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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

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

FOR THE TRANSITION PERIOD FROM ____________ TO ____________

Commission File Number **001-11476**

VERTEX ENERGY, INC.
(Exact name of registrant as specified in its charter)

Nevada	**94-3439569**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1331 Gemini Street, SUITE 250, Houston, Texas	**77058**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **866-660-8156**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, $0.001 Par Value Per Share	VTNR	The NASDAQ Stock Market LLC (Nasdaq Capital Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐	**Accelerated filer ☒**
Non-accelerated filer ☐	**Smaller reporting company ☒**
	Emerging growth ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $685,088,839. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company, or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 5% or greater stockholders are, in fact, affiliates of our company, or that there are not other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal stockholders is included or incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

State the number of shares of the issuer's common stock outstanding, as of the latest practicable date: 63,352,411 shares of common stock issued and outstanding as of March 11, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2022 annual meeting of shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021
TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Report contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are not a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Report. These factors include:

- our need for additional funding, the availability of, and terms of, such funding, our ability to pay amounts due on such indebtedness, covenants of such indebtedness and security interests in connection therewith;
- risks associated with our outstanding senior convertible notes, including amounts owed, restrictive covenants, conversion rights associated therewith, including dilution caused thereby, and our ability to repay such notes and amounts due thereon (including interest) when due, mandatory and special redemption provisions thereof;
- risks associated with our outstanding preferred stock, including liquidation preferences in connection therewith;
- risks related to our planned Mobile refinery acquisition, including funding required in connection therewith, our ability to obtain such funding, the terms of such funding, security interests in connection therewith, conditions to obtaining such funding, conditions to closing the acquisition of the Mobile refinery, costs associated therewith, costs of combining such operations with the Company, business uncertainties and termination rights associated therewith, including negative effects of such termination on the Company and its securities;
- risks associated with an offtake agreement which will only become effective upon the occurrence of certain events, including the planned Mobile acquisition and the completion of a capital project thereon, which much be completed timely;
- risks associated with a planned capital project associated with the Mobile refinery, including the timing thereof, costs associated therewith and our ability to generate revenues while such project is pending;
- the level of competition in our industry and our ability to compete;
- our ability to respond to changes in our industry;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to protect our intellectual property and not infringe on others' intellectual property;
- our ability to scale our business;
- our ability to maintain supplier relationships and obtain adequate supplies of feedstocks;
- our ability to obtain and retain customers;
- our ability to produce our products at competitive rates;
- our ability to execute our business strategy in a very competitive environment;
- trends in, and the market for, the price of oil and gas and alternative energy sources;
- our ability to maintain our relationships with Bunker One (USA) Inc;
- the impact of competitive services and products;

- our ability to integrate acquisitions;
- our ability to complete future acquisitions;
- our ability to maintain insurance;
- potential future litigation, judgments and settlements;
- rules and regulations making our operations more costly or restrictive, including IMO 2020 (defined below);
- changes in environmental and other laws and regulations and risks associated with such laws and regulations;
- economic downturns both in the United States and globally;
- risk of increased regulation of our operations and products;
- negative publicity and public opposition to our operations;
- disruptions in the infrastructure that we and our partners rely on;
- an inability to identify attractive acquisition opportunities and successfully negotiate acquisition terms;
- our ability to effectively integrate acquired assets, companies, employees or businesses;
- liabilities associated with acquired companies, assets or businesses;
- interruptions at our facilities;
- unexpected changes in our anticipated capital expenditures resulting from unforeseen required maintenance, repairs, or upgrades;
- our ability to acquire and construct new facilities;
- prohibitions on borrowing and other covenants of our future debt facilities;
- our ability to effectively manage our growth;
- decreases in global demand for, and the price of, oil, due to COVID-19, state, federal and foreign responses thereto;
- our ability to acquire sufficient amounts of used oil feedstock through our collection routes, to produce finished products, and in the absence of such internally collected feedstocks, our ability to acquire third-party feedstocks on commercially reasonable terms;
- repayment of and covenants in our future debt facilities;
- the lack of capital available on acceptable terms to finance our continued growth; and
- other risk factors included under "Risk Factors" in this Report.

You should read the matters described in "Risk Factors" and the other cautionary statements made in this Report as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

In this Annual Report on Form 10-K, we may rely on and refer to information regarding the refining, re-refining, used oil and oil and gas industries in general from market research reports, analyst reports and other publicly available information.

Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, and we have not independently verified any of it.

Our fiscal year ends on December 31st. Interim results are presented on a quarterly basis for the quarters ended March 31st, June 30th, and September 30th, the first quarter, second quarter and third quarter, respectively, with the quarter ending December 31st being referenced herein as our fourth quarter. Fiscal 2021 means the year ended December 31, 2021, whereas fiscal 2020 means the year ended December 31, 2020. Fiscal 2019 means the year ended December 31, 2019.

In addition to the items included in the Glossary below, unless the context requires otherwise, references to:

- the "Company," "we," "us," "our," "Vertex," "Vertex Energy" and "Vertex Energy, Inc." refer specifically to Vertex Energy, Inc. and its consolidated subsidiaries;
- “Exchange Act” refer to the Securities Exchange Act of 1934, as amended;
- “Securities Act” refers to the Securities Act of 1933, as amended; and
- “SEC” or the “Commission” refers to the United States Securities and Exchange Commission.

GLOSSARY

The following are abbreviations and definitions of certain terms used in this Report, which are commonly used in the refining and oil and gas industry:

No. 2 Oil - A high sulfur diesel oil, which is used in off-road equipment and in the marine industry such as tug boats and ships. It is also used to blend fuel oil and has multiple applications to fuel furnaces ("boilers"). It is a low viscosity, flammable liquid petroleum product.

No. 6 Oil - A lesser grade of oil than No. 2 oil, it is used only in certain applications.

Aggregators - Specialized businesses that purchase used oil and petroleum by-products from multiple collectors and sell and deliver it as feedstock to processors.

Asphalt Flux - Also called asphalt extender or blowdown, asphalt flux is a by-product of re-refining used oil suitable for blending with bitumen (the geological term for naturally occurring deposits of solid or semi-solid petroleum) or asphalt to form a product of greater fluidity or softer consistency. It is a thick, relatively nonvolatile fraction of petroleum used as flux (i.e., a substance used to promote fusion). It is a derivative, nearly or completely solid at room temperature, of certain crude oils. This black, tarry material usually comes from vacuum residue (i.e., the residue left over from vacuum distillation (see below)). It has several industrial applications. Pavers heat it to liquid form and mix it in gravel to make road surface materials called "blacktop," "madcadam," "tarmac," or "asphalt." Builders use it to make and join bricks, to coat roofs, and to form shingles. It also glues together various manufactured goods.

Base Oil - The name given to lubrication grade oils initially produced from refining crude oil (mineral base oil) or through chemical synthesis (synthetic base oil). In general, only 1% to 2% of a barrel of crude oil is suitable for refining into base oil. The majority of the barrel is used to produce gasoline and other hydrocarbons.

Black Oil - Any used or unused petroleum or synthetic oil that is dark in color and heavier than diesel. Examples of black oil include used motor oil, No. 6 fuel oil, marine cutterstock, gasoil, and other residual fuel oil.

Blender - An entity that combines various petroleum distillates to make a finished product that meets the applicable customer's specification. In this combining process, each hydrocarbon stream is analyzed through a distillation cure as well as other testing to help ensure the quality of product is met. Through this process, each stream is blended into a specific product, including gasoline, No. 2 oil, marine diesel and fuel oils.

Blendstock - A bulk liquid component combined with other materials to produce a finished petroleum product.

Bunker Fuel - Any type of fuel oil used aboard ships, and includes heavy oil and No. 6 Oil.

Collectors - Typically local businesses that purchase used oil from generators and provide on-site collection services.

Crack – Crack means breaking apart crude oil into its component products, including gases like propane, heating fuel, gasoline, light distillates like jet fuel, intermediate distillates like diesel fuel and heavy distillates like grease.

Cracking - The process whereby large hydrocarbons are broken (or cracked) into smaller hydrocarbons, which is usually done at high temperatures and pressures.

Cutterstock - Fuel oil used as a blending agent for other fuels to, for example, lower viscosity.

Distillate Fuel - A general classification for one of the petroleum fractions or cuts produced in conventional distillation operations; includes marine diesel oil and diesel fuels.

Feedstock – A product or a combination of products derived from crude oil and destined for further processing in the refining or re-refining industries. It is transformed into one or more components and/or finished products.

Gasoline Blendstock - Naphthas and various distillate products used for blending or compounding into finished motor gasoline. These components can include reformulated gasoline blendstock for oxygenate blending (RBOB) but exclude oxygenates (alcohols and ethers), butane, and pentanes (an organic compound with properties similar to a butane).

