Intrepid Potash, Inc.
Form 10-Q
April 28, 2015
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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 March 31, 2015
Commission File Number: 001-34025

INTREPID POTASH, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	26-1501877
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
707 17th Street, Suite 4200, Denver, Colorado	80202
(Address of principal executive offices)	(Zip Code)

(303) 296-3006
(Registrant's telephone number, including area code)

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 x 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 x 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 x	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 x
As of April 24, 2015, the registrant had 76,147,979 shares of common stock, par value $0.001, outstanding (including 475,892 restricted shares of common stock).

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PART I - FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
INTREPID POTASH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amount)

	March 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$66,786	$67,589
Short-term investments	34,310	10,434
Accounts receivable:		
Trade, net	38,516	28,561
Other receivables, net	3,280	3,600
Refundable income taxes	72	114
Inventory, net	74,446	84,094
Prepaid expenses and other current assets	4,087	4,739
Current deferred tax asset, net	280	3,356
Total current assets	221,777	202,487
Property, plant, equipment, and mineral properties, net	770,188	785,250
Long-term parts inventory, net	17,700	16,366
Long-term investments	11,546	11,856
Other assets, net	3,922	4,035
Non-current deferred tax asset, net	146,838	146,725
Total Assets	$1,171,971	$1,166,719
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable:		
Trade	$17,032	$19,953
Related parties	69	55
Accrued liabilities	15,628	12,483
Accrued employee compensation and benefits	10,187	12,069
Other current liabilities	2,063	2,075
Total current liabilities	44,979	46,635
Long-term debt	150,000	150,000
Asset retirement obligation	20,813	20,389
Other non-current liabilities	2,330	2,410
Total Liabilities	218,122	219,434
Commitments and Contingencies		
Common stock, $0.001 par value; 100,000,000 shares authorized; and 75,672,087 and 75,536,741 shares outstanding at March 31, 2015, and December 31, 2014, respectively	76	76
Additional paid-in capital	576,211	576,186
Accumulated other comprehensive loss	(18)	(28)
Retained earnings	377,580	371,051
Total Stockholders' Equity	953,849	947,285
Total Liabilities and Stockholders' Equity	$1,171,971	$1,166,719

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2015	2014
Sales	$117,021	$98,875
Less:		
Freight costs	10,912	9,932
Warehousing and handling costs	3,747	2,812
Cost of goods sold	83,282	78,573
Lower-of-cost-or-market inventory adjustments	360	3,566
Gross Margin	18,720	3,992
Selling and administrative	7,468	6,746
Accretion of asset retirement obligation	424	406
Restructuring expense	—	1,827
Other operating expense (income)	66	(2,947)
Operating Income (Loss)	10,762	(2,040)
Other Income (Expense)		
Interest expense, net	(1,644)	(1,380)
Interest income	155	53
Other income	327	234
Income (Loss) Before Income Taxes	9,600	(3,133)
Income Tax (Expense) Benefit	(3,071)	2,778
Net Income (Loss)	$6,529	$(355)
Weighted Average Shares Outstanding:		
Basic	75,589,092	75,444,953
Diluted	75,707,079	75,444,953
Earnings (Loss) Per Share:		
Basic	$0.09	$0.00
Diluted	$0.09	$0.00

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Three Months Ended March 31,	
	2015	2014
Net Income (Loss)	$6,529	$(355)
Other Comprehensive Income:		
Unrealized gain on investments available for sale, net of tax	10	12
Other Comprehensive Income	10	12
Comprehensive Income (Loss)	$6,539	$(343)

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2014	75,536,741	$76	$576,186	$ (28)	$371,051	$ 947,285
Unrealized gain on investments available for sale, net of tax	—	—	—	10	—	10
Net income	—	—	—	—	6,529	6,529
Stock-based compensation	—	—	1,062	—	—	1,062
Vesting of restricted common stock, net of restricted common stock used to fund employee income tax withholding due upon vesting	135,346	—	(1,037)	—	—	(1,037)
Balance, March 31, 2015	75,672,087	$76	$576,211	$ (18)	$377,580	$ 953,849

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31, 2015	2014
Cash Flows from Operating Activities:		
Reconciliation of net income to net cash provided by operating activities:		
Net income (Loss)	$6,529	$(355)
Deferred income taxes	2,956	(2,778)
Items not affecting cash:		
Depreciation, depletion, and accretion	21,276	19,649
Stock-based compensation	1,062	1,028
Lower-of-cost-or-market inventory adjustments	360	3,566
Other	378	223
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(9,955)	(9,431)
Other receivables, net	319	(3,316)
Refundable income taxes	41	2,025
Inventory, net	7,954	6,743
Prepaid expenses and other assets	666	1,005
Accounts payable, accrued liabilities, and accrued employee compensation and benefits	1,180	(335)
Other liabilities	(92)	(700)
Net cash provided by operating activities	32,674	17,324
Cash Flows from Investing Activities:		
Additions to property, plant, equipment, and mineral properties	(8,678)	(31,919)
Purchases of investments	(27,600)	(5)
Proceeds from sale of investments	3,838	18,051
Net cash used in investing activities	(32,440)	(13,873)
Cash Flows from Financing Activities:		
Employee tax withholding paid for restricted stock upon vesting	(1,037)	(611)
Net cash used in financing activities	(1,037)	(611)
Net Change in Cash and Cash Equivalents	(803)	2,840
Cash and Cash Equivalents, beginning of period	67,589	394
Cash and Cash Equivalents, end of period	$66,786	$3,234
Supplemental disclosure of cash flow information		
Net cash paid (refunded) during the period for:		
Interest	$161	$112
Income taxes	$11	$(2,025)
Accrued purchases for property, plant, equipment, and mineral properties	$2,100	$13,172

See accompanying notes to these condensed consolidated financial statements.

