane we need from a single supplier through its propane pipeline system, which is connected to the natural gas liquids and refined products storage hub at Mt. Belvieu. The price that we pay our supplier for propane fluctuates based on market prices. Propane prices could increase significantly in the future. In addition, following the expiration of our current propane supply contract, the price of storage and transportation of propane to our site is subject to change and could adversely impact our financial results.

The raw materials we consume, such as natural gas, electricity and nitrogen, are generally commodity products that are readily available at market prices. We generally enter into supply agreements with particular suppliers, but disruptions of existing supply arrangements could substantially impact our profitability. If certain of our suppliers are unable to meet their obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary materials from other sources. In addition, if any of the raw materials that we use become unavailable within the geographic area from which they are now sourced, then we may not be able to obtain suitable or cost effective substitutes. Any interruption in the supply of raw materials will increase our costs or decrease our sales, which will reduce our cash flow.

An increase in the price of natural gas could narrow the propane-to-propylene spread in two ways, each adversely affecting our gross margins. First, a significant increase in natural gas prices could be accompanied by an increase in the price of NGLs such as ethane. An increase in ethane prices could cause ethylene producers to favor the use of naphtha as a feedstock. Because the use of naphtha as a feedstock in the ethylene production process results in significantly more propylene as co-product than ethane, the result would be an increase in propylene production by ethylene plants. The increased supply of propylene would in turn exert downward pressure on the price of propylene, adversely affecting the price we obtain for the propylene we produce, both in the spot market and pursuant to our customer contracts, which are market-based.

Second, an increase in the price of natural gas may be accompanied by an increase in the price of propane, as the majority of propane is derived from natural gas production, thereby further narrowing the propane-to-propylene spread and reducing our gross margins.

Our supply agreements typically provide for market-based pricing and provide us no protection against price volatility. If the costs of any of our feedstock or raw materials rise, the market price of propylene may not rise correspondingly or at all. Timing differences between our feedstock or raw material prices, which may change daily, and the market price of propylene, which is set monthly, may have a negative effect on our cash flow. Any cost increase could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Commencing October 2011 through March 2012, we entered into propane swaps with the intent of reducing volatility in our cash flows due to fluctuations in the price of propane, our sole feedstock. Under the terms of the propane swaps, for a portion of our propane consumption, we locked in the price of propane as a fixed percentage of the price of Brent crude oil (the “contractual percentage”). Beginning in January 2012, and at the conclusion of each subsequent month through the May 2013 cancellation date, we performed a calculation to determine the average actual price of propane for that month as a percentage of the average actual price of Brent crude oil for that month (the “actual percentage”). If the actual percentage exceeded the contractual percentage under the propane swaps, we were owed a sum by the propane swaps counterparty. If the contractual percentage exceeded the actual percentage under the propane swaps, we owed a sum to the propane swaps counterparty.

Upon the closing of the IPO, we entered into the omnibus agreement and the pledge agreement, pursuant to which PL Manufacturing and the PL Manufacturing Members, through our General Partner, assumed all of our benefits and obligations under the propane swaps. Under the omnibus agreement and the pledge agreement, any amounts received by us under the propane swaps were to be distributed, through our General Partner, to the PL Manufacturing Members, and any amounts that we were required to pay under the propane swaps were contributed back to us as a capital contribution by the PL Manufacturing Members. On April 19, 2013, we, PL Manufacturing and the counterparty to the propane swaps agreed to terminate the propane swaps remaining as of May 1, 2013.

During the three months ended March 31, 2013, we recorded capital contributions from PL Manufacturing and the PL Manufacturing Members of $22.1 million for reimbursement of realized losses incurred on the propane swaps for the first quarter of 2013. These contributions were funded through reductions in the distributions we paid in May 2013 to PL Manufacturing and the PL Manufacturing Members on the common units they own.

In the future, management may elect to use derivative commodity instruments consistent with our overall business objectives to avoid unnecessary risk and to limit, to the extent practical, risks associated with certain of our operating activities.

Interest Rate Risk

Our Notes bear interest at a fixed interest rate while the 2013 Revolving Credit Facility had a variable interest rate based on an underlying base rate plus an applicable margin. The applicable margin ranged from 2.0% for loans bearing interest at the alternate base rate to 3.0% for loans bearing interest at LIBOR. The alternate base rate was defined as the greater of the prime rate in effect or the federal funds effective rate in effect plus 1/2 of 1%. At June 30, 2014, we had no outstanding borrowings under the 2013 Revolving Credit Facility. The 2013 Revolving Credit Facility was terminated in connection with the Merger.

The applicable margin for the New Credit Facility ranges, based on FHRHC’s credit ratings, from 0.625% to 1.500% for loans bearing interest at LIBOR or from 0.00% to 0.50% for loans bearing interest at the alternate base rate. The alternate base rate is defined as the greater of the prime rate in effect or the federal funds effective rate in effect plus ½ of 1.0%. As of the date of this Report, the applicable margin was 0.750% for loans bearing interest at LIBOR or 0.000% for loans bearing interest at the alternative base rate. The New Credit Facility also contains a facility commitment fee ranging, based on FHRHC’s credit ratings, between a rate of 0.050% to 0.225% per annum based on the daily unused amount of the commitment amount of $290 million payable in arrears on the last day of March, June, September and December of each year. As of the date of this Report, the facility commitment fee was 0.060%.

Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the Exchange Act (1) is recorded, processed, summarized and reported within the time periods specified in the rules and forms and (2) is accumulated and communicated to our management, including the principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. We note that the design of any system of controls is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

Because of its inherent limitations, management does not expect that our disclosure control and our internal control over financial reporting will prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate. Any control system, no matter how well designed and operated, is based upon certain assumptions and can only provide reasonable, not absolute assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to errors or fraud will not occur or that all control issues and instances of fraud, if any within the Company, have been detected.