Generators - Entities that generate used oil through their daily operations such as automotive businesses conducting oil changes on consumer and commercial vehicles and industrial users changing lubricants on machinery and heavy equipment.

Hydrocarbons - An organic compound consisting entirely of hydrogen and carbon. When used in the Company's filings the term generally refers to crude oil and its derivatives.

HSFO - High Sulphur Fuel Oil or HSFO, means fuel oil with a high sulphur content.

Hydrotreating - Processing feedstock with hydrogen to remove impurities such as sulfur, chlorine, and oxygen and to stabilize the end product.

IMO 2020 - Effective January 1, 2020, the International Maritime Organization (IMO) mandated a maximum sulphur content of 0.5% in marine fuels globally.

Industrial Burners – Entities which burn combustible waste products (when used in the Company's filings, generally used motor oil and re-refined hydrocarbon feedstocks) to generate power, heat or for other industrial purposes.

Light Fuels – Fuels such as gasoline and kerosene.

Lubricating Base Oil – A crude oil derivative used for lubrication.

Marine Diesel Oil - A blend of petroleum products that is used as a fuel in the marine industry.

MDO - Means marine diesel oil, which is a type of fuel oil and is a blend of gasoil and heavy fuel oil, with less gasoil than intermediate fuel oil used in the maritime field**.**

Naphthas - Refers to any of various volatile, highly flammable liquid hydrocarbon mixtures used chiefly as solvents and diluents and as raw materials for conversion to gasoline.

Processors – Entities (usually re-refineries) which utilize a processing technology to convert used oil or petroleum by-products into a higher-value feedstock or end-product.

Pygas (pyrolysis gasoline) - An aromatics-rich gasoline stream produced in sizeable quantities by an ethylene plant. These plants are designed to crack a number of feedstocks, including ethane, butane, propane, butane, naphtha, and gasoil. Pygas can serve as a high-octane blendstock for motor gasoline or as a feedstock for an aromatics extraction unit.

Re-Refined Base Oil - The end product of used oil that is first cleansed of its contaminants, such as dirt, water, fuel, and used additives through vacuum distillation. The oil is also generally hydrotreated to remove any remaining chemicals. This process is very similar to what traditional oil refineries do to remove base oil from crude oil. Finally, the re-refined oil is combined with a fresh additive package by blenders to bring it up to industry performance levels.

Re-Refining - A process involving extensive physical and chemical treatment of used motor oil to yield a high quality marine diesel oil or lubricant base stock comparable to a virgin lubrication oil product.

Refining - The process of purification of a substance. The refining of liquids is often accomplished by distillation or fractionation. Gases can be refined in this way as well, by being cooled and/or compressed until they liquefy. Gases and liquids can also be refined by extraction with a selective solvent that dissolves away either the substance of interest, or the unwanted impurities.

Toll Processing/Third Party Processing - Refining or petrochemicals production done on a fee basis. A plant owner puts another party's feedstock through his equipment and charges for this service. A portion of the product retained by the processor may constitute payment. This form of compensation occurs frequently in refining because the feedstock supplier often is interested in retaining only one part of the output slate.

Transmix - A mix of transportation fuels, usually gasoline and diesel, created by mixing different specification products during pipeline transportation, stripping fuels from barges and bulk fuel terminals. Transmix processing plants distill the transmix back into specification products, such as unleaded gasoline and diesel fuel.

Used Oil - Any oil that has been refined from crude oil, or any synthetic oil that has been used, and as a result of use or as a consequence of extended storage or spillage has been contaminated with physical or chemical impurities. Examples of used oil include used motor oil, hydraulic oil, transmission fluid, and diesel and transformer oil.

Virgin Base Oil – Base oil which has not previously been recycled or re-refined.

Vacuum Distillation – A process that removes emulsified contaminated water and separates used oil into base oil lubricant and light fuels.

VGO -Vacuum Gas Oil (also known as cat feed) - a feedstock for a fluid catalytic cracker typically found in a crude oil refinery and used to make gasoline No. 2 oil and other byproducts.

PART I

Item 1. Business

Corporate History:

We were formed as a Nevada corporation on May 14, 2008. Pursuant to an Amended and Restated Agreement and Plan of Merger dated May 19, 2008, by and between Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), a Texas limited partnership ("Holdings"), us, World Waste Technologies, Inc., a California corporation ("WWT" or "World Waste"), Vertex Merger Sub, LLC, a California limited liability company and our wholly-owned subsidiary ("Merger Subsidiary"), and Benjamin P. Cowart, our Chief Executive Officer, as agent for our shareholders (as amended from time to time, the "Merger Agreement"), effective on April 16, 2009, World Waste merged with and into Merger Subsidiary, with Merger Subsidiary continuing as the surviving corporation and becoming our wholly-owned subsidiary (the "Merger"). In connection with the Merger, (i) each outstanding share of World Waste common stock was cancelled and exchanged for 0.10 shares of our common stock; (ii) each outstanding share of World Waste Series A preferred stock was cancelled and exchanged for 0.4062 shares of our Series A preferred stock; and (iii) each outstanding share of World Waste Series B preferred stock was cancelled and exchanged for 11.651 shares of our Series A preferred stock.

Additionally, as a result of the Merger, as the successor entity of World Waste, we assumed World Waste's filing obligations with the Securities and Exchange Commission and our common stock began trading on the Over-The-Counter Bulletin Board under the symbol "VTNR.OB" effective May 4, 2009. Subsequently, effective February 13, 2013, our common stock began trading on The NASDAQ Capital Market under the symbol "VTNR", where it has continued to trade.

Prior Material Acquisitions and Transactions

Vertex Holdings Acquisition

Effective as of August 31, 2012, we acquired 100% of the outstanding equity interests of Vertex Acquisition Sub, LLC ("Acquisition Sub"), a special purpose entity consisting of substantially all of the assets of Holdings and real-estate properties of B & S Cowart Family L.P. ("B&S LP" and the "Acquisition"). Prior to closing the Acquisition, Holdings contributed to Acquisition Sub substantially all of its assets and liabilities relating to the business of transporting, storing, processing and re-refining petroleum products, crudes and used lubricants, including all of the outstanding equity interests in Holdings' wholly-owned operating subsidiaries, Cedar Marine Terminals, L.P. ("CMT" or "Cedar Marine Terminals"), which operates a 19-acre bulk liquid storage facility and terminal on the Houston Ship Channel, which serves as a truck-in, barge-out facility and provides throughput terminal operations and which terminal is also the site of our proprietary, patented, Thermal Chemical Extraction Process ("TCEP") (described below); Crossroad Carriers, L.P. ("Crossroad") is a common carrier that provides transportation and logistical services for liquid petroleum products, as well as other hazardous materials and product streams; Vertex Recovery, L.P. ("Vertex Recovery"), is a generator solutions company for the recycling and collection of used oil and oil-related residual materials from large regional and national customers throughout the U.S. and Canada, which it facilitates through a network of independent recyclers and franchise collectors; and H&H Oil, L.P. ("H&H Oil"), which collects and recycles used oil and residual materials from customers based in Austin, Baytown, Dallas, San Antonio and Corpus Christi, Texas and B&S LP contributed real estate associated with the operations of H&H Oil.

Benjamin P. Cowart, our Chief Executive Officer, President, Chairman and largest shareholder directly or indirectly owned a 77% interest in Holdings and a 100% interest in B&S LP at the time of the acquisition. Additionally, Chris Carlson, our Chief Financial Officer, owned a 10% interest in Holdings at the time of the acquisition.

Omega Refining Acquisition

In May 2014, we acquired certain of the assets of Omega Refining, LLC ("Omega Refining"), Bango Refining NV, LLC ("Bango Refining") and Omega Holdings Company LLC ("Omega Holdings" and collectively with Omega Refining and Bango Refining, "Omega" or the "sellers") related to (1) the operation of oil re-refineries and, in connection therewith, purchasing used lubricating oils and re-refining such oils into processed oils and other products for the distribution, supply and sale to end-customers and (2) the provision of related products and support services. The assets included Omega's Marrero, Louisiana plant which produces vacuum gas oil (VGO) and a Bango, Nevada plant which produces base lubricating oils. We acquired the assets in the name of our indirect wholly-owned subsidiary, Vertex Refining LA, LLC ("Vertex LA"). The assets and operations acquired from Omega fall under our Black Oil segment. The Bango Refining operations were sold in January 2016.