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INTREPID POTASH, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
"Intrepid," "our," "we," or "us" means Intrepid Potash, Inc. and its consolidated subsidiaries.
Note 1 — COMPANY BACKGROUND
We are the only producer of muriate of potash (“potassium chloride” or “potash”) in the United States and one of two producers of langbeinite ("sulfate of potash magnesia"), which we market and sell as Trio®. We sell potash and Trio® primarily into the agricultural market as a fertilizer. We also sell these products into the animal feed market as a nutritional supplement and sell potash into the industrial market as a component in drilling and fracturing fluids for oil and gas wells and other industrial inputs. Our revenues are generated exclusively from the sale of potash and Trio®. We also produce salt and magnesium chloride from our potash mining processes, the sales of which are accounted for as by-product credits to our cost of sales. These by-product credits represented approximately 2% to 3% of total cost of goods sold in each of the last three years.
We own three solution mining facilities and two conventional underground mining facilities that we utilize for producing potash. Our solution mining production comes from our HB solar solution mine near Carlsbad, New Mexico, a solar solution mine near Moab, Utah and a solar brine recovery mine in Wendover, Utah. Our conventional production comes from our underground West and East mines near Carlsbad, New Mexico. We also operate the North compaction facility near Carlsbad, New Mexico, which services the West and HB mines. Trio® production comes from underground conventional mining of a mixed ore body that contains both potash and langbeinite, which is mined and processed at the East facility near Carlsbad, New Mexico.
We manage sales and marketing operations centrally. This allows us to evaluate the product needs of our customers and then centrally determine which of our production facilities to use to fill customers’ orders in a manner designed to realize the highest average net realized sales price per ton. We calculate average net realized sales price per ton by deducting freight costs from gross revenues and then by dividing this result by tons of product sold during the period. We also monitor product inventory levels and overall production costs centrally. We have one reporting segment being the extraction, production, and sale of potassium-related products. Our extraction and production operations are conducted entirely in the continental United States.
Note 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Principles of Consolidation—Our consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation of interim financial information, have been included.
Use of Estimates—The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.
Significant estimates include, but are not limited to, those for proven and probable mineral reserves, the related present value of estimated future net cash flows, useful lives of plant assets, asset retirement obligations, normal inventory production levels, inventory valuations, the valuation of equity awards, the valuation of receivables, valuation of our deferred tax assets and estimated blended income tax rates utilized in the current and deferred income tax calculations. There are numerous uncertainties inherent in estimating quantities of proven and probable reserves, projecting future rates of production, and the timing of development expenditures. Future mineral prices may vary significantly from the prices in effect at the time the estimates are made, as may estimates of future operating costs. The estimate of proven and probable mineral reserves, the related present value of estimated future cash flows, and useful lives of plant assets can affect various other items including depletion, the net carrying value of our mineral properties, the useful lives of related property, plant, and equipment, depreciation expense, and estimates associated with recoverability of long-lived assets and asset retirement obligations. Specific to income tax items, we experience fluctuations in the valuation of the deferred tax assets and liabilities due to changing state income tax rates and the

blend of state tax rates.

Revenue Recognition—Revenue is recognized when evidence of an arrangement exists, risks and rewards of ownership have been transferred to customers, which is generally when title passes, the selling price is fixed and determinable, and collection is reasonably assured. Title passes at the designated shipping point for the majority of sales, but, in a few cases, title passes at the delivery destination. The shipping point may be the plant, a distribution warehouse, a customer warehouse, or a port. Title passes for some international shipments upon payment by the purchaser; however, revenue is not recognized for these transactions until shipment because the risks and rewards of ownership have not transferred pursuant to a contractual arrangement. Prices are generally set at the time of, or prior to, shipment. In cases where the final price is determined upon resale of the product by the customer, revenue is deferred until the final sales price is known.

Sales are reported on a gross basis. We quote prices to customers both on a delivered basis and on the basis of pick-up at our plants and warehouses. When a sale occurs on a delivered basis, we incur and, in turn, bill the customer and record as gross revenue the product sales value, freight, packaging, and certain other distribution costs. Many customers, however, arrange and pay for these costs directly and, in these situations, only the product sales are included in gross revenues.

By-Product Credits—When by-product inventories are sold, we record the sale of by-products as a credit to cost of goods sold.