There have not been any changes in our internal control over financial reporting during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II–OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

On June 2, 2014, a putative class action complaint by unitholders of PetroLogistics, captioned Klemesrud v. PetroLogistics LP, et al., C.A. No. 9723-VCP, which we refer to as the "Klemesrud Action," was filed in the Court of Chancery of the State of Delaware. Between June 4 and June 25, 2014, two additional putative class action complaints by unitholders of PetroLogistics, captioned Swanson v. PetroLogistics LP, et al., C.A. No. 9737-VCP, which we refer to as the "Swanson Action," and Henry v. PetroLogistics LP, et al., C.A. No. 9759-VCP, which we refer to as the "Henry Action," were filed in the Delaware Court, and three additional putative class action complaints by unitholders of PetroLogistics, captioned Basaraba v. PetroLogistics LP, et al., No. 4:14-cv-1558, which we refer to as the "Basaraba Action," Wolfson v. PetroLogistics LP, et al., No. 4:14-cv-1723, which we refer to as the "Wolfson Action," and Maggi v. Petrologistics, LP, et al., No. 4:14-cv-1786, which we refer to as the “Maggi Action,” were filed in the United States District Court for the Southern District of Texas, Houston Division. Each of the complaints names PetroLogistics and the General Partner, the members of the board of directors of the General Partner, Propylene Holdings LLC, New Parent and Merger Sub as defendants, and the complaints in the Klemesrud Action and the Henry Action also name Koch Industries, Inc. or Koch Industries, LLC as defendants. In each of the complaints, the plaintiffs generally allege that the members of the board of directors of the General Partner breached their duties to the unitholders of PetroLogistics by entering into the Merger Agreement and further allege that the other defendants aided and abetted the alleged breaches of duty by the members of the board of directors of the General Partner. The Henry Action also alleges that the defendants breached the terms of our partnership agreement, and the Wolfson Action and the Maggi Action allege that the defendants violated Sections 14(a) and 20(a) of the Securities and Exchange Act of 1934 by issuing an information statement that omits and/or misrepresents material information concerning the Merger. In each of the complaints, the plaintiffs seek, among other things, to enjoin the Merger and/or money damages.

No plaintiff in any of the actions sought injunctive relief before the merger closed. The Company intends to vigorously defend these lawsuits.

Item 5. OTHER INFORMATION.

On August 11, 2014, the Board of Managers of FHRHC approved a new Code of Ethics for Financial Officers to comply with its obligations under rules of the Securities and Exchange Commission. The Code of Ethics for Financial Officers is filed as Exhibit 14.1 to this Quarterly Report on Form 10-Q.

Item 6. EXHIBITS

(a) Exhibits.

Exhibit No.	Document
3.1	Certificate of Formation, as amended, of Flint Hills Resources Houston Chemical, LLC.
3.2	Third Amended and Restated Limited Liability Company Agreement of Flint Hills Resources Houston Chemical, LLC.
14.1	Code of Ethics for Financial Officers.
31.1	Certification of Chief Executive Officer of Flint Hills Resources Houston Chemical, LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer of Flint Hills Resources Houston Chemical, LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of Flint Hills Resources Houston Chemical, LLC pursuant to 18 U.S.C. §1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition.

* Not considered to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

SIGNATURES

Pursuant to the requirements of the Security Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

August 11, 2014

FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC

By: /s/ Bradley J. Razook
Bradley J. Razook
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Anthony J. Sementelli
Anthony J. Sementelli
Chief Financial Officer
(Principal Financial Officer)

Exhibit 3.1

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC" AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF FORMATION, FILED THE THIRTY-FIRST DAY OF JANUARY, A.D. 2007, AT 7:10 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE SIXTEENTH DAY OF JULY, A.D. 2014, AT 11:54 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE SIXTEENTH DAY OF JULY, A.D. 2014, AT 12:30 O'CLOCK P.M.

CERTIFICATE OF MERGER, CHANGING ITS NAME FROM "PL PROPYLENE LLC" TO "FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC", FILED THE SIXTEENTH DAY OF JULY, A.D. 2014, AT 12:40 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE SIXTEENTH DAY OF JULY, A.D. 2014, AT 1:30 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID LIMITED LIABILITY COMPANY, "FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC".

[Seal of the State of Delaware]

/s/ Jeffrey W. Bullock
Jeffrey W. Bullock, Secretary of State

State of Delaware
Secretary of State
Division of Corporations
Delivered 07:17 PM 01/31/2007
FILED 07:10 PM 01/31/2007
SRV 070111310 – 4294408 FILE

CERTIFICATE OF FORMATION

OF

PL PROPYLENE LLC

This Certificate of Formation of PL Propylene LLC (the "LLC") is being duly executed and filed by Christopher R. Machera, as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del. C. § 18-101, et seq.).

FIRST: The name of the limited liability company formed hereby is PL Propylene LLC.

SECOND: The address of the registered office of the LLC in the State of Delaware and the name and address of the registered agent for service of process on the LLC in the State of Delaware are: National Corporate Research, Ltd., 615 South DuPont Highway, Dover, Delaware 19901.

THIRD: This Certificate of Formation shall be effective on the date of filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this 31st day of January, 2007.

By: /s/ Christopher R. Machera
Christopher R. Machera
Authorized Person

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:54 AM 07/16/2014
FILED 11:54 AM 07/16/2014
SRV 140960199 – 4294408 FILE

CERTIFICATE OF MERGER

OF

PETROLOGISTICS LP

WITH AND INTO

PL PROPYLENE LLC

July 16, 2014

Pursuant to Section 17-211 of the Delaware Revised Uniform Limited Partnership Act, as amended (the "DRULPA"), and Section 18-209 of the Delaware Limited Liability Company Act, as amended (the "DLLCA"), PL Propylene LLC, a Delaware limited liability company ("OpCo"), does hereby certify the following information in connection with the merger of PetroLogistics LP, a Delaware limited partnership ("MLP"), with and into OpCo (the "Merger"):

1. The name and jurisdiction of formation and type of entity of each of the constituent entities in the Merger (the "Constituent Entities") are as follows:

Name	Jurisdiction of Formation	Type of Entity
PetroLogistics LP	Delaware	Limited Partnership
PL Propylene LLC	Delaware	Limited Liability Company

2. The Merger Agreement, dated July 16, 2014 (the "Merger Agreement"), by and between MLP and OpCo has been approved, adopted, certified, executed and acknowledged by each of the Constituent Entities in accordance with Section 17-211 of the DRULPA and Section 18-209 of the DLLCA.

3. OpCo will be the surviving entity in the Merger.

4. No amendment to the certificate of formation of OpCo will be effected by the Merger.

5. This Certificate of Merger, and the Merger provided for herein, shall become effective at 12:30 p.m. Eastern Daylight Time on July 16, 2014.