Heartland Acquisition

In December 2014, we acquired substantially all of the assets of Warren Ohio Holdings Co., LLC, f/k/a Heartland Group Holdings, LLC ("Heartland") related to and used in an oil re-refinery and, in connection with the collecting, aggregating and purchasing of used lubricating oils and the re-refining of such oils into processed oils and other products for the distribution, supply and sale to end-customers, including raw materials, finished products and work-in-process, equipment and other fixed assets, customer lists and marketing information, the name 'Heartland' and other related trade names, Heartland's real property relating to its used oil refining facility located in Columbus, Ohio, the ownership of 65% of which was transferred to Tensile in connection with the Heartland SPV (discussed below), effective January 1, 2020, used oil storage and transfer facilities located in Columbus, Zanesville and Norwalk, Ohio, and leases related to storage and transfer facilities located in Zanesville, Ohio, Mount Sterling, Kentucky, and Ravenswood, West Virginia (collectively, the "Heartland Assets"). The Heartland Assets were acquired by our indirect wholly-owned subsidiary, Vertex Refining OH, LLC ("Vertex OH"). The assets and operations acquired from Heartland fall under our Black Oil segment.

Myrtle Grove Share Purchase and Subscription Agreement

On July 26, 2019 (the "MG Closing Date"), Vertex Refining Myrtle Grove LLC ("MG SPV"), a Delaware limited liability company, which entity was formed as a special purpose vehicle in connection with the transactions, described in greater detail below, Vertex Operating, LLC, our wholly-owned subsidiary ("Vertex Operating"), Tensile-Myrtle Grove Acquisition Corporation ("Tensile-MG"), an affiliate of Tensile Capital Partners Master Fund LP, an investment fund based in San Francisco, California ("Tensile"), and solely for the purposes of the MG Guaranty (defined below), the Company, entered into and closed the transactions contemplated by a Share Purchase and Subscription Agreement (the "MG Share Purchase").

Prior to entering into the MG Share Purchase, Vertex Operating's wholly-owned subsidiary, Vertex Refining LA, LLC, ("Vertex LA"), transferred all of the operating assets owned by it and related to the planned development of the MG Refinery (as defined below), which the parties agreed had a fair market value of $22,666,667, to MG SPV in consideration for 21,667 Class A Units and 1,000 Class B Units of MG SPV, which units were distributed to Vertex Operating. At the closing of the MG Share Purchase (on the MG Closing Date), Vertex Operating sold 1,000 of the Class B Units to Tensile-MG in consideration of the payment to it of $1 million by Tensile-MG, and Tensile-MG purchased an additional 3,000 Class B Units directly from MG SPV for $3 million (less Tensile's fees and expenses incurred in connection with the transaction, totaling $850,000).

As a result of the transaction, Tensile, through Tensile-MG, acquired an approximate 15% ownership interest in MG SPV, which in turn now owns the Company's former Belle Chasse, Louisiana, re-refining complex (the "MG Refinery"). Vertex Operating owns the remaining 85% of MG SPV.

MG SPV Limited Liability Company Agreement

The Class B Units held by Tensile-MG are convertible into Class A Units at the option of Tensile-MG, as provided in the Limited Liability Company Agreement of MG SPV dated July 25, 2019 (the "MG Company Agreement"), based on a conversion price (initially one-for-one) which may be reduced from time to time if new Units of MG SPV are issued, and automatically convert into Series A Units upon certain events described in the MG Company Agreement.

Additionally, the Class B Unit holders may force MG SPV to redeem the outstanding Class B Units at any time on or after the earlier of (a) July 26, 2024 and (ii) the occurrence of an MG Triggering Event (defined below)(an "MG Redemption"). The cash purchase price for such redeemed Class B Units is the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party agreed to in writing by a majority of the holders seeking an MG Redemption and Vertex Operating (provided that Vertex Operating still owns Class A Units on such date) and (z) the original per-unit price for such Class B Units plus any unpaid Class B preference. The preference is defined as the greater of the (A) aggregate unpaid Class B yield, equal to 22.5% per year and (B) amount equal to fifty percent (50%) of the aggregate capital invested by the Class B Unit holders through such MG Redemption date. "MG Triggering Events" mean (a) any dissolution, winding up or liquidation of the Company, Vertex Operating or any significant subsidiary of Vertex Operating, (b) any sale, lease, license or disposition of any material assets of the Company, Vertex Operating or any significant subsidiary of Vertex Operating, (c) any transaction or series of related transactions (whether by merger, exchange, contribution, recapitalization, consolidation, reorganization, combination or otherwise) involving the Company, Vertex Operating or any significant subsidiary of Vertex Operating, the result of which is that the holders of the voting securities of the relevant entity as of the MG Closing Date are no longer the beneficial owners, in the aggregate, after giving effect to such transaction or series of transactions, directly or indirectly, of more than fifty percent (50%) of the voting power of the outstanding voting securities of the entity, subject to certain other requirements set forth in the MG Company Agreement, (d) the failure of Vertex Operating to operate MG SPV in good faith with appropriate resources, or (e) the material failure of the Company and its affiliates to comply with the terms of the contribution agreement, whereby the Company contributed assets and operations to MG SPV.

Distributions of available cash of MG SPV pursuant to the MG Company Agreement (including pursuant to liquidations of MG SPV), subject to certain exemptions set forth therein, are to be made (a) first, to the holders of the Class B Units, in an amount equal to the greater of (A) the aggregate unpaid "Class B Yield" (equal to an annual return of 22.5% per annum) and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class B Unit holders (initially Tensile-MG)(such aggregate capital invested by the Class B Unit holders, the "MG Invested Capital", which totals approximately $4 million as of December 31, 2021, less prior distributions (the greater amount of (A) and (B), the "Class B Priority Distributions"); (b) second, the Class B Unitholders, together as a separate and distinct class, are entitled to receive an amount equal to the aggregate MG Invested Capital; (c) third, the Class A Unitholders (other than Class A Unitholders which received Class A Units upon conversion of Class B Units), together as a separate and distinct class, are entitled to receive all or a portion of any distribution equal to the sum of all distributions made under sections (a) and (b) above; and (d) fourth, to the holders of Units who are eligible to receive such distributions in proportion to the number of Units held by such holders.

On or after July 26, 2022, the Company or any of its subsidiaries, may elect to purchase all of the outstanding units of MG SPV held by Tensile-MG (or any assignee of Tensile-MG) as discussed in the MG Company Agreement.

On the MG Closing Date, Tensile-MG, Vertex Operating and the Company entered into a right of first offer letter agreement (the "ROFO Agreement"), whereby we agreed that if we, at any time, propose to issue, sell, transfer, assign, pledge, encumber or otherwise directly or indirectly dispose of any equity or debt securities of (x) MG SPV and/or (y) Cedar Marine Terminals, L.P., or any other entity formed or designated to operate the Cedar Marine Terminal in Baytown, Texas, we would provide Tensile-MG written notice of such, and Tensile-MG would have thirty days to purchase the amount of securities offered on terms at least as favorable as those in the original proposal. The rights under the ROFO Agreement continue to apply until such time, if ever, as Tensile-MG has acquired $50 million of securities pursuant to the terms thereof.

Heads of Agreement

On January 10, 2020, Vertex Operating entered into a Heads of Agreement (the "Heads of Agreement") with Bunker One (USA) Inc., which is owned by Bunker Holding, a Danish holding company ("Bunker One"). Pursuant to the Heads of Agreement, the Company and Bunker One agreed to form a joint decision-making body (the "JDMB") to focus on strategic matters related to the overall cooperation of the parties and to establish rules and procedures for identifying and undertaking joint projects. The JDMB has six members, three each from the Company and Bunker One.

The goal of the parties, pursuant to the Heads of Agreement and the JDMB, is to jointly develop and acquire direct or indirect equity or equity-related interests in projects and companies in the marine fuel sector in North America, with Bunker One focusing on opportunities related to the supply and optimization of marine fuels or components and the Company focusing on business opportunities relating to refining of bunker fuels.

For each project that the parties agree to pursue, the parties will enter into a form of Co-Operation and Joint Supply and Marketing Agreement (each a "Co-Operation JSMA"). The principal objective of each such Co-Operation JSMA will be the expansion of the business of each party by cooperating in the sourcing, storing, transportation, marketing and selling of products, where: (a) Vertex is primarily responsible for the sourcing and storing of the product (bunker fuels); (b) Bunker One is primarily responsible for the transporting, blending, marketing, selling and delivering of the product (bunker fuels); (c) Bunker One is responsible for the risk management/exposure (e.g. hedging) of the bunker fuels; and (d) Bunker One is the exclusive seller of the product to third parties.

The Heads of Agreement also allows for certain projects outside of the scope of Co-Operation JSMA's which will be subject to separate Authorization for Expenditures agreed to by the JDMB.

The Heads of Agreement has a term of ten years, beginning effective on January 1, 2020, and continuing through April 30, 2029, provided that the agreement extends for additional five-year periods thereafter unless either party provides the other at least 120 days' notice of non-renewal before any such automatic renewal date. The agreement can also be terminated by either party upon an event of default (as described in the Heads of Agreement), subject to required thirty days' notice of such event of default and the opportunity for the breaching party to cure. The Heads of Agreement contains standard and customary events of default, including failure to pay amounts when due, failure to comply with the terms of the agreement, insolvency and the
occurrence of a Change of Control, each subject to the terms of the agreement. A Change of Control is defined in the agreement as any party (a) engaged in the bunkering business (i.e., the supplying of fuel used by ships), as to Bunker One, or (b) engaged in the refining business, as to Vertex, obtaining control of such applicable party by way of any transaction or series of transactions.