Property, Plant, and Equipment—Property, plant, and equipment are stated at historical cost. Expenditures for property, plant, and equipment relating to new assets or improvements are capitalized, provided the expenditure extends the useful life of an asset or extends the asset’s functionality. Property, plant, and equipment are depreciated under the straight-line method using estimated useful lives. No depreciation is taken on assets classified as construction in progress until the asset is placed into service. Gains and losses are recorded upon retirement, sale, or disposal of assets. Maintenance and repair costs are recognized as period costs when incurred. Capitalized interest, to the extent of debt outstanding, is calculated and capitalized on assets that are being constructed, drilled, or built or that are otherwise classified as construction in progress.

Mineral Properties and Development Costs—Mineral properties and development costs, which are referred to collectively as mineral properties, include acquisition costs, the cost of drilling production wells, and the cost of other development work, all of which are capitalized. Depletion of mineral properties is calculated using the units-of-production method over the estimated life of the relevant ore body. The lives of reserves used for accounting purposes are shorter than current reserve life determinations due to uncertainties inherent in long-term estimates. These reserve life estimates have been prepared by us and reviewed and independently determined by mine consultants. Tons of potash and langbeinite in the proven and probable reserves are expressed in terms of expected finished tons of product to be realized, net of estimated losses. Market price fluctuations of potash or Trio®, as well as increased production costs or reduced recovery rates, could render proven and probable reserves containing relatively lower grades of mineralization uneconomic to exploit and might result in a reduction of reserves. In addition, the provisions of our mineral leases, including royalty provisions, are subject to periodic readjustment by the state and federal government, which could affect the economics of our reserve estimates. Significant changes in the estimated reserves could have a material impact on our results of operations and financial position.

Fair Value of Financial Instruments—Our financial instruments include cash and cash equivalents, short-term and long-term investments, restricted cash, accounts receivable, refundable income taxes, and accounts payable. These instruments are carried at cost, which approximates fair value due to the short-term maturities of the instruments. All available-for-sale investments are carried at fair value. Allowances for doubtful accounts are recorded against the accounts receivable balance to estimate net realizable value. The fair value of the long-term debt is estimated using discounted cash flow analysis based on current borrowing rates for debt with similar remaining maturities and ratings. Although there are no amounts currently outstanding under our unsecured credit facility, any borrowings that become outstanding would bear interest at a floating rate and therefore be recorded at their estimated fair value.

Earnings per Share—Basic net income or loss per common share of stock is calculated by dividing net income or loss available to common stockholders by the weighted average basic common shares outstanding for the respective period.

Diluted net income or loss per common share of stock is calculated by dividing net income or loss by the weighted average diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted earnings or loss per share calculation consist of awards of non-vested restricted shares of common stock, non-vested performance units, and non-qualified stock options. The dilutive effect of stock based compensation arrangements are computed using the treasury stock method. Following the lapse of the vesting period of restricted shares of common stock, the shares are considered issued and therefore are included in the number of issued and outstanding shares for purposes of these calculations.

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Note 3 — EARNINGS PER SHARE

Potentially dilutive securities, including non-vested restricted common stock, stock options, and performance units, are excluded from the diluted weighted average shares outstanding computation in periods in which they have an anti-dilutive effect, such as when there is a net loss. The treasury stock method is used to measure the dilutive impact of non-vested restricted common stock, stock options outstanding, and performance units. For the three months ended March 31, 2015, and 2014, 91,621 and 571,609 non-vested weighted average shares of restricted common stock and 320,926 and 335,935 weighted average stock options, respectively, were anti-dilutive and therefore were not included in the diluted weighted average share calculation. For the three months ended March 31, 2015, and 2014, 73,529 and 19,874, respectively, weighted average shares of common stock underlying non-vested performance units were anti-dilutive and therefore were not included in the diluted weighted average share calculation. The following table sets forth the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2015	2014
Net income (loss)	$6,529	$(355)
Basic weighted average common shares outstanding	75,589	75,445
Add: Dilutive effect of non-vested restricted common stock	110	—
Add: Dilutive effect of performance units	8	—
Diluted weighted average common shares outstanding	75,707	75,445
Earnings (Loss) per share:		
Basic	$0.09	$0.00
Diluted	$0.09	$0.00

Note 4— CASH, CASH EQUIVALENTS, AND INVESTMENTS

The following table summarizes the fair value of our cash and investments held in our portfolio, recorded as cash and cash equivalents or short-term or long-term investments as of March 31, 2015, and December 31, 2014 (in thousands):

	March 31, 2015	December 31, 2014
Cash	$24,213	$16,506
Commercial paper and money market accounts	42,573	51,083
Total cash and cash equivalents	$66,786	$67,589
Corporate bonds	$33,307	$9,432
Certificates of deposit and time deposits	1,003	1,002
Total short-term investments	$34,310	$10,434
Corporate bonds	$11,546	$11,856
Total long-term investments	$11,546	$11,856
Total cash, cash equivalents, and investments	$112,642	$89,879

The following tables summarize the cost basis, unrealized gains and losses, and fair value of our available-for-sale investments held in our portfolio as of March 31, 2015, and December 31, 2014 (in thousands):

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	March 31, 2015			
		Unrealized		
	Cost Basis	Gain	Loss	Fair Value
Corporate bonds	$44,884	$12	$(43)	$44,853
Certificates of deposit and time deposits	1,003	—	—	1,003
Total available-for-sale securities	$45,887	$12	$(43)	$45,856