6. The executed Merger Agreement is on file at an office of OpCo, the address of which is 4111 East 37th Street North, Wichita, Kansas 67220.

7. A copy of the Merger Agreement will be furnished by OpCo, on request and without cost, to any partner or member of any of the Constituent Entities.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned authorized person has executed this Certificate of Merger as of the day and year first above written.

PL PROPYLENE LLC

By: PetroLogistics LP, its sole member

By: PetroLogistics GP LLC, its sole general partner

By: /s/ Raffaele G. Fazio
Name: Raffaele G. Fazio
Title: President

SIGNATURE PAGE TO CERTIFICATE OF MERGER OF
PETROLOGISTICS LP AND PL PROPYLENE LLC

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:40 PM 07/16/2014
FILED 12:40 PM 07/16/2014
SRV 140960590 – 4294408 FILE

CERTIFICATE OF MERGER

OF

PETROLOGISTICS GP LLC

WITH AND INTO

PL PROPYLENE LLC

July 16, 2014

Pursuant to Section 18-209 of the Delaware Limited Liability Company Act, as amended (the "DLLCA"), PL Propylene LLC, a Delaware limited liability company ("OpCo"), does hereby certify the following information in connection with the merger of PetroLogistics GP LLC, a Delaware limited liability company ("MLP GP"), with and into OpCo (the "Merger"):

1. The name and jurisdiction of formation and type of entity of each of the constituent entities in the Merger (the "Constituent Entities") are as follows:

Name	Jurisdiction of Formation	Type of Entity
PetroLogistics GP LLC	Delaware	Limited Liability Company
PL Propylene LLC	Delaware	Limited Liability Company

2. The Merger Agreement, dated July 16, 2014 (the "Merger Agreement"), by and between MLP GP and OpCo has been approved, adopted, certified, executed and acknowledged by each of the Constituent Entities in accordance with Section 18-209 of the DLLCA.

3. OpCo will be the surviving entity in the Merger.

4. Pursuant to the Merger Agreement, the certificate of formation of OpCo will be amended as set forth in Exhibit A.

5. This Certificate of Merger, and the Merger provided for herein, shall become effective at 1:30 p.m. Eastern Daylight Time on July 16, 2014.

6. The executed Merger Agreement is on file at an office of OpCo, the address of which is 4111 East 37th Street North, Wichita, Kansas 67220.

7. A copy of the Merger Agreement will be furnished by OpCo, on request and without cost, to any member of any of the Constituent Entities.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the undersigned authorized person has executed this Certificate of Merger as of the day and year first above written.

PL PROPYLENE LLC

By: C Operating Holdings, LLC, its sole member

By: FHR Chemicals, LLC, its sole member

By: FHR Chemical Holdings I, LLC, its managing member

By: Flint Hills Resources, LLC., its sole member

By: /s/ Anthony J. Sementelli
Name: Anthony J. Sementelli
Title: Executive Vice President & Chief Financial Officer

SIGNATURE PAGE TO CERTIFICATE OF MERGER OF
PETROLOGISTICS GP LLC AND PL PROPYLENE LLC

Exhibit A

Amended Certificate of Formation

[Attached]

AMENDED
CERTIFICATE OF FORMATION
OF
FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC

FIRST: The name of the Company is Flint Hills Resources Houston Chemical, LLC.

SECOND: The address of the registered office of the Company in Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, Delaware 19801, and the name of the Company’s registered agent at the same address is The Corporation Trust Company.

Exhibit 3.2
Execution Version

THIRD AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF
FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC

a Delaware limited liability company

This Third Amended and Restated Limited Liability Company Agreement of Flint Hills Resources Houston Chemical, LLC (the "*Company*"), dated and effective as of the Effective Date, is declared and entered into by the undersigned pursuant to and in accordance with the Delaware Limited Liability Company Act as it may be amended, revised, or supplemented from time to time (the "*Act*").

ARTICLE I
DEFINITIONS

1.01 Specific Definitions. As used in this Agreement, the following terms have the following meanings:

"Act" has the meaning set forth in the preamble.

"*Affiliate*" means, with respect to any Person, any other Person directly or indirectly Controlling, Controlled by, or Under Common Control with, such Person.

"Agreement" means this Third Amended and Restated Limited Liability Company Agreement (including any schedules, exhibits or attachments hereto) as amended, supplemented or modified from time-to-time.

"Bankruptcy" means bankruptcy under any section or chapter of the Federal Bankruptcy Act, as amended, or under any similar law or statute of the United States or any state thereof.

"*Board of Managers*" shall have the meaning set forth in Section 5.01(a).

"Capital Account" shall have the meaning set forth in Section 3.02.

"Certificate" shall have the meaning set forth in Section 2.01.

"CFO" shall have the meaning set forth in Section 5.05(c)(ii).

"Code" means the Internal Revenue Code of 1986, as amended, or the corresponding provision of a superseding or successor federal revenue statute.

"Company" shall have the meaning set forth in the preamble.

"Control", "Controlling", "Controlled By" or *"Under Common Control"* means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract, or otherwise.

"*Covered Person*" shall have the meaning set forth in Section 5.09.

"Disposition"or "Dispose" means any sale, assignment, transfer, exchange, grant, hypothecation or other transfer (including a transfer by operation of law), absolute or as an Encumbrance.

"Effective Date" means July 16, 2014.

"Encumbrance" means any mortgage, security interest, lien, pledge, equitable interest, easement, option, right of first refusal, or a restriction or interest similar to any of the foregoing of any kind.

"GAAP" means generally accepted accounting principles for the United States of America, consistently applied, as in effect from time-to-time.

"Legal Requirement" means any order, constitution, law, ordinance, regulation, statute, or treaty issued by any federal, state, local, municipal, foreign, international, or multinational governmental, administrative or judicial body, or any principle of common law, in each case binding on or affecting the referenced Person.

"Manager" means a member of the Board of Managers.

"Member or Members" means the Persons listed on Exhibit A, any additional Member that acquires a Membership Interest under this Agreement from time-to-time, or any successor or assignee of the original Member or Members or any additional Members.

"Membership Interest" means a Member's interest in the Company including the Member's rights in the Company's profits, losses and distributions pursuant to this Agreement and the Act and such other rights, privileges and liabilities that a Member may enjoy or incur by being a Member.

"Officers" shall have the meaning set forth in Section 5.05(a).