The Heads of Agreement also contains a right of first refusal provision, whereby if at any time Bunker One, or any of its U.S. affiliates (each a "Bunker One Party"), proposes to issue, sell, transfer, assign, or otherwise directly or indirectly dispose of (x) all or any substantial portion of its bunkering business in the United States, or, if mutually agreed, outside of the United States and/or (y) the controlling equity interests in any corporation, limited liability company or partnership that owns all or any substantial portion of the bunkering business, held by such Bunker One Party for value, the Bunker One Party is required to provide the Company written notice of such event and the Company is provided the right to make an offer to purchase such entity/assets, from such Bunker One Party, subject to the terms of the Heads of Agreement.

Additionally, under the Heads of Agreement, at any time Bunker One determines to extend its existing bunkering business to any port in North America that is not served by Bunker One as of August 1, 2019, Bunker One is required to extend to the Company the right to elect to expand the terms and conditions of the Heads of Agreement to include any such new port.

Finally, under the Heads of Agreement, if at any time the Company acquires a supply of material that the Company intends to sell in Texas, Louisiana or Alabama and that is suitable for use in Bunker One's bunkering business in such area from a third party, or produces additional material for sale in such area, the Company is required to provide Bunker One the right to purchase such supply/material pursuant to the terms and conditions of the Heads of Agreement.

JSMA

Also, on January 10, 2020, Vertex Operating entered into a Joint Supply and Marketing Agreement (the "JSMA"), with Bunker One. The JSMA is effective as of May 1, 2020, and provides for Bunker One to acquire 100% of the production from the Company's Marrero, Louisiana re-refining facility (which produces approximately 100,000 barrels per month of a bunker suitable fuel for offshore use and use as a marine vessel's propulsion system ("Bunker Fuel")) at the arithmetic mean of Platts #2 USGC Pipe and Platt's ULSD USGC Waterborne on agreed pricing days less an agreed upon discount, adjusted every three months.

Pursuant to the JSMA, the parties agreed to the percentages pursuant to which net profit will be split between the parties, relating to the sale of such Bunker Fuel by Bunker One, which is to be sold in Texas, Louisiana, Alabama and areas immediately adjacent thereto if mutually agreed (collectively, the "Area").

Pursuant to the JSMA, (i) the Company is primarily responsible for the sourcing and storing of the feedstock which is used to produce the Bunker Fuel, (ii) Bunker One is primarily responsible for the transporting, blending, marketing, selling and delivering of the Bunker Fuel, (iii) Bunker One is responsible for the risk management/exposure (e.g., hedging) of the Bunker Fuel, and (iv) Bunker One is the exclusive seller of the Bunker Fuel to third parties.

The Bunker Fuel is meant for blending by Bunker One into other products for the purpose of being transformed into bunker suitable fuel for a marine vessel's propulsion system and/or marketable wholesale products in various other markets for sale by Bunker One to customers in the Area.

Pursuant to the JSMA, the Company agreed that during the term of the agreement, neither the Company, nor any affiliate of the Company, would sell any Bunker Fuel to any customers for their use as bunker fuel other than pursuant to the terms of the Agreement.

Payment for the Bunker Fuel is required to be made by Bunker One within three days after invoiced by the Company, and at the end of each three months during the term of the agreement, Bunker One is required to provide a detailed accounting to the Company setting forth the consideration due to the Company and the calculation of such amounts. The agreement also provides for a yearly accounting by Bunker One and true up of amounts paid and due throughout such year.

The JSMA has a term from May 1, 2020 to April 30, 2029, provided that the term is automatically renewable for additional five-year periods thereafter unless either party provides the other at least 120 days prior written notice of non-renewal, prior to any automatic renewal date. The agreement can also be terminated by either party upon an event of default (as described in the JSMA), subject to required ten days' notice of such event of default and the opportunity for the breaching party to cure. The Heads of Agreement contains standard and customary events of default, including failure to pay amounts when due, failure to comply with the terms of the agreement and insolvency, each subject to the terms of the agreement. In the event
that the individual or group of individuals who ultimately own or control each party or such party's parent as of May 1, 2020 no longer has the right or ability to control or cause the direction of the management and policies of such entity, the agreement can be terminated immediately by the party not subject to such change of control.

The JSMA prohibits either party from promoting activities which compete against the other party's business in the Area for the term of the agreement and for two years thereafter.

The JSMA also provides, during the term of such agreement, for Bunker One to be allowed to have a representative attend meetings of the Board of Directors of the Company and the committees of the Board (in a non-voting observer capacity)(the "Board Observer Right"). The Board Observer Right was provided partially in connection with Bunker One's agreement to acquire up to $5 million of the Company's securities which it did through the purchase of shares of Series B1 Preferred Stock (which shares have since been converted into common stock) and common stock, in privately negotiated purchases, with holders of the Company's Series B1 Preferred Stock.

Heartland Share Purchase and Subscription Agreement

On January 17, 2020 (the "Heartland Closing Date"), a Share Purchase and Subscription Agreement (the "Heartland Share Purchase") by and among HPRM LLC ("Heartland SPV"), a Delaware limited liability company, which entity was formed as a special purpose vehicle in connection with the transactions, described in greater detail below, Vertex Operating, Tensile-Heartland Acquisition Corporation ("Tensile-Heartland"), an affiliate of Tensile, and solely for the purposes of the Heartland Guaranty (defined below), the Company, was entered into.

Prior to entering into the Heartland Share Purchase, the Company transferred 100% of the ownership of Vertex Refining OH, LLC, its indirect wholly-owned subsidiary ("Vertex OH") to Heartland SPV in consideration for 13,500 Class A Units, 13,500 Class A-1 Preferred Units and 11,300 Class B Units of Heartland SPV and immediately thereafter contributed 248 Class B Units to Vertex Splitter, as a contribution to capital.

Vertex OH owns the Company's Columbus, Ohio, Heartland facility, which produces a base oil product that is sold to lubricant packagers and distributors.

Pursuant to the Heartland Share Purchase, Vertex Operating sold Tensile-Heartland the 13,500 Class A Units and 13,500 Class A-1 Preferred Units of Heartland SPV in consideration for $13.5 million. Also, on the Heartland Closing Date, Tensile-Heartland purchased 7,500 Class A Units and 7,500 Class A-1 Units in consideration for $7.5 million directly from Heartland SPV.

Concurrently with the closing of the transactions described above, and pursuant to the terms of the Heartland Share Purchase, the Company, through Vertex Operating, purchased 1,000 newly issued Class A Units from MG SPV at a cost of $1,000 per unit ($1 million in aggregate).

The Heartland Share Purchase provides Tensile-Heartland an option, exercisable at its election, any time after the Heartland Closing Date, subject to the terms of the Heartland Share Purchase, to purchase up to an additional 7,000 Class A-2 Preferred Units at a cost of $1,000 per Class A-2 Preferred Unit from Heartland SPV.

The Heartland Share Purchase also provided for a guarantee by the Company to Tensile-Heartland of the payment obligations of Vertex Operating as set forth in the Heartland Share Purchase (the "Heartland Guaranty").

The Heartland Share Purchase had an effective date of January 1, 2020.

Administrative Services Agreement

Pursuant to an Administrative Services Agreement, entered into on the Heartland Closing Date, Heartland SPV engaged Vertex Operating and the Company to provide administrative/management services and day-to-day operational management services of Heartland SPV in connection with the collection, storage, transportation, transfer, refining, re-refining, distilling, aggregating, processing, blending, sale of used motor oil, used lubricants, wholesale lubricants, recycled fuel oil, or related products and services such as vacuum gas oil, base oil, and asphalt flux, in consideration for a monthly fee. The Administrative Services Agreement has a term continuing until the earlier of (a) the date terminated with the mutual consent of the parties; (b) a liquidation of Heartland SPV; (c) a Heartland Redemption (defined below); (d) the determination of Heartland SPV to terminate following a change of control (as described in the Administrative Services Agreement) of Heartland SPV or the Company; or (e) written notice from the non-breaching party upon the occurrence of a breach which is not cured within the cure period set forth in the Administrative Services Agreement.

The Administrative Services Agreement also provides that in the event that Heartland SPV is unable to procure used motor-oil ("UMO") through its ordinary course operations, subject to certain conditions, Vertex Operating and the Company are required to use their best efforts to sell (or cause an affiliate to sell) UMO to Heartland SPV, at the lesser of the (i) then-current market price for UMO sold in the same geography area and (ii) price paid by such entity for such UMO. Finally, the Administrative Services Agreement provides that in the event that the Heartland SPV is unable to procure vacuum gas oil ("VGO") feedstock through its ordinary course operations, subject to certain conditions, Vertex Operating and the Company are required to use their best efforts to sell (or cause an affiliate to sell) VGO to Heartland SPV, at the lesser of the (i) then-current market price for VGO sold in the same geographic area and (ii) price paid for such VGO.