	December 31, 2014			
		Unrealized		
	Cost Basis	Gain	Loss	Fair Value
Corporate bonds	$21,335	$1	$(48)	$21,288
Certificates of deposit and time deposits	1,002	—	—	1,002
Total available-for-sale securities	$22,337	$1	$(48)	$22,290

Note 5 — INVENTORY AND LONG-TERM PARTS INVENTORY

The following summarizes our inventory, recorded at the lower of weighted average cost or estimated net realizable value, as of March 31, 2015, and December 31, 2014, respectively (in thousands):

	March 31, 2015	December 31, 2014
Finished goods product inventory	$39,013	$44,137
In-process mineral inventory	14,799	19,584
Total product inventory	53,812	63,721
Current parts inventory, net	20,634	20,373
Total current inventory, net	74,446	84,094
Long-term parts inventory, net	17,700	16,366
Total inventory, net	$92,146	$100,460

Parts inventories are shown net of any required allowances.

During the three months ended March 31, 2015, and 2014, we recorded charges of approximately $0.4 million and $3.6 million, respectively, as a result of routine assessments of the lower of weighted average cost or estimated net realizable value on our finished goods product inventory.

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Note 6 — PROPERTY, PLANT, EQUIPMENT, AND MINERAL PROPERTIES

“Property, plant, equipment, and mineral properties, net" were comprised of the following (in thousands):

	March 31, 2015	December 31, 2014
Buildings and plant	$269,090	$268,032
Machinery and equipment	530,332	529,358
Vehicles	13,581	13,799
Office equipment and improvements	19,363	19,260
Ponds and land improvements	74,636	73,933
Total depreciable assets	907,002	904,382
Accumulated depreciation	(288,768)	(271,294)
Total depreciable assets, net	$618,234	$633,088
Mineral properties and development costs	$163,741	$163,197
Accumulated depletion	(19,508)	(17,544)
Total depletable assets, net	$144,233	$145,653
Land	909	909
Construction in progress	$6,812	$5,600
Total property, plant, equipment, and mineral properties, net	$770,188	$785,250

We incurred the following expenses for depreciation, depletion, and accretion, including expenses capitalized into inventory, for the following periods (in thousands):

	Three Months Ended March 31,	
	2015	2014
Depreciation	$18,879	$18,260
Depletion	1,973	983
Accretion	424	406
Total incurred	$21,276	$19,649

Note 7 — DEBT

Unsecured Credit Facility— We have an unsecured credit facility, led by U.S. Bank, as administrative agent, and Wells Fargo Bank, as syndication agent. This unsecured revolving credit facility provides credit of up to $250 million. The actual amount available to us is limited by our leverage ratio, which may not exceed 3.5, and our fixed charge coverage ratio, which may not be below 1.3. As of March 31, 2015, the full amount of the facility was available to us. Under the facility, the leverage ratio is defined as the ratio of total funded indebtedness to adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization, and certain other expenses) for the prior four fiscal quarters. The fixed charge coverage ratio is defined as the ratio of adjusted EBITDA for the prior four fiscal quarters to fixed charges.

The facility is unsecured and is guaranteed by our material subsidiaries. The facility has a maturity date of August 2018. As of March 31, 2015, and December 31, 2014, there were no amounts outstanding under the facility. We were in compliance with the covenants under the credit facility as of March 31, 2015.

Unsecured Senior Notes—In April 2013, we issued $150 million aggregate principal amount of unsecured senior notes ("the Notes") pursuant to a note purchase agreement entered into in August 2012. We received proceeds of $149.3 million, net of offering costs. The Notes consist of the following series:

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- $60 million of 3.23% Senior Notes, Series A, due April 16, 2020
- $45 million of 4.13% Senior Notes, Series B, due April 14, 2023
- $45 million of 4.28%Senior Notes, Series C, due April 16, 2025

The Notes are senior unsecured obligations and rank equally in right of payment with any other unsubordinated unsecured indebtedness of ours. The Notes are subject to the same leverage ratio and fixed charge coverage ratio as apply under the credit facility. The obligations under the Notes are unconditionally guaranteed by our material subsidiaries.

We were in compliance with the covenants under the Notes as of March 31, 2015.

Interest is paid semiannually on April 16 and October 16 of each year. Interest expense is recorded net of any capitalized interest associated with investments in capital projects. We incurred gross interest expense of $1.7 million for both the three months ended March 31, 2015, and 2014. We capitalized $23,000 and $0.3 million of interest during the three months ended March 31, 2015, and 2014, respectively.

Note 8 — ASSET RETIREMENT OBLIGATION

We recognize an estimated liability for future costs associated with the abandonment and reclamation of our mining properties. A liability for the fair value of an asset retirement obligation and a corresponding increase to the carrying value of the related long-lived asset are recorded as the mining operations occur or the assets are acquired.

Our asset retirement obligation is based on the estimated cost to abandon and reclaim the mining operations, the economic life of the properties, and federal and state regulatory requirements. The liability is discounted using credit adjusted risk-free rate estimates at the time the liability is incurred or when there are upward revisions to estimated costs. The credit adjusted risk-free rates used to discount our abandonment liabilities range from 6.9% to 8.5%. Revisions to the liability occur due to construction of new or expanded facilities, changes in estimated abandonment costs or economic lives, or if federal or state regulators enact new requirements regarding the abandonment or reclamation of mines.