"Percentage Interest" means, with respect to any Member as of any date, the ratio (stated as a percentage) of such Member's Membership Interest on such date to the total ownership of the Company on such date. Exhibit A shows the Members' Percentage Interests as of the Effective Date.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, benefit plan, unincorporated organization, business, syndicate, sole proprietorship, association, organization, labor union, or other entity, association or governmental body.

"President" shall have the meaning set forth in Section 5.05(c)(i).

"Property" means any property, real or personal, tangible or intangible, including cash and any legal or equitable interest in such property, but excluding services and promises to perform services in the future.

"Secretary of State" shall mean the Secretary of State of the State of Delaware.

1.02 Interpretation. Unless the context shall require otherwise:

(a) Words importing the singular number or plural number shall include the plural number and singular number respectively;

(b) Words importing the masculine gender shall include the feminine and neuter genders and vice versa;

(c) References to "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation";

(d) Reference in this Agreement to "herein," "hereby," or "hereunder" or any similar formulation, shall be deemed to refer to this Agreement as a whole, including the schedules and exhibits hereto;

(e) References to documents and agreements shall include such documents and agreements as amended from time-to-time;

(f) The headings of this Agreement are for reference only and shall not be deemed to form a part of the text or be used in the construction or interpretation of this Agreement; and

(g) All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement.

ARTICLE II
FORMATION

2.01 Formation. On January 31, 2007, the Company was organized as a Delaware limited liability company by the filing of a certificate of ormation (the "*Certificate*") with the Secretary of State.

2.02 Name. The Company will conduct its business under the name set forth in the first paragraph of this Agreement or such other names as the Company may select from time-to-time that comply with applicable Legal Requirements.

2.03 Purpose. The purpose of the Company is to transact any and all lawful business for which a limited liability company may be formed under he Act, and any other business or activity (including obtaining appropriate financing) that now or in the future may be necessary, incidental, proper, dvisable, or convenient to accomplish the foregoing purposes as determined by the Board of Managers and that is not forbidden by any Legal Requirement.

2.04 Principal Office in the United States; Other Offices. The principal office of the Company in the United States shall be at 4111 East 37th Street North, Wichita, Kansas 67220, or at such other place as the Board of Managers may designate from time-to-time, which need not be in the State of Delaware. The Company may have such other offices as the Board of Managers, the Members or any appropriate Officer designates from time-to-time.

2.05 Registered Agent and Office. The Company's initial registered agent for the service of process and the registered office was as reflected in the Certificate. The Board of Managers may from time-to-time change the registered agent or office through appropriate filings with the Secretary of State. In the event the registered agent ceases to act as such for any reason or the address of the registered office shall change, the Board of Managers shall promptly designate a replacement registered agent or file a notice of change of address.

2.06 Effective Date. This Agreement shall be or will become effective as of the Effective Date.

2.07 Term. The term of the Company shall be perpetual until dissolved and its affairs wound up in accordance with this Agreement or the Act.

2.08 Effect of Inconsistencies with Act. The Members intend to be governed by this Agreement even when it is inconsistent with, or different than, the non-mandatory provisions of the Act, or any other non-mandatory Legal Requirement, and the Act shall govern those circumstances not addressed by this Agreement. To the extent any provision of this Agreement is prohibited by or conflicts with the Act or other Legal Requirement, this Agreement shall be considered amended to the smallest degree possible in order to make this Agreement effective. In the event the Act or other Legal Requirement is subsequently amended or interpreted in such a way to make valid any provision of this Agreement that was formerly invalid, the provision shall be deemed valid from the effective date of such interpretation or amendment.

2.09 Certificates. The Company was formed upon the filing of the Certificate on January 31, 2007. Any Officer or the Member may execute, deliver and file any certificates (and any amendments or restatements thereof) necessary for the Company to qualify to do business in any jurisdiction in which the Company may wish to conduct business.

2.10 Title to Company Property. All Company Property shall be owned by the Company as an entity, and no Member shall have any ownership interest in such Property in the Members' individual name or right. The Members' interests in the Company shall be personal property for all purposes. The Company shall hold all of its Property in the name of the Company and not in the name of any Member.

ARTICLE III
CAPITAL CONTRIBUTIONS AND CAPITAL ACCOUNTS

3.01 Additional Capital Contributions. The Members may but are not required to make additional capital contributions. Unless otherwise agreed by the Members, any additional Capital Contributions shall be in proportion to the Percentage Interests set forth on Exhibit A.

3.02 Capital Accounts. If the Company has more than one Member under the Code, a separate capital account (a "*Capital Account*") shall be naintained for each Member. Each Member's Capital Account shall be (a) credited with the amount of cash and the value of other Property such Member has ontributed to the Company and the allocations to such Member of Company income, gain, and credits and (b) debited with distributions to such Member and llocations to such Member of Company loss and deduction. The foregoing provisions of this Section 3.02 and the other provisions of this Agreement elating to the maintenance of capital accounts shall comply with the Code, and shall be interpreted and applied to give all allocations substantial economic ffect. No Member, however, shall be required to make up any deficit in such Member's Capital Account upon liquidation or otherwise.

3.03 No Capital Withdrawal Rights; No Interest. No Member shall be entitled to withdraw or reduce such Member's Capital Account balance, xcept as expressly set forth in this Agreement and as approved by the Board of Managers. Unless the Members holding a majority of the Percentage Interests n the Company agree, no Member shall be entitled to receive or be credited with any interest on the balance of the Member's Capital Account.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

4.01 Profits and Losses. Subject to the Code, if the Company has more than one Member under the Code, each item of income, gain, loss, leduction or credit of the Company, for each fiscal year of the Company, shall be allocated among the Members in proportion to their respective Percentage nterests.

4.02 Distributions. Except as required by provisions of the Act that may not be modified by this Agreement or waived under any Legal Requirement, the Company may make distributions as determined by and at the sole discretion of the Members; except that no distribution shall be made if uch distribution would violate Section 18-607 or Section 18-804 of the Act or any other applicable Legal Requirement.

ARTICLE V
MANAGEMENT OF THE COMPANY

5.01 Management by Board of Managers.

(a) Except as reserved in Section 5.03 or as otherwise set forth herein, the management and control of the business and affairs of the Company shall be vested in a governing board (the "*Board of Managers*") having between one and nine individuals. Commencing on the Effective Date, the Board of Managers shall have one member and such member shall be Raffaele G. Fazio. From time-to-time thereafter, the Members may alter the size and composition of the Board of Managers. The Members in their sole discretion may remove any Manager or the entire Board at any time with or without cause.