Heartland Limited Liability Company Agreement

The Heartland SPV is currently owned 35% by Vertex Operating and 65% by Tensile-Heartland. The Class A Units held by Tensile-Heartland are convertible into Class B Units as provided in the Limited Liability Company Agreement of Heartland SPV (the "Heartland Company Agreement"), based on a conversion price (initially one-for-one) which may be reduced from time to time if new Units of Heartland SPV are issued and will automatically convert into Series A Units upon certain events described in the Heartland Company Agreement.

The Class A-1 and A-2 Preferred Units ("Class A Preferred Units"), which are 100% owned by Tensile-Heartland, accrue a 22.5% per annum preferred return subject to terms of the Heartland Company Agreement (the "Class A Yield").

Additionally, the Class A Unit holders (common and preferred) may force Heartland SPV to redeem the outstanding Class A Units at any time on or after the earlier of (a) January 17, 2025 and (b) the occurrence of a Heartland Triggering Event (defined below)(a "Heartland Redemption"). The cash purchase price for such redeemed Class A Unit will be the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party agreed to in writing by a majority of the holders seeking Heartland Redemption and Vertex Operating (provided that Vertex Operating still owns Class B Units on such date) and (z) the Class A preference. The Class A preference is defined as the greater of (A) the aggregate unpaid Class A yield equal to 225% per year or (B) an amount equal to the original per-unit price for such Class A Units plus fifty percent (50%) of the aggregate capital invested by the Class A Unit holders through such Heartland Redemption date. "Heartland Triggering Events" include (a) any termination of the Administrative Services Agreement pursuant to its terms and/or any material breach by us of the environmental remediation and indemnity agreement, (b) any dissolution, winding up or liquidation of the Company, Vertex Operating or any significant subsidiary of Vertex Operating, (c) any sale, lease, license or disposition of any material assets of the Company, Vertex Operating or any significant subsidiary of Vertex Operating, or (d) any transaction or series of related transactions (whether by merger, exchange, contribution, recapitalization, consolidation, reorganization, combination or otherwise) involving the Company, Vertex Operating or any significant subsidiary of Vertex Operating, the result of which is that the holders of the voting securities of the relevant entity as of the Heartland Closing Date are no longer the beneficial owners, in the aggregate, after giving effect to such transaction or series of transactions, directly or indirectly, of more than fifty percent (50%) of the voting power of the outstanding voting securities of the entity, subject to certain other requirements set forth in the Heartland Company Agreement.

In the event that Heartland SPV fails to redeem such Class A Units within 180 days after a redemption is triggered, the Class A Yield is increased to 25% until such time as such redemption is completed (with such increase being effective back to the original date of a notice of redemption). In addition, in such event, the Class A Unit holders may cause Heartland SPV to initiate a process intended to result in a sale of Heartland SPV.

Distributions of available cash of Heartland SPV pursuant to the Heartland Company Agreement (including pursuant to liquidations of Heartland SPV), subject to certain exceptions set forth therein, are to be made (a) first, to the holders of the Class A Preferred Units, in an amount equal to the greater of (A) the aggregate unpaid Class A Yield and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class A Preferred Unit holders (initially Tensile-Heartland)(such aggregate capital invested by the Class A Preferred Unit holders, the "Heartland Invested Capital", which totaled approximately $21 million as of the Heartland Closing Date, subject to adjustment as provided in the Heartland Share Purchase), less prior distributions (such greater amount of (A) and (B), the "Class A Preferred Priority Distributions"); (b) second, the Class A Preferred Unitholders, together as a separate and distinct class, are entitled to receive an amount equal to the aggregate Heartland Invested Capital; (c) third, the Class B Unitholders (other than Class B Unitholders which received Class B Units upon conversion of Class A Preferred Units), together as a separate and distinct class, are entitled to receive all or a portion of any distribution equal to the sum of all distributions made under sections (a) and (b) above; and (d) fourth, to the holders of Units who are eligible to receive such distributions in proportion to the number of Units held by such holders.

On or after January 17, 2023, the Company (through Vertex Operating) may elect to purchase all of the outstanding units of Heartland SPV held by Tensile-Heartland at the greatest of (i) the amount of the Class A Priority Distributions and the amount of the Heartland Invested Capital, had the Class A Yield accrued at 30% per annum (instead of the original stated 22.5% per annum), (ii) two hundred and seventy-five percent (275%) of the total Heartland Invested Capital, and (iii) a calculation based on the greater of six (6) times the trailing twelve (12) months' adjusted EBITDA and (B) six (6) times the next twelve (12) months' projected adjusted EBITDA, each as described in further detail in the Heartland Company Agreement.

Upon the occurrence of a Heartland Triggering Event (described above), the Class A Unitholders (initially Tensile-Heartland) may elect, by a majority vote, to (a) terminate the Administrative Services Agreement and appoint new management of Heartland SPV, (b) trigger a Heartland Redemption, and/or (c) purchase the Class B Units from the Class B Unitholders (initially Vertex Operating) at the fair market value of such units as determined by a qualified third party agreed to in writing by the parties.

Crystal Energy, LLC

On June 1, 2020, the Company, through Vertex Operating, entered into and closed a Member Interest Purchase Agreement with Crystal Energy, LLC ("Crystal") pursuant to which Vertex Operating agreed to buy the outstanding membership interests of Crystal for aggregate cash consideration of $1,822,690. This resulted in the recognition of $1,939,364 in accounts receivable, $976,512 in inventory, $14,484 in other current assets, and $1,107,670 in current liabilities. Upon the closing of the acquisition, Crystal became a wholly-owned subsidiary of Vertex Operating.

Crystal is an Alabama limited liability company that was organized on September 7, 2016, for the purpose of purchasing, storing, selling, and distributing refined motor fuels. These activities include the wholesale distribution of gasoline, blended gasoline, and diesel for use as engine fuel to operate automobiles, trucks, locomotives, and construction equipment. Crystal markets its products to third-party customers, and customers will typically resell these products to retailers, end-use consumers, and others. These assets are used in our Refining segment.

Penthol Agreement Termination

On June 5, 2016, the Company and Penthol LLC reached an agreement for the Company to act as Penthol's exclusive agent to market and promote Group III base oil from the United Arab Emirates to the United States. The Company also agreed to provide logistical support. The start-up date was July 25, 2016, with a 5-year term through 2021. Over the Company's objection, Penthol terminated the Agreement effective January 19, 2021. The Company and Penthol are currently involved in litigation involving such termination and related matters as described in greater detail in "Part II" - "Item 8. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 4. Concentrations, Significant Customers, Commitments and Contingencies", under the heading "Litigation".

Recent Transactions

May 2021 Purchase Agreement

On May 26, 2021, Vertex Operating, entered into a definitive Sale and Purchase Agreement (the "Refinery Purchase Agreement") with Equilon Enterprises LLC d/b/a Shell Oil Products US, Shell Oil Company and Shell Chemical LP, subsidiaries of Shell plc ("Shell"), to purchase the Shell's Mobile, Alabama refinery, certain real property associated therewith, and related assets, including all inventory at the refinery as of closing and certain equipment, rolling stock, and other personal property associated with the Mobile refinery (collectively, the "Mobile Refinery" and the "Mobile Acquisition"). The Mobile Refinery is located on an 800+ acre site in the city and county of Mobile, Alabama. The 91,000 barrel-per-day nameplate capacity Mobile Refinery is capable of sourcing a flexible mix of cost-advantaged light-sweet domestic and international feedstocks. Approximately 70% of the refinery's current annual production is distillate, gasoline and jet fuel, with the remainder being vacuum gas oil, liquefied petroleum gas (LPG) and other products. The facility distributes its finished product across the southeastern United States through a high-capacity truck rack, together with deep and shallow water distribution points capable of supplying waterborne vessels.

In addition to refining assets, the transaction will include the acquisition by the Company of approximately 3.2 million barrels of inventory and product storage, logistics and distribution assets, together with more than 800+ acres of developed and undeveloped land.

The initial base purchase price for the assets is $75 million. In addition, Vertex Operating will also pay for the hydrocarbon inventory located at the Mobile Refinery, as valued at closing, which we currently anticipate having a value of

approximately $100 million and the purchase price is subject to other customary purchase price adjustments and reimbursement for certain capital expenditures in the amount of approximately $440,000. Upon closing of the acquisition, the Company (through one or more of its subsidiaries and affiliates) plans to complete an $85 million capital project designed to modify the Mobile Refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis (the "Conversion").