Following is a table of the changes to our asset retirement obligation for the following periods (in thousands):

	Three Months Ended March 31,	
	2015	2014
Asset retirement obligation, at beginning of period	$22,037	$21,047
Liabilities settled	—	(77)
Liabilities incurred	—	—
Changes in estimated obligations	—	—
Accretion of discount	424	406
Total asset retirement obligation, at end of period	$22,461	$21,376

The current portion of the asset retirement obligation of $1.6 million is included in "Other" current liabilities on the condensed consolidated balance sheets as of March 31, 2015, and December 31, 2014. The undiscounted amount of asset retirement obligation is $57.7 million as of March 31, 2015.

Note 9 — COMPENSATION PLANS

Cash Bonus Plan—We have cash bonus plans that allow participants to receive varying percentages of their aggregate base salary. Any awards under the cash bonus plans are based on a variety of elements related to our performance in certain production, operational, financial, and other areas, as well as the participants' individual performance. We accrue cash bonus expense related to the current year's performance.

Equity Incentive Compensation Plan—Our Board of Directors and stockholders adopted a long-term incentive compensation plan called the Intrepid Potash, Inc. Equity Incentive Plan, as Amended and Restated (the "Plan"). We have issued common stock, restricted shares of common stock, performance units, and non-qualified stock option awards under the Plan. As of March 31, 2015, the following awards were outstanding under the plan: 481,288 shares of non-vested restricted shares of common stock; non-vested performance units representing 383,447 shares of common stock; and options to

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purchase 319,972 shares of common stock. As of March 31, 2015, approximately 2.9 million shares of common stock remained available for issuance under the Plan.

Common Stock—On an annual basis, under the Plan, the Compensation Committee of the Board of Directors (the "Compensation Committee") has approved the award of shares of common stock to the non-employee members of the Board of Directors as compensation for service for the period ending on the date of our annual stockholders' meeting for the following year. These shares of common stock were granted without restrictions and vested immediately.

Non-vested Restricted Shares of Common Stock—Under the Plan, grants of non-vested restricted shares of common stock have been awarded to executive officers, other key employees, and consultants. The awards contain service conditions associated with continued employment or service. The terms of the non-vested restricted shares of common stock provide voting and regular dividend rights to the holders of the awards. Upon vesting, the restrictions on the restricted shares of common stock lapse and the shares are considered issued and outstanding.

Since 2009, the Compensation Committee has granted restricted shares of common stock under the Plan in the first quarter of each year to our executive management team and other selected employees as part of an annual equity award program. These awards vest ratably over three years. From time to time, the Compensation Committee grants restricted shares of common stock to newly hired or promoted employees or other employees or consultants who have achieved extraordinary personal performance objectives. These restricted shares of common stock generally vest over one- to four-year periods.

In measuring compensation expense associated with the grant of non-vested restricted shares of common stock, we use the fair value of the award, determined as the closing stock price for our common stock on the grant date. Compensation expense is recorded monthly over the vesting period of the award. Total compensation expense related to the non-vested restricted shares of common stock awards was $0.9 million and $0.8 million for the three months ended March 31, 2015, and 2014, respectively. These amounts are net of estimated forfeiture adjustments. As of March 31, 2015, there was $6.8 million of total remaining unrecognized compensation expense related to non-vested restricted shares of common stock that will be expensed through 2018.

A summary of activity relating to our non-vested restricted shares of common stock for the three months ended March 31, 2015, is presented below.

	Shares	Weighted Average Grant-Date Fair Value
Non-vested restricted shares of common stock, beginning of period	464,769	$16.49
Granted	237,256	$14.28
Vested	(198,141)	$17.80
Forfeited	(22,596)	$15.44
Non-vested restricted shares of common stock, end of period	481,288	$14.91

Performance Units—In 2015, the Compensation Committee granted at-risk performance units under the Plan to a member of our executive team as part of their annual compensation package. The performance units vest in February 2018 and contain market-based conditions relating to one-, two- and three-year performance periods beginning on the grant date. A total of 378,150 shares of common stock are available for future payout under these performance units, subject to continued employment through the vesting date.

In 2013 and 2012, the Compensation Committee granted performance units under the Plan to certain members of our executive management team as part of the annual equity award program. The performance units vest ratably over three years and contain operational- and market-based conditions relating to the year of grant. The time frames for meeting both the operational- and market-based conditions of the 2013 and 2012 grants have passed, and a total of 5,297 shares of common stock are available for future payout under these performance units, subject to continued employment of the individual grantees through the vesting dates.

Non-qualified Stock Options—From 2009 to 2011, the Compensation Committee issued non-qualified stock options under the Plan in the first quarter of each year to our executive management and other selected employees as part of our annual award program. These stock options generally vested ratably over three years. In measuring compensation

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expense for options, we estimated the fair value of the award on the grant dates using the Black Scholes option valuation model. Option valuation models require the input of highly subjective assumptions, including the expected volatility of the price of the underlying stock.

As of March 31, 2014, all outstanding stock options were fully vested. Realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation for these options are recorded as “excess tax benefits” when the tax deductions occur.