(b) The Board of Managers may, by resolution passed by a simple majority of the Board of Managers, designate one or more committees, including an Audit Committee, a Finance Committee, and an Executive Committee. Any such committee, to the extent provided in a resolution of the Board of Managers, shall have and may exercise any of the powers and authority of the Board of Managers in the management of the business and affairs of the Company. Any such committee shall keep written minutes of its meetings and report the same to the Board of Managers at the next regular or special meeting of the Board of Managers.

5.02 Authority and Duties of the Board of Managers and Officers. Subject to the terms of this Agreement and any applicable Legal Requirement, he Board of Managers shall have full power and authority to conduct, manage and control the business of the Company through the Officers. The Members nay from time-to-time set the limits of authority of the Board of Managers, including limits regarding operating expenditures, capital expenditures, incurring lebt, commencing or settling litigation, and compensation of Officers. Except to the extent provided herein, each Manager and Officer shall have a fiduciary luty of loyalty and fiduciary duty of care similar to those of directors and officers of business corporations under the General Corporation Law of the State of Delaware.

5.03 Powers Reserved to Members. Except as otherwise provided in this Agreement, without the consent of the Members holding a majority of he Percentage Interests in the Company, the Board of Managers shall not:

(a) Make an agreement on behalf of or bind any Member (including settlement of any legal claim, demand, action, suit or proceeding);

(b) Cause the Company or any Person Controlled By the Company to become a party to any merger, conversion, consolidation or any other business combination, or cause or permit the Company or any Person Controlled By the Company to Dispose of all or substantially all of its assets. For purposes of the foregoing, "all or substantially all" of the assets means assets of the Company with a fair market value at the time of disposition greater than 70% of the Company's total assets;

(c) Reorganize or continue the Company under the laws of a jurisdiction other than the State of Delaware;

(d) Admit any new Member or issue or obligate the Company to issue any interest in the Company;

(e) Elect Managers to fill vacancies on the Board of Managers;

(f) Cause or permit the Company or any of its subsidiaries to commence any Bankruptcy, dissolution, winding up or liquidation proceedings under any Legal Requirement;

(g) Cause or attempt to cause a Member to make any additional capital contributions to the Company; or

(h) Amend this Agreement or the Certificate.

The approval or consent of Members required under this Agreement may be given or withheld in the sole and absolute discretion of each Member.

5.04 Meetings of the Board of Managers.

(a) Meetings of the Board of Managers may be held at any time upon the call of the President or any Manager by providing at least two business days' notice to each Manager, unless such notice is waived by all of the Managers. A quorum shall exist for any meeting of the Board of Managers if half or more of the Managers are in attendance. Attendance at a meeting shall constitute a waiver of notice of the meeting by the Manager, unless the Manager attends the meeting for the sole purpose of objecting to the lack of proper notice of the meeting. The Managers may participate in and hold meetings by means of conference telephone, video conference, or similar communications equipment whereby all persons participating in the meeting can hear each other.

(b) Any and all actions of the Board of Managers shall be taken by the affirmative vote of a simple majority of the Managers in attendance. In lieu of acting at a meeting and without notice, the Board of Managers may act by the written consent of a simple majority of the Managers.

5.05 Officers.

(a) Generally. The Board of Managers may select employees or agents who are denominated as officers from time-to-time (the "*Officers*"). The Officers shall be responsible for implementing the decisions of the Board of Managers and for conducting the day-to-day activities of the Company as determined by the Board of Managers. The Board of Managers may from time-to-time set the limits of authority of the President and other Officers, including limits regarding operating expenditures, capital expenditures, incurring debt, commencing or settling litigation, and compensation of Officers and employees. Any number of offices may be held by the same Person. Unless an Officer has executed this Agreement as a Member, in no event shall an Officer be considered a Member of the Company by agreement, estoppel, as a result of the performance of such Officer's duties, or otherwise. The Members may not appoint or remove Officers.

(b) Election; Vacancies; Removal. All Officers of the Company shall hold office until their successors are chosen and qualified or until their earlier death, resignation or removal. Whenever any vacancies shall occur in any office by death, resignation, removal, increase in the number of Officers, or otherwise, the same may be filled by the Board of Managers. At the discretion of the Board of Managers, any Officer position may be left vacant. Any Officer elected or appointed by the Board of Managers may be removed with or without cause at any time at the sole discretion of the Board of Managers. Such removal may be with or without prejudice to the contract rights, if any, of the Person so removed. Election or appointment of an Officer shall not of itself create contract rights.

(c) Officers; Delegation by Board. To the extent the Board of Managers appoints the following Officers, such Officers shall have the powers and duties set forth below unless otherwise provided by the Board of Managers from time-to-time. Such other Officers as the Board of Managers may appoint shall perform the duties and have the powers as from time-to-time may be assigned to them by the Board of Managers. The Board of Managers from time-to-time may delegate any of its powers and duties to any Officer, employee or agent of the Company, including the power of delegation, for whatever period of time necessary or desirable.

i. President. The President (the "*President*") shall have responsibility for the general and active day-to-day management of the business of the Company and shall carry out all orders and resolutions of the Board of Managers. The President may sign deeds, mortgages, bonds, contracts or other instruments, except in cases where the execution thereof shall be expressly delegated by the Board of Managers or by this Agreement to some other Officer or agent of the Company, or shall be required by Legal Requirement to be otherwise executed. The President shall also perform such other duties and may exercise such other powers as may be assigned by this Agreement or prescribed by the Board of Managers from time-to-time.

ii. Chief Financial Officer. The Chief Financial Officer (the "*CFO*") shall have custody of the funds of the Company as may be entrusted to his keeping and account for the same. The CFO shall be prepared at all times to give information as to the financial condition of the Company. The CFO shall also generally exercise such other powers and perform such other duties as the President delegates and the Board of Managers prescribes from time-to-time. The duties of the CFO may also be performed by a treasurer or any assistant treasurer appointed by the Board of Managers from time-to-time.