In connection with Vertex Operating's execution of the Refinery Purchase Agreement, and as a required term and condition thereof, Vertex Operating provided the Shell a promissory note in the amount of $10 million (the "Deposit Note"). Pursuant to the terms of the Refinery Purchase Agreement, the terms of such agreement (other than exclusivity through December 31, 2021, or such earlier date that the Refinery Purchase Agreement is terminated), were not legally binding on Shell until such time as Vertex Operating funds the Deposit Note in cash (which note has been paid in full to date). The Deposit Note did not accrue interest unless or until an event of default occurs under such note, at which time interest accrues at 12% per annum until paid. The entire balance of the Deposit Note was due upon the earlier of (i) 45 calendar days following the date of the Deposit Note (i.e., July 10, 2021); and (ii) five calendar days following the closing of any transaction between Vertex Operating and any third party, which Deposit Note was paid in full prior to such applicable due date.

In the event of the closing of the transactions contemplated by the Refinery Purchase Agreement, the funded portion of the Deposit Note, and any interest thereon (the "Deposit") is credited against the purchase price due to the Shell. In the event the Refinery Purchase Agreement is terminated, the Deposit is non-refundable except as more particularly described in the Refinery Purchase Agreement, which provides that in some circumstances the Company may receive a complete refund of the Deposit or must pay a portion of (or in some cases all) the costs for the Swapkit (defined below) and/or the audit of the Shell's operations, to the extent requested by the Company.

The Refinery Purchase Agreement is subject to termination prior to closing under certain circumstances, and may be terminated: at any time prior to the closing date, by the mutual consent of the parties; by Vertex Operating or Shell in the event the closing has not occurred by May 26, 2022 (the "Outside Date", subject to extensions as discussed in the Refinery Purchase Agreement), in the event such failure to close is not a result of Vertex Operating's or Shell's breach of the agreement, respectively, or the failure to obtain any government consent; by Vertex Operating or Shell, if the other party has breached any representation, warranty or covenant set forth in the agreement, subject to certain cases to the right to cure such breach, or required regulatory approvals have not been received as of the Outside Date.

The Refinery Purchase Agreement provides that if all conditions to closing are satisfied other than government approvals and required permits and registrations, then the Outside Date is extended to such date as the parties mutually agree; provided, however, in the event the parties do not mutually agree, then the Outside Date is automatically extended to May 26, 2023.

The Refinery Purchase Agreement contemplates the Company and the Shell entering into various supply and offtake agreements at closing.

The Mobile Acquisition is expected to close early in the second quarter of 2022, subject to satisfaction of customary closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the absence of legal impediments prohibiting the Mobile Acquisition, receipt of regulatory approvals and required consents, absence of a material adverse effect and the Company raising sufficient cash to pay such aggregate purchase price, a portion of which the Company raised through the sale of the Convertible Notes and a portion of which the Company plans to raise through the entry into the Term Loan, each defined and discussed below. The conditions to the closing of the Mobile Acquisition may not be met, and such closing may not ultimately occur on the terms set forth in the Refinery Purchase Agreement, if at all.

In connection with the entry into the Refinery Purchase Agreement, Vertex Operating and Shell entered into a Swapkit Purchase Agreement (the "Swapkit Agreement"). Pursuant to the agreement, Vertex Operating agreed to fund a technology solution comprising the ecosystem required for the Company to run the Mobile Refinery after closing (the "Swapkit"), at a cost of $8.7 million, which is payable at closing (subject to certain adjustments), or in certain circumstances, upon termination of the Purchase and Sale Agreement.

Series B and B1 Preferred Stock Automatic Conversion

Pursuant to the terms of the Series B Preferred Stock and Series B1 Preferred Stock of the Company, in the event that the closing sales price of the Company's common stock was at least $6.20 (as to the Series B Preferred Stock) and $3.90 (as to the Series B1 Preferred Stock) per share for at least 20 consecutive trading days, such shares of Series B Preferred Stock and

Series B1 Preferred Stock were to convert automatically into common stock of the Company on a one-for-one basis (the "Automatic Conversion Provisions").

Effective on June 24, 2021 (as to the Series B1 Preferred Stock) and June 25, 2021 (as to the Series B Preferred Stock), the Automatic Conversion Provisions of the Series B Preferred Stock and Series B1 Preferred Stock were triggered, and the outstanding shares of the Company's Series B Preferred Stock and Series B1 Preferred Stock automatically converted into common stock of the Company.

Specifically, the 1,783,292 then outstanding shares of Series B Preferred Stock automatically converted into 1,783,292 shares of common stock and the 3,134,889 then outstanding shares of Series B1 Preferred Stock automatically converted into 3,134,889 shares of common stock (or 4,918,181 shares of common stock in total).

As a result, there are no outstanding shares of Series B or B1 Preferred Stock as of December 31, 2021.

Safety-Kleen Sale Agreement

On June 29, 2021, we entered into an Asset Purchase Agreement (the "Sale Agreement" and the transactions contemplated therein, the "Sale Transaction" or the "Sale") with Vertex Operating, Vertex LA, Vertex OH, CMT, H & H Oil, as sellers, and Safety-Kleen Systems, Inc., as purchaser ("Safety-Kleen"), dated as of June 28, 2021.

Pursuant to the Sale Agreement, Safety-Kleen agreed to acquire the Company's Marrero used oil refinery in Louisiana (currently owned by Vertex LA); our Heartland used oil refinery in Ohio (currently owned by Vertex OH); our H&H and Heartland used motor oil ("UMO") collections business; our oil filters and absorbent materials recycling facility in East Texas; and the rights CMT holds to a lease on the Cedar Marine terminal in Baytown, Texas (the "UMO Business").

The initial base purchase price for the assets was $140 million, which is subject to customary adjustments to account for working capital, taxes and assumed liabilities.

The Sale Agreement was expected to close in the first half of 2022, subject to satisfaction of customary closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the absence of legal impediments prohibiting the transaction, and receipt of regulatory approvals and required consents.

On January 24, 2022, each of the Company Parties and Safety-Kleen entered into an Asset Purchase Termination Agreement (the "Termination Agreement") pursuant to which the Sale Agreement was terminated. Pursuant to the terms of the Termination Agreement, the Company agreed to pay a termination fee to Safety-Kleen of $3,000,000. Immediately upon receipt of such termination fee, which the Company paid simultaneously with the execution of the Termination Agreement, the Sale Agreement was terminated and is of no further force or effect, and with no further liability to any party thereunder, other than certain confidentiality obligations of the parties and ongoing liability for any willful or intentional breach of, or non-compliance with, the Sale Agreement.

The Company is exploring other opportunities for the sale of the UMO business.

Tensile Transactions

On July 1, 2021, the Operating Agreement of MG SPV was amended to provide that from the date of such agreement until December 31, 2021, the Company (through Vertex Operating), was required to fund the working capital requirements of MG SPV, which advances were initially characterized as debt, but that Tensile MG may convert such debt into additional Class A Units of MG SPV (after December 31, 2021), at $1,000 per unit (the "MG SPV Amendment").

On July 1, 2021, Heartland SPV loaned Vertex Operating $7,000,000, which was evidenced by a Promissory Note (the "Heartland Note"). The Heartland Note accrues interest at the applicable federal rate of interest from time to time, increasing to 12% upon an event of default. Amounts borrowed under the Heartland Note are currently due upon the earlier of (i) June 30, 2022; and (ii) five calendar days following the closing of a sale of substantially all the assets of Vertex Refining OH, LLC ("VROH"), and/or the sale of membership interests in VROH possessing voting control (with the consent of the Company), provided that the Heartland Note may be prepaid in whole or in part at any time without premium or penalty. The Heartland Note includes customary events of defaults. The Company used the funds borrowed under the Heartland Note, to paydown a portion of the Deposit Note, with the remaining funds coming from a loan from EBC as discussed below.

On July 25, 2019, Tensile purchased 1,500,000 shares of common stock and warrants to purchase 1,500,000 shares of common stock with an exercise price of $2.25 per share, and we entered into a Registration Rights and Lock-Up Agreement with Tensile which required us to register the shares of common stock issued to Tensile, and the shares of common stock issuable upon exercise of the warrants issued to Tensile, and Tensile agreed to certain restrictions on the sale of the shares held by Tensile. On July 1, 2021, we entered into a First Amendment to Registration Rights and Lock-Up Agreement with Tensile (the "RRA Amendment") to adjust the restriction on Tensile's ability to sell shares of common stock under the lock-up to provide for Tensile to not sell more than 500,000 shares of common stock in any seven day period until July 25, 2024, without the prior written consent of the Company.

Indenture and Convertible Notes

On November 1, 2021, we issued $155.0 million aggregate principal amount at maturity of our 6.25% Convertible Senior Notes due 2027 (the "Convertible Notes") pursuant to an Indenture (the "Indenture"), dated November 1, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee"), in a private offering (the "Note Offering") to persons reasonably believed to be "qualified institutional buyers" and/or to "accredited investors" in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, pursuant to Securities Purchase Agreements.