A summary of our stock option activity for the three months ended March 31, 2015, is as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value
Outstanding non-qualified stock options, end of period	319,972	$26.16	$—	3.4	$13.05
Vested or expected to vest, end of period	319,972	$26.16	$—	3.4	$13.05
Exercisable non-qualified stock options, end of period	319,972	$26.16	$—	3.4	$13.05

(1) The intrinsic value of a stock option is the amount by which the market value exceeds the exercise price as of the end of the period presented.

Note 10 — INCOME TAXES

Our effective tax rate is impacted primarily by the amount of taxable income associated with each jurisdiction in which our income is subject to income tax, permanent differences between the financial statement carrying amounts and tax bases of assets and liabilities.

A summary of the provision for income taxes is as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Current portion of income tax expense (benefit)	$114	$—
Deferred portion of income tax expense (benefit)	2,957	(2,778)
Total income tax expense (benefit)	$3,071	$(2,778)
Effective tax rate	32.0%	(88.7)%

During the three months ended March 31, 2015, our effective tax rate differed from the statutory rate primarily as a result of the benefit from estimated depletion deductions. During the three months ended March 31, 2014, in addition to the items noted above, we also benefited from a discrete adjustment related to the reversal of a $1.7 million valuation allowance related to our New Mexico net operating loss carry forwards, as those carry forwards became realizable based on legislation passed by the State of New Mexico in the first quarter of 2014.

The blended state tax rate applied to the deferred tax calculation is subject to change due to changes in state laws and changes in the mix of our business and the states in which we have a taxable relationship. This creates fluctuations in the value of our net deferred tax asset.

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Note 11 — COMMITMENTS AND CONTINGENCIES

Marketing Agreements—We have a marketing agreement appointing PCS Sales (USA), Inc. (“PCS Sales”) as our exclusive sales representative for potash export sales, with the exception of sales to Canada and Mexico, and appointing PCS Sales as our non-exclusive sales representative for potash sales into Mexico. Trio® is also marketed under this arrangement. This agreement is cancelable with 30 days' written notice.

Reclamation Deposits and Surety Bonds—As of March 31, 2015, we had $18.0 million of security placed principally with the State of Utah and the Bureau of Land Management for eventual reclamation of our various facilities. Of this total requirement, as of March 31, 2015, $0.5 million consisted of long-term restricted cash deposits reflected in “Other” long-term assets on the condensed consolidated balance sheets, and $17.5 million was secured by surety bonds issued by an insurer. The surety bonds are held in place by an annual fee paid to the issuer.

We may be required to post additional security to fund future reclamation obligations as reclamation plans are updated or as governmental entities change requirements.

New Mexico Employment Credits—Beginning in 2011, based on an approval and payment of an application with the State of New Mexico, we began recording an estimate of refundable employment-related credits for qualified wages paid in New Mexico, known as the New Mexico High Wage Jobs Credit. The estimated recoverable value of these credits has been, and continues to be, reflected as a reduction to production costs and amounts yet to be collected are recorded in “Other receivables” in the condensed consolidated balance sheets in the same period in which the credit is earned.

In the third quarter of 2013, the New Mexico Taxation and Revenue Department denied our application to receive the New Mexico High Wage Jobs Credit for certain prior years' filings. Considering the uncertainty associated with collection of these credits, we recorded an additional allowance of approximately $2.8 million in the third quarter of 2013, for credits relating to the denied periods in order to reflect the denial of the claimed credits. In March 2014, as a result of our continuing efforts to collect these credits, we received notification from the New Mexico Taxation and Revenue Department that $5.9 million of credits previously denied were approved. Accordingly, during the first quarter of 2014, we reversed $2.9 million of the previously established allowance to reflect the collectability of these credits. These credits are typically considered in our product inventory calculations as they relate to the labor associated with operations. As the inventory associated with the periods during which the credits were originally earned has since been sold, we recorded the reversal of the allowance as "Other (income) expense" in the condensed consolidated statement of operations for the three months ended March 31, 2014. As of March 31, 2015, we have a receivable of $2.0 million, net of an allowance of $0.7 million, associated with the New Mexico High Wage Jobs Credits and we intend to continue to vigorously pursue recovery of all unpaid credits.

Legal—We are subject to litigation. We have determined that there are no material claims outstanding as of March 31, 2015. We have established a legal accrual for loss contingencies that are considered probable and reasonably estimable.

Future Operating Lease Commitments—We have operating leases for land, mining and other operating equipment, an airplane, offices, and railcars, with original terms ranging up to 20 years.

Rental and lease expenses follow for the indicated periods (in thousands):

For the three months ended March 31, 2015	$1,744
For the three months ended March 31, 2014	$1,582

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Note 12 — FAIR VALUE MEASUREMENTS

We applied the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ (“ASC”) Topic 820, Fair Value Measurements and Disclosures, for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and requires disclosures about fair value measurements. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic also establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs, as follows:

- Level 1—Quoted prices in active markets for identical assets and liabilities.
- Level 2—Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3—Significant inputs to the valuation model are unobservable.