iii. Vice Presidents. Any Vice President, in the order of seniority unless otherwise determined by the Board of Managers shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. Each Vice President shall perform the usual and customary duties that pertain to such office. Each Vice President shall generally assist the President by executing deeds, mortgages, bonds, contracts or other instruments, except in cases where the execution thereof shall be expressly and exclusively delegated by the Board of Managers or this Agreement to some other Officer or agent of the Company or shall be required by Legal Requirement to be otherwise executed. Each Vice President shall also generally exercise such other powers and perform such other duties as are delegated to him by the President and as the Board of Managers may further prescribe from time-to-time.

iv. General Counsel. The General Counsel shall perform such duties as may be prescribed by the Board of Managers or the President, under whose supervision he shall be. The General Counsel shall perform the usual and customary duties that pertain to such office and generally exercise such other powers and perform such other duties as are delegated to him by the President and as the Board of Managers may further prescribe from time-to-time.

v. Secretary. The Secretary shall perform such duties as may be prescribed by the President, under whose supervision he shall be. The Secretary shall have custody of the seal of the Company, if any, and the Secretary shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by the signature of the Secretary. The Board of Managers or President may give general authority to any other Officer to affix the seal of the Company and to attest the affixing by his signature. The Secretary shall ensure that all books, reports, statements, certificates and other documents and records required by Legal Requirement to be kept or filed are properly kept or filed, as the case may be. The duties of the Secretary may be performed by any assistant secretary appointed by the Board of Managers from time-to-time. The Secretary shall also generally exercise such other powers and perform such other duties as are delegated to him by the President and as the Board of Managers may further prescribe from time-to-time.

5.06 Voting Securities Owned by the Company. Any Officer may execute on behalf of the Company any contracts, powers of attorney, proxies, waivers of notice of meeting, consents, and other instruments any of which relate to securities or partnership or other interests owned or held by the Company. Any Officer may, on behalf of the Company, vote in person or by proxy any interest of any entity in which the Company owns securities or holds other interests and at any meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities or other interests, including delegating like powers upon any other Person.

5.07 Compensation and Expenses. Except as provided in this Agreement or in any service agreement approved by the Board of Managers, no Manager shall receive any salary, fee, or other remuneration for services rendered to or on behalf of the Company or otherwise in his capacity as a Manager. Each Manager shall be reimbursed for all proper, direct expenses he reasonably incurs on behalf of the Company in performing his duties as a Manager either (a) in the Company's sole discretion (as determined by the Board of Managers) or (b) if such expenses are pre-approved in writing, in either event upon submission of appropriate and all other reasonably requested documentation.

5.08 Other Activities of Members and Agreements with Related Parties. Subject to the provisions of any other agreement binding upon any Member, each Member, in its individual capacity or otherwise, will be free to engage in, to conduct, or to participate in any business or activity whatsoever without any accountability, liability or obligation to the Company or to any other Member, even if such business or activity competes with or is enhanced by the business of the Company. The Board of Managers, in the exercise of its power and authority under this Agreement, may contract and otherwise deal with or otherwise obligate the Company to entities in which a Member may have an ownership or other financial interest.

5.09 Indemnification.

(a) General. Every Person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company) by reason of the fact that such Person is or was, at the time of the alleged event giving rise to a claim for indemnity (i) a Member, Manager or Officer, (ii) an Affiliate of a Member, (iii) an employee, agent, or trustee of the Company, (iv) an officer, director, employee, agent, or trustee of a Member, or (v) serving at the request of the Company or a Person it Controls (directly or indirectly) as an officer, director, employee, agent, fiduciary, or trustee of another Person (each a "*Covered Person*") (except a Covered Person shall not include a Person providing, on a fee-for-service basis, trustee, fiduciary, or custodial services), may be indemnified by the Company, at its sole election, against any and all reasonable costs and expenses, judgments, fines, and amounts paid in settlement actually and reasonably incurred by the Covered Person in connection with such action, suit, or proceeding if the Covered Person acted in good faith and in a manner the Covered Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Covered Person's conduct was unlawful. The resolution of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Covered Person did not act in good faith and in a manner which the Covered Person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the Covered Person's conduct was unlawful.

(b) Advances. Expenses (including attorneys' fees) incurred by a Covered Person with respect to any action, suit, or proceeding of the nature described in the preceding paragraph may, in the Company's sole and absolute discretion, be paid by the Company in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Covered Person to repay such amount if it shall ultimately be determined that the Covered Person is not entitled to be indemnified by the Company as authorized in this Section. In addition, the Company may elect at any time to discontinue advancing expenses to a Covered Person if such advancement is determined by the Company, in its sole and absolute discretion, not to be in the best interest of the Company.

(c) Indemnity Limited to Assets. Indemnification under this Section 5.09 shall be made only out of the assets of the Company. Neither the Members nor any Manager shall be personally liable for such indemnification, and they shall have no obligation to contribute or loan any monies or Property to the Company to enable it to provide such indemnification.

(d) Insurance. The Company may purchase and maintain (or reimburse any Member or its Affiliates for the cost of) insurance, on behalf of any Covered Person and any other Person that the Board of Managers determines, against any liability that may be asserted against or expense that may be incurred by such Persons in connection with the Company's activities or such Persons' activities on behalf of the Company, regardless of whether the Company would have the power to indemnify such Persons against such liability or expense under this Agreement.

(e) Other Contracts, Procedures. The Company may enter into indemnity contracts with Covered Persons and such other Persons as the Board of Managers shall determine and adopt written procedures pursuant to which arrangements are made for the advancement of expenses and the funding of obligations under this Section 5.09 and containing such other procedures regarding indemnification as are appropriate.

ARTICLE VI
RIGHTS AND OBLIGATIONS OF MEMBERS

6.01 Limitation of Liability. Except as provided by the provisions of the Act that may not be modified by this Agreement or waived under any egal Requirement, no Member shall be liable for any obligation of the Company solely by reason of being or acting as a Member. The failure of the ompany to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the ct shall not be grounds for imposing liability on a Member for liabilities of the Company.

6.02 Compensation of Members. Each Member shall be reimbursed for all proper, direct expenses it reasonably incurs on behalf of the Company n performing its duties as a Member upon delivery by the Member to the Company of a detailed invoice (including amounts paid to any Person to perform ervices for the Company).

ARTICLE VII
MEETINGS OF MEMBERS

7.01 No Required Meetings. The Members may, but shall not be required to, hold annual, periodic or other formal meetings.