The net proceeds from the offering, after deducting placement agent fees and estimated offering costs and expenses payable by the Company, were approximately $133.9 million. The Company intends to use approximately $33.7 million of the net proceeds from the offering to fund a portion of the funds payable in connection with the Refinery Purchase Agreement. The Company has previously used (1) $10.9 million of the net proceeds from the offering to repay amounts owed by the Company under its credit facilities with Encina Business Credit, LLC and certain of its affiliates (the "EBC Lenders"), and (2) $0.4 million of the net proceeds to repay certain secured equipment leases with certain affiliates of Wells Fargo Bank, National Association. The Company intends to use the remainder of the net proceeds for working capital and other general corporate purposes, which may include debt retirement and organic and inorganic growth initiatives, provided that the Company has no current specific plans for such uses.

Key terms of the Convertible Notes are as follows:

- *Issue price* – 90% of the face amount of each Note.
- *Interest rate of 6.25%* – The Convertible Notes will bear interest at a rate of 6.25% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022.
- *Conversion price of approximately $5.89* – The Convertible Notes will be convertible at an initial conversion rate of 169.9235 shares of the Company's common stock, per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $5.89 per share, which represents a conversion premium of approximately 37.5% to the last reported sale price of $4.28 per share of the Company's common stock on The Nasdaq Capital Market on October 26, 2021).
- *Maturity date* –The Convertible Notes will mature on October 1, 2027, unless earlier repurchased, redeemed or converted.
- *Conversion* – Prior to July 1, 2027, the Convertible Notes will be convertible at the option of the holders of the Convertible Notes only upon the satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.
- *Cash settlement of principal amount in connection with conversions* – Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election.
- *Limited investor put rights* – Holders of the Convertible Notes will have the right to require the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100% of the accreted principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding the repurchase date, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events (collectively, a "fundamental change"), subject to certain conditions.
- *Optional Redemption* – Prior to October 6, 2024, the Convertible Notes will not be redeemable at the Company's option. On a redemption date occurring on or after October 6, 2024 and on or before the 30 scheduled trading day before the maturity date, the Company may redeem for cash all or part of the Convertible Notes (subject to certain restrictions), at its option, if the last reported sale price of our Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides a notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the redemption notice date at a redemption price equal to 100% of the accreted principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No "sinking fund" is provided for the Convertible Notes, which means that we are not required to redeem or retire the Convertible Notes periodically.
- *Escrow of proceeds; special mandatory redemption.* A total of seventy-five percent (75%) of the net proceeds from the offering (approximately $100 million) were placed into an escrow account to be released to the Company, upon the satisfaction of certain conditions, including the satisfaction or waiver of all of the conditions precedent to the Company's obligation to consummate the Mobile Acquisition (collectively, the "Escrow Release Conditions"). If the Mobile Acquisition is not consummated on or prior to April 1, 2022, if the Company has not certified to the escrow agent that all conditions precedent to the Company's obligations to consummate the Mobile Acquisition have been satisfied, or if the Company notifies the trustee and the escrow agent in writing that the agreement relating to the purchase of the Mobile Refinery has been terminated, the Convertible Notes will be subject to a special mandatory redemption equal to 100% of the accreted principal amount of the Convertible Notes, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date, plus interest that would have accrued on the Convertible Notes from the special mandatory redemption date to, and including, the date that is nine (9) months after the special mandatory redemption date. If the Escrow Release Conditions have been satisfied or waived, the Company can request that the escrowed funds be released to the Company.
- *Conversion rate increase in certain customary circumstances* – The Company will also be required to increase the conversion rate for holders who convert their Convertible Notes in connection with a fundamental change and certain other corporate events or convert their Convertible Notes called for optional redemption (or deemed called for redemption) following delivery by the Company of a notice of optional redemption, in either case, in certain circumstances.

The Convertible Notes are Vertex Energy's senior unsecured obligations.

The Indenture contains additional customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes then outstanding may declare the entire principal amount of all the Convertible Notes plus accrued and unpaid interest, if any, to be immediately due and payable, provided that in the case of an event of default with respect to the Convertible Notes arising from specified events of bankruptcy or insolvency, 100% of the principal of and accrued and unpaid special interest, if any, on the Convertible Notes will automatically become due and payable.

The following events are considered an "event of default," which may result in acceleration of the maturity of the Convertible Notes: (1) default in any payment of interest on any Convertible Note when due and payable and the default continues for a period of 30 consecutive days; (2) default in the payment of the accreted principal amount of any Convertible Note when due and payable at its stated maturity, upon optional redemption, upon any required repurchase, upon declaration of acceleration or otherwise; (3) our failure to comply with our obligation to convert the Convertible Notes in accordance with the Indenture upon exercise of a holder's conversion right and such failure continues for three business days; (4) our failure to give certain required notices under the Indenture, in each case when due and such failure continues for five business days; (5) our failure to comply with certain of our obligations under the Indenture; (6) our failure for 60 days after written notice from the Trustee or the holders of at least 25% in principal amount of the Convertible Notes then outstanding to comply with any of our other agreements contained in the Convertible Notes or Indenture; (7) default by us or any of our significant subsidiaries with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for borrowed money in excess of $15,000,000 (or its foreign currency equivalent) in an aggregate of us and/or any such significant subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity date or (ii) constituting a failure to pay the principal of any such indebtedness when due and payable (after the expiration of all applicable grace periods) at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise and in the cases of clauses (i) and (ii), such acceleration shall not have been rescinded or annulled or such failure to pay or default shall not have been cured or waived, or such indebtedness is not paid or discharged, as the case may be, within 30 days after written notice to us by the Trustee or to us and the Trustee by holders of at least 25% in aggregate principal amount of the Convertible Notes then outstanding in accordance with the Indenture; (8) certain events of bankruptcy, insolvency, or reorganization of us or any of our significant subsidiaries; or (9) a final judgment or judgments for the payment of $15,000,000 (or its foreign currency equivalent) (excluding any amounts covered by insurance) or more (excluding any amounts covered by insurance) in the aggregate rendered against us or any of our significant subsidiaries, which judgment is not discharged, bonded, paid, waived or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished.

The Company may elect that the sole remedy for an event of default relating to a failure by it to comply with certain reporting obligations set forth in the Indenture, will after the occurrence of such an event of default consist exclusively of the right to receive additional interest on the Convertible Notes at a rate equal to (i) 1.00% per annum of the principal amount of the Convertible Notes outstanding for each day during the period beginning on, and including, the date on which such event of default first occurred and ending on the earlier of (x) the date on which such event of default is cured or validly waived and (y) the 365th day immediately following, and including, the date on which such event of default first occurred. On the 366th day
after such event of default (if the event of default relating to the reporting obligations is not cured or waived prior to such 366th day), the Trustee by notice to us, or the holders of at least 25% in principal amount of the outstanding Convertible Notes by notice to us and the Trustee, may declare 100% of the principal of and accrued and unpaid interest, if any, on all the Convertible Notes to be due and payable.

If on or after the date that is six months after the last original issue date of the Convertible Notes, the Company has not satisfied the reporting conditions (including, for the avoidance of doubt, the requirement for current Form 10 information) set forth in Rule 144(c) and (i)(2) under the Securities Act, or the Convertible Notes are not otherwise able to be traded pursuant to Rule 144 by holders other than the Company's affiliates or holders that were affiliates of the Company at any time during the three months immediately preceding (as a result of restrictions pursuant to U.S. securities laws or the terms of the Indenture or the Convertible Notes), the Company will pay additional interest on the Convertible Notes at a rate equal to 1.00% per annum of the principal amount of the Convertible Notes outstanding, in each case for each day for which the Company's failure to file has occurred and is continuing or the Convertible Notes are not otherwise able to be traded pursuant to Rule 144 as described above.

Initially, a maximum of 36,214,960 shares of common stock may be issued upon conversion of the Convertible Notes, based on the initial maximum conversion rate of 233.6449 shares of the Company's common stock per $1,000 principal amount of Convertible Notes, which is subject to customary and other adjustments described in the Indenture.

Encina Credit Agreement Term Loan

On November 1, 2021, the Company repaid in full the amounts owed to the EBC Lenders with the funds raised through the sale of the Convertible Notes.

Idemitsu Offtake Agreement

On February 14, 2022, Vertex Refining Alabama LLC ("Vertex Refining"), a wholly-owned subsidiary of the Company, entered into a Master Offtake Agreement dated February 4, 2022 (the "Offtake Agreement") with Idemitsu Apollo Renewable Corp. ("Idemitsu"). Pursuant to the Offtake Agreement, Vertex Refining agreed to sell Idemitsu renewable diesel which is planned to be produced by the Mobile Refinery, subject to completion of the acquisition of the Mobile Refinery and the capital project discussed above. Following phase 1 of the planned modifications of the Mobile Refinery, it is expected to produce 10,000 barrels of renewable diesel and following phase 2, 14,000 barrels of renewable diesel. "Phase 1" means the first stage of conversion of the hydrocracker unit to renewable diesel production and "phase 2" means the second stage of the conversion of the hydrocracker conversion which will be completed after the new hydrogen plant is operating at ratable hydrogen supply. During the term of the Offtake Agreement, Idemitsu agreed to purchase all of the renewable diesel produced at the refinery (provided it meets certain specifications), up to a maximum volume of 14,000 barrels per day.