The following is a listing of our assets and liabilities required to be measured at fair value on a recurring basis and where they are classified within the hierarchy as of March 31, 2015, and December 31, 2014 (in thousands):

	March 31, 2015	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Corporate bonds	$44,853	$—	$44,853	$—

	December 31, 2014	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Corporate bonds	$21,288	$—	$21,288	$—

Financial assets or liabilities are categorized within the hierarchy based upon the lowest level of input that is significant to the fair value measurement. Below is a general description of our valuation methodologies for financial assets and liabilities, which are measured at fair value and are included on the condensed consolidated balance sheets.

Our available-for-sale investments consist of corporate bonds that are valued using Level 2 inputs. Market pricing for these investments is obtained from an established financial markets data provider.

The methods described above may result in a fair value estimate that may not be indicative of net realizable value or may not be reflective of future fair values and cash flows. While we believe that the valuation methods used are appropriate and consistent with the requirements of ASC Topic 820 and the methods used by other marketplace participants, we recognize that third parties may use different methodologies or assumptions to determine the fair value of certain financial instruments that could result in a different estimate of fair value at the reporting date.

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Financial Instruments—The carrying values and estimated fair values of our financial instruments as of March 31, 2015, and December 31, 2014, are as follows (in thousands):

	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 150,000	$ 140,000	$ 150,000	$ 138,000

For cash and cash equivalents, certificate of deposit investments, accounts receivable, refundable income taxes, and accounts payable, the carrying amount approximates fair value because of the short-term maturity of these instruments. The estimated fair value of the long-term debt is estimated using a discounted cash flow analysis based on current borrowing rates for debt with similar remaining maturities and ratings (a Level 2 input) and is designed to approximate the amount at which the instruments could be exchanged in an arm's length transaction between knowledgeable willing parties.

Note 13 — RESTRUCTURING CHARGE

In January 2014, in response to declining potash prices and completion of our major capital projects, we undertook a number of cost saving actions that were intended to better align our cost structure with the business environment. These initiatives included the elimination of approximately 7% of the workforce, reduction in the use of outside professionals, and cutbacks in other general and administrative areas. In early 2014, we also temporarily decreased executive and senior management compensation; we reinstated most executive and senior management salaries in mid-2014 and reinstated other compensation elements in 2015. For the three months ended March 31, 2014, we recognized a restructuring expense of $1.8 million, which is comprised primarily of severance-related payments.

Note 14 — RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which requires revenue to be recognized based on the amount an entity is expected to be entitled to for promised goods or services provided to customers. The standard also requires expanded disclosures regarding contracts with customers. The guidance in this standard supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition", and most industry-specific guidance. This guidance is effective for us beginning January 1, 2017, with retrospective application required, subject to certain practical expedients. We are currently evaluating the requirements of this standard, and have not yet determined the impact on our results of operations or financial position.

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

This Quarterly Report on Form 10-Q contains forward looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended (the "Securities Act"). These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in this Quarterly Report on Form 10-Q other than statements of historical fact are forward looking statements. Forward-looking statements include statements about our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, among other things. In some cases, you can identify these statements by forward looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," and "continue." Forward looking statements are only predictions based on our current knowledge, expectations, and projections about future events.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including the following:

- changes in the price, demand, or supply of potash or Trio®/langbeinite
- circumstances that disrupt or limit our production, including operational difficulties or operational variances due to geological or geotechnical variances
- interruptions in rail or truck transportation services, or fluctuations in the costs of these services
- increased labor costs or difficulties in hiring and retaining qualified employees and contractors, including workers with mining, mineral processing, or construction expertise
- the costs of, and our ability to successfully construct, commission, and execute, any of our strategic projects
- adverse weather events, including events affecting precipitation and evaporation rates at our solar solution mines
- changes in the prices of raw materials, including chemicals, natural gas, and power
- the impact of federal, state, or local governmental regulations, including environmental and mining regulations; the enforcement of those regulations; and governmental policy changes
- our ability to obtain any necessary governmental permits relating to the construction and operation of assets
- changes in our reserve estimates
- competition in the fertilizer industry
- declines or changes in U.S. or world agricultural production or fertilizer application rates
- declines in the use of potash products by oil and gas companies in their drilling operations
- changes in economic conditions
- our ability to comply with covenants in our debt-related agreements to avoid a default under those agreements, or the total amount available to us under our credit facility is reduced, in whole or in part, because of covenant limitations
- disruption in the credit markets
- our ability to secure additional federal and state potash leases to expand our existing mining operations
- the other risks, uncertainties, and assumptions described in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2014, as updated by this Quarterly Reports on Form 10-Q

In addition, new risks emerge from time to time. It is not possible for our management to predict all risks that may cause actual results to differ materially from those contained in any forward-looking statements we may make.

In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, except as required by law.

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Our Company

We are the only producer of potash in the United States and are one of two producers of langbeinite, which we market and sell as Trio®. We sell potash and Trio® primarily into the agricultural market as a fertilizer. We also sell these products into the animal feed market as a nutritional supplement and sell potash into the industrial market as a component in drilling and fracturing fluids for oil and gas wells and other industrial inputs. Our revenues are generated exclusively from the sale of potash and Trio®. We also produce salt and magnesium chloride from our potash mining processes, the sales of which are accounted for as by-product credits to our cost of sales. These by-product credits represented approximately 2% to 3% of total cost of goods sold in each of the last three years.