7.02 Meetings of Members. Meetings of the Members may be held at any time upon the call of any Member or the Board of Managers by roviding at least five business days' notice to each Member, unless such notice is waived. Attendance at a meeting by a Member shall constitute a waiver of otice of such meeting, unless attendance is for the sole purpose of making an objection to the lack of proper notice of the meeting. The Members may make ecommendations to or otherwise advise and consult with the other Members regarding the business and affairs of the Company at any time. The Members nay participate in and hold meetings by means of conference telephone, video conference, or similar communications equipment whereby all persons articipating in the meeting can hear each other.

7.03 Action by the Members. If the Company has more than one Member, action required or permitted to be taken at a meeting by the Members nay be taken by a vote of the Members voting their Membership Interest in accordance with their Percentage Interests in the Company. Except as otherwise equired under this Agreement or the Act, the vote of the plurality of the Percentage Interest of the Members voting on the action shall constitute the act of the Members. Action required or permitted to be taken by the Members may be taken without a meeting if the action is evidenced by one or more written onsents, approvals or resolutions describing the action taken and signed by the sole Member if there is only one or, if the Company has more than one Member, by the Members holding a majority of the Percentage Interests in the Company.

ARTICLE VIII
ACCOUNTING; BOOKS AND RECORDS

8.01 Accounting; Books and Records.

(a) Maintenance of Books and Records. The Company may maintain at its principal office, separate books of account for the Company which include a record of all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the conduct of the Company and the operation of its business in accordance with this Agreement.

(b) Access to Books, Records, etc. A Member or any of its agents or representatives, at the Member's own expense and upon reasonable notice during normal business hours, may visit and inspect any of the properties of the Company (subject to reasonable safety requirements) and examine and audit any information it may reasonably request and make copies of and abstracts from the financial and operating records and books of account of the Company and its subsidiaries and copies of any other documents relating to the businesses of the Company and its subsidiaries, and discuss the affairs, finances and accounts of the Company and its subsidiaries with any Manager, any other Member, any Officer and the independent accountants of the Company, all at such reasonable times and as often as a Member or any of its agents or representatives may reasonably request.

8.02 Reports.

(a) Annual Reports. At the request of any Member, within ninety (90) days after the end of each fiscal year, the CFO or other appropriate Officer shall cause to be prepared and delivered to the Members a consolidated balance sheet as of the last day of such fiscal year and a consolidated income statement and consolidated statement of cash flows for the Company for such fiscal year and notes associated with each, prepared in each case in accordance with GAAP.

(b) Quarterly Reports. At the request of any Member, within forty-five (45) days after the close of each of the first three (3) fiscal quarters, the CFO or other appropriate Officer shall cause to be prepared and to be delivered to the Members unaudited financial statements consisting of a consolidated balance sheet as of the last day of such fiscal quarter and a consolidated income statement and a consolidated statement of cash flows for the Company for such fiscal quarter, in each case prepared in accordance with GAAP. At the request of any Member, the financial statements described in this Section 8.02(b) shall be accompanied by a written certification of the CFO or other appropriate Officer that such statements have been prepared in accordance with GAAP and present fairly in all material respects the financial position, results of operations and cash flows of the Company and its subsidiaries.

(c) Other Reports. The CFO or other appropriate Officer shall cause to be prepared and to be delivered to the Members by the Company, any subsidiaries or the Officers any other reports or information that the Members reasonably request in their sole discretion.

ARTICLE IX
DISPOSITION OF MEMBERSHIP INTEREST AND ADMISSION OF ASSIGNEES AND ADDITIONAL MEMBERS

9.01 Disposition. A Member may Dispose of all or a portion of its Membership Interest either voluntarily or by operation of law. Notwithstanding any provision of the Act to the contrary, upon the Disposition of a Membership Interest (other than a Disposition that constitutes an Encumbrance but including any subsequent Disposition that constitutes a foreclosure or other realization on such Encumbrance), the transferee shall be deemed admitted immediately as a Member without further action upon the completion of the transfer. Upon the transfer of all of a Member's Membership Interest (other than a Disposition that constitutes an Encumbrance but including any subsequent Disposition that constitutes a foreclosure or other realization on such Encumbrance) the transferring Member shall cease to be a Member and shall have no further rights or obligations under this Agreement, except that the transferring Member shall have the right to such information as may be necessary for the computation of the transferring Member's tax liability and except as provided in Section 5.09 hereof.

9.02 Admission of Additional Members. The Members may admit additional Members from time-to-time and determine the capital contributions and Percentage Interests of such additional Members by the vote or action of the Members holding a majority of the Percentage Interests in the Company.

ARTICLE X
DISSOLUTION AND WINDING UP

10.01 Dissolution. The Company shall be dissolved and its affairs wound up, upon the first to occur of the following: (a) the written consent of the Members holding a majority of the Percentage Interests of the Company; (b) the termination of the legal existence of the last remaining Member or the occurrence of any other event that terminates the continued membership of the last remaining Member in the Company unless the business of the Company is continued in a manner permitted by this Agreement or the Act; or (c) the entry of a decree of judicial dissolution under Section 18-802 of the Act that has become final. Anything in this Agreement to the contrary notwithstanding, the Bankruptcy of a Member shall not cause such Member to cease to be a Member and upon the occurrence of a Bankruptcy of a Member, the business of the Company shall continue without dissolution; and the existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate as provided in the Act.

10.02 Effect of Dissolution. Upon dissolution, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets (with sufficient time allowed to minimize the losses normally associated with liquidation), and satisfying the claims of its creditors and the Members, and no Member shall take any action with respect to the Company that is inconsistent with the winding up of the Company's business and affairs until such time as the Company Property has been distributed pursuant to this Section 10.02 and the Certificate has been canceled pursuant to the Act. The Officers, or if there are none, the Managers, or if there are none, the Members, shall be responsible for overseeing the winding up of the Company. The Persons winding up the Company shall take full account of the Company's Property and liabilities and shall cause as soon as reasonably practicable the Company Property or the proceeds from the sale or disposition thereof, to the extent sufficient therefor, to be applied and distributed, to the maximum extent permitted by any applicable Legal Requirement and notwithstanding anything in this Agreement to the contrary, in the following order (without duplication):

(a) First, to creditors, including the Members and their Affiliates, in satisfaction (whether by payment or reasonable provision for payment) of all of the Company's debts and liabilities other than liabilities for which other reasonable provision for payment has been made;

(b) Second, to the Members in accordance with their respective Capital Accounts; and

(c) Third, the balance to the Members in accordance with their respective Percentage Interests.