We own three solution mining facilities and two conventional underground mining facilities that we utilize for producing potash. Our solution mining production comes from our HB solar solution mine near Carlsbad, New Mexico, a solar solution mine near Moab, Utah and a solar brine recovery mine in Wendover, Utah. Our conventional production comes from our underground West and East mines near Carlsbad, New Mexico. We also operate the North compaction facility near Carlsbad, New Mexico, which services the West and HB mines. Trio® production comes from underground conventional mining of a mixed ore body that contains both potash and langbeinite, which is mined and processed at the East facility near Carlsbad, New Mexico. We have additional opportunities to develop mineralized deposits of potash in New Mexico as well as to continue the optimization of our processing plants. These opportunities potentially include additional solution mining activities, additional recoveries of langbeinite and acceleration of production from our reserves.

We routinely post important information about us and our business, including information about upcoming investor presentations, on our website under the Investor Relations tab. We encourage investors and other interested parties to enroll on our website to receive automatic email alerts or Really Simple Syndication (RSS) feeds regarding new postings. Our website is www.intrepidpotash.com.

Significant Business Trends and Activities

Our financial results have been impacted by several significant trends, which are described below. We expect that these trends will continue to drive our results of operations, cash flows, and financial position.

• Potash demand. Our potash sales volumes were strong in the first quarter 2015, as we sold 231,000 tons compared to 242,000 in the same period last year. As is often the case, the timing of spring purchasing by customers which occurs in anticipation of the start of the application season are significant drivers of our sales volumes. Demand for potash into retail storage space has been strong. We believe this demand is the result of purchasing to avoid transportation issues similar to those in 2014, as well as expectations of farmer application. We believe significant nutrient draw has occurred in the last two growing seasons and needs to be replenished to maximize yields. As expected, we experienced a predictable decrease in our sales volumes into the industrial market. We believe our sales volumes to industrial customers will continue to decrease, and potentially pressure our average net realized sales price, during the remainder of 2015, as oil and gas drilling activity slows in response to lower crude pricing.

Our ability to supply tons to our customers on a timely basis continues to be a fundamental element to our strategy to maintain strong sales volumes. We utilize our geographic location advantage, as well as our strong distribution system, to effectively position product closer to our customers.

The specific timing of when farmers apply potash remains highly weather dependent and varies across the numerous growing regions within the United States. The timing of potash sales is significantly influenced by the marketing programs of potash producers, as well as retailers storage volumes closer to the farm gate. The combination of these items results in variability in potash sales and shipments, thereby increasing volatility of sales volumes from quarter to quarter and season to season.

• Potash prices. Our average net realized sales price for potash increased to $362 per ton in the first quarter of 2015 from $317 in the first quarter of 2014 and reflects the full impact of price increases that occurred in in the second half of 2014. Potash prices are a significant driver of profitability for our business. Domestic pricing of our potash is influenced principally by the price established by our competitors. We are also experiencing price pressure due to global producers importing tonnage into the North American potash market. The interaction of global potash supply and demand, ocean, land and barge freight rates, and currency fluctuations also influence pricing. Any of these factors could have a positive or negative impact on the price of our products. As global potash supply currently exceeds global demand levels, we expect potash prices may be pressured throughout the remainder of 2015.

• Trio® prices and demand. Our sales volumes for Trio® in the first quarter of 2015 was 72% higher than in the same period in 2014. We were able to sell more premium-sized product as we have continued to increase our production of premium-sized

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product. Our sales of standard-sized Trio® into the domestic agricultural market also increased over the same period a year ago. Our average net realized sales price for Trio® was $367 per ton in the first quarter of 2015, an increase from $340 per ton in the first quarter 2014. The benefits of a low-chloride specialty product and the recognition of the value of magnesium and sulfate have also contributed to our success with Trio®. Demand for granular- and premium-sized Trio® continues to drive improved net realized sales price for Trio®.

Selected Operating and Financial Data

The following tables present selected operations data for the periods noted. Analysis of the details of this information is contained throughout this discussion. We present this table as a summary of information relating to key indicators of financial condition and operating performance that we believe are important. We calculate average net realized sales price by deducting freight costs from gross revenues and then by dividing this result by tons of product sold during the period.

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	Three Months Ended March 31, 2015	2014	Change Between Periods	% Change
Production volume (in thousands of tons):				
Potash	237	220	17	8 %
Langbeinite	36	32	4	13 %
Sales volume (in thousands of tons):				
Potash	231	242	(11)	(5)%
Trio®	62	36	26	72 %
Gross sales (in thousands):				
Potash	$90,729	$84,497	$6,232	7 %
Trio®	26,292	14,378	11,914	83 %
Total	117,021	98,875	18,146	18 %
Freight costs (in thousands):				
Potash	7,206	7,661	(455)	(6)%
Trio®	3,706	2,271	1,435	63 %
Total	10,912	9,932	980	10 %
Net sales (in thousands)[1]:				
Potash	83,523	76,836	6,687	9 %
Trio®	22,586	12,107	10,479	87 %
Total	$106,109	$88,943	$17,166	19 %

Potash statistics (per ton):