10.03 No Restoration of Capital Account. In no event shall any Member be required to contribute capital to restore a negative balance in the Member's Capital Account upon the liquidation of the Company or at any other time.

10.04 Winding Up and Certificate of Dissolution. The winding up of the Company shall be completed when all debts, liabilities and obligations of the Company have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining Property of the Company has been distributed to the Members. Upon the completion of winding up of the Company, a certificate of cancellation shall be delivered to the Secretary of State for filing. The certificate of cancellation shall set forth the information required by the Act.

ARTICLE XI
MISCELLANEOUS

11.01 Amendment. This Agreement may be amended from time-to-time only by a written agreement executed by the Members holding a majority of the Percentage Interests in the Company.

11.02 Governing Law. This Agreement and the rights and duties of the Members arising under this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without reference to the conflict of laws rules thereof.

11.03 Rights of Creditors and Third Parties Under Agreement. This Agreement is declared and entered into by the Members for the exclusive benefit of the Company, the Members and their successors and assignees. This Agreement is not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent required by a Legal Requirement, no such creditor or other Person shall have any rights under this Agreement or any agreement between the Company and the Members with respect to any capital contribution.

11.04 Successors and Assigns. This Agreement shall be binding upon and benefit the Members, their successors and assigns.

11.05 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of its other provisions. Following a determination by a court of competent jurisdiction that any provision of this Agreement is invalid or unenforceable, the Members shall negotiate in good faith new provisions that, as far as legally possible, most nearly reflect the intent of the Members originally expressed herein and that restore this Agreement as nearly as possible to its original intent and effect.

11.06 Entire Agreement. This Agreement represents the entire declaration and agreement by the Members.

11.07 Construction. Every covenant, term, and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any party.

[Signature Page to Follow]

IN WITNESS WHEREOF, the sole Member has executed this Agreement as of the Effective Date.

MEMBER:

C OPERATING HOLDINGS, LLC

By: FHR Chemicals, LLC, its sole member

By: FHR Chemical Holdings I, LLC, its managing member

By: Flint Hills Resources, LLC, its sole member

By: /s/ Anthony J. Sementelli
Name: Anthony J. Sementelli
Title: Executive Vice President & Chief Financial Officer

SIGNATURE PAGE TO THIRD AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC

Exhibit A

Member Percentage Interests

Name of Member	Percentage
C Operating Holdings, LLC	100%

Exhibit 14.1

FLINT HILLS RESOURCES HOUSTON CHEMICAL, LLC

CODE OF ETHICS FOR FINANCIAL OFFICERS
Effective as of July 2014

The Board of Managers (the "***Board***") of Flint Hills Resources Houston Chemical, LLC (the "***Company***") has adopted this Financial Code of Ethics (this "***Code***"). This Code contains the ethical principles by which the Company's Chief Executive Officer (or other principal executive officer), Chief Financial Officer (or other principal financial officer), Controller (or other principal accounting officer) and other senior financial officers (collectively, the "***Senior Officers***") are expected to conduct themselves when carrying out their duties and responsibilities on behalf of the Company. Senior Officers must also comply with other ethics policies applicable to Flint Hills Resources, LLC and its subsidiaries in effect from time to time, including the Code of Conduct. You should read this Code carefully.

The Board reserves the right to amend this Code and to adopt different policies and procedures, consistent with requirements of applicable laws, rules and regulations. If a law conflicts with this Code, you must comply with the law.

1. **Ethical Principles**

In carrying out his or her duties and responsibilities to the Company, each Senior Officer should:

- Act ethically with honesty and integrity, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission ("***SEC***") and in other public communications made by the Company;
- Comply with applicable laws, rules and regulations of federal, state and local governments and the regulatory agencies having jurisdiction over the Company;
- Promptly report violations of this Code to the Board; and
- Accept accountability for adherence to this Code.

2. **Waivers**

Any waiver of this Code shall be made only by the Board. Persons seeking a waiver should be prepared to disclose all pertinent facts and circumstances, respond to inquiries for additional information, explain why the waiver is necessary, appropriate or in the best interest of the Company, and be willing to comply with any procedures that may be required to protect the Company in connection with a waiver. If a waiver of this Code is granted for any Senior Officer, appropriate disclosure will be made promptly in accordance with the rules and regulations of the SEC.

3. **Amendment**

Any amendment to this Code shall be made only by the Board. If an amendment to this Code is made, appropriate disclosure will be made promptly in accordance with the rules and regulations of the SEC.

4. **Filing Requirement**

The Company shall cause this Code to be filed as an exhibit to the Company's Annual Report on Form 10-K ("Annual Report") as required by applicable SEC rules and regulations. In addition, the Company shall disclose in its Annual Report on Form 10-K that a copy of this Code is available on the SEC website and in print to any security holder of the Company that requests a copy.

* * *

It is the intent of the Company that this Code be its written code of ethics under the Sarbanes-Oxley Act of 2002, complying with the standards set forth in Item 406 of Regulation S-K promulgated by the Securities and Exchange Commission.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
RULE 13A — 14(A) AND RULE 15D — 14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Bradley J. Razook, certify that:

1. I have reviewed this report on Form 10-Q of Flint Hills Resources Houston Chemical, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bradley J. Razook
Bradley J. Razook, Chief Executive Officer
(Principal Executive Officer)

August 11, 2014

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
RULE 13A — 14(A) AND RULE 15D — 14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Anthony J. Sementelli, certify that:

1. I have reviewed this report on Form 10-Q of Flint Hills Resources Houston Chemical, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Anthony J. Sementelli
Anthony J. Sementelli, Chief Financial Officer
(Principal Financial Officer)

August 11, 2014

Exhibit 32.1

CERTIFICATION
UNDER SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002,
18 U.S.C. § 1350

Pursuant to 18 U.S.C. Section 1350 and in connection with the accompanying report on Form 10-Q for the quarter ended June 30, 2014, that is being filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Flint Hills Resources Houston Chemical, LLC, a Delaware limited liability company (the "Company") hereby certifies that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Bradley J. Razook
Bradley J. Razook, Chief Executive Officer
(Principal Executive Officer)

/s/ Anthony J. Sementelli
Anthony J. Sementelli, Chief Financial Officer
(Principal Financial Officer)

August 11, 2014