The obligations of the parties under the Offtake Agreement are subject to certain conditions precedent, including (a) the closing of the acquisition of the Mobile Refinery occurring prior to April 30, 2022; (b) the parties having entered into a mutually acceptable storage agreement for the storage of renewable diesel on or before the commencement of commercial operations of the refinery following the completion of the capital project (the "COD"); (c) Idemitsu having delivered to Vertex Refining the Guaranty (discussed below) on or before COD; (d) absence of certain actions or proceedings to set aside, enjoin or prevent the performance by either party of its respective obligations under the agreement; (e) no project assets, related facilities or products having been affected adversely or threatened to be affected adversely by any material loss or damage, subject to certain exceptions; (f) the mutual representations and warranties of each party being true and correct; and (g) COD having occurred within eighteen months of the Company's acquisition of the Mobile Refinery.

If a party terminates the Offtake Agreement as a result of any of the conditions precedent required under the Offtake Agreement, as summarized above, not being satisfied, neither party has any further obligation under the Offtake Agreement to the other party, except that (i) Vertex Refining is responsible for payment to Idemitsu of a Termination Payment (defined below), in the event the Master Agreement is terminated due to the failure to satisfy or waive the condition that COD occur within eighteen months of the Company's acquisition of the Mobile Refinery, and (ii) each party shall remain liable to the other party for any and all damages incurred as a result of a breach by a party of its representations, warranties or any other obligations prior to such termination. "Termination Payment" means the actual and documented storage costs incurred by Idemitsu to acquire or lease 300,000 barrels of storage tanks for twelve (12) months. The Termination Payment is payable in monthly installments in an amount equal to the monthly storage costs incurred by Idemitsu.

A performing party may terminate the Offtake Agreement (a) by delivery of a written notice to the other Party within thirty days of any of the conditions precedent required under the Offtake Agreement, as summarized above, not being waived or satisfied by the date required for such condition, or a determination that a condition is not capable of being satisfied by the date indicated for such condition, or (b) if there is an event of default under the agreement.

The initial term of the Offtake Agreement (the "Initial Term") commences on COD and continues for a period of five years thereafter, subject to certain early termination provisions set forth in the agreement, including, but not limited to, the right of either party to request a review of the terms of the agreement prior to the commencement of the 4th and 5th contract years of the agreement, which, if triggered, and if the parties fail to mutually agree in writing to any such requested revisions, will result in the agreement expiring three years or four years after COD, as applicable. The parties may mutually agree to extend the term of the agreement beyond the Initial Term pursuant to the terms of the Offtake Agreement.

Pursuant to the Offtake Agreement, Idemitsu shall be the exclusive offtake party for certain amounts of renewable diesel produced by Vertex Refining, up to a total of 14,000 barrels of renewable diesel, provided that if Idemitsu fails to purchase or accept any portion of such committed volume in accordance with the terms of the Offtake Agreement, Vertex Refining has the right to sell such product and regulatory credits to a third-party. Vertex Refining is also required to transfer all regulatory credits associated with the product purchased to Idemitsu pursuant to the terms of the Offtake Agreement.

The Offtake Agreement also includes a requirement that Idemitsu pay for certain minimum volumes of renewable diesels per month and that Vertex Refining supply certain minimum volumes per month, subject to certain make whole payments or reimbursements due from the appropriate party.

Vertex Refining may also, in its sole discretion, offer to Idemitsu renewable diesel and associated regulatory credits produced by the Mobile Refinery in excess of the committed volume.

In the event the refinery produces and Vertex Refining offers for sale during the term of the agreement, renewable products other than renewable diesel ("Other Renewable Products"), prior to offering the Other Renewable Products to any third party, Vertex Refining is required to first offer such products to Idemitsu and Idemitsu has a 14 day right of first refusal to purchase such Other Renewable Products.

Idemitsu agreed to pay to Vertex Refining a per gallon of product purchased at an indexed, spot-market price at the time of production.

The Offtake Agreement includes customary representations and warranties of the parties, requirements of the parties, force majeure provisions, reimbursement obligations, limitations on damages, events of default, and confidentiality obligations. The agreement also requires Vertex Refining to (i) register with the U.S. Environmental Protection Agency (EPA) as a renewable fuel producer; (ii) use reasonable efforts to maintain such registration and generate the maximum allowable number of certain renewable fuel credits on all product delivered to Idemitsu; and (iii) maintain all documentation and any other information required under the EPA renewable fuel standard.

Pursuant to the Offtake Agreement, Idemitsu has the right, but not the obligation, to purchase from Vertex Refining, quantities of ultra low sulfur diesel ("ULSD"), up to an amount required by Idemitsu to blend with the renewal diesel to a ratio of 0.1% ULSD or greater; provided that Vertex Refining has such volumes available for sale. The purchase price for any ULSD purchased by Idemitsu from Vertex shall be the monthly average of the daily prompt CME Group ULSD futures (heating oil) settlement for each day during the month in which delivery occurred.

As a condition to the effectiveness of the Offtake Agreement, Idemitsu's parent entity, Idemitsu Kosan Co., Ltd. ("Idemitsu Parent"), must enter into a Continuing Guaranty in favor of Vertex Refining (the "Guaranty") prior to COD. Pursuant to the Guaranty, Idemitsu Parent will guaranty the full and prompt payment when due, whether upon acceleration, demand or otherwise, and at all times thereafter, of the indebtedness of Idemitsu under the Offtake Agreement and related agreements and the punctual performance of all of such payment obligations under the Offtake Agreement, with such liability limited to the lesser of (i) the amounts owed to Vertex Refining under the Offtake Agreement and related agreements; and (ii) $100,000,000. The Guaranty will have customary covenants and requirements, including requiring Idemitsu Parent to subordinate any debt owed by Idemitsu to Idemitsu Parent to the obligations to Vertex Refining under the Guaranty.

Commitment Letter

On February 17, 2022, the Company and the Company's wholly-owned subsidiary, Vertex Refining, entered into a Commitment Letter with a syndicate of lenders in respect of a three-year, $125 million first-lien senior secured term loan facility (the "Term Loan"). The closing date and the funding of the Term Loan are subject to the closing of the Mobile Acquisition, in addition to various conditions precedent, as set forth in more detail in the Commitment Letter.

The Term Loan syndicate is led by, among others, certain funds and accounts managed by BlackRock Financial Management, Inc., Whitebox Advisors LLC and Highbridge Capital Management, LLC. The Term Loan proceeds are expected to be used by the Company and its wholly-owned subsidiaries to fund a portion of the purchase price of the Mobile Refinery, a portion of a planned renewable diesel conversion project at the Mobile Refinery, liquidity needs, and certain fees and expenses

associated with the closing of the Term Loan. The Term Loan is expected to be secured by substantially all of the present and after-acquired assets of the Company and its subsidiaries and to be guaranteed by the Company and certain of its subsidiaries.

The commitments and undertakings of the lenders under the Commitment Letter will automatically terminate on the first to occur of (a) April 1, 2022, (b) consummation of the acquisition of the Mobile Refinery without use of the facility or if the lenders become aware of a breach of the exclusivity provisions of the Commitment Letter, (c) the closing date of the Term Loan and the release of the Term Loan proceeds to the Company, (d) the termination of the Refinery Purchase Agreement in accordance with its terms prior to the closing date, and (e) the date upon which the Company breaches its obligations under the Commitment Letter or otherwise fails to comply with the terms and conditions of the Commitment Letter (unless such breach or failure is cured within two (2) business days following the Company's receipt of notice of such breach or failure).

As described in more detail in the Commitment Letter, the Term Loan will bear interest at a rate per annum equal to the sum of (i) the greater of (x) the per annum rate publicly quoted from time to time by The Wall Street Journal as the "Prime Rate" in the United States minus 1.50% as in effect on such day and (y) the Fed Funds rate for such day plus 0.50% (subject to a floor of 1.0%), plus (ii) 8.75%. The facility will also be issued with an original issue discount of 1.5%. Beginning on the first anniversary of the closing date of the facility, the loan will amortize in equal quarterly installments in aggregate annual amounts equal to 5.0% of the original principal amount of the facility. The facility will be subject to certain mandatory prepayment obligations as described in the Commitment Letter, and to be further documented in the definitive loan agreements.

Additionally, subject to the terms of the Commitment Letter, if an escrow agent has been appointed by the parties and the parties have entered into an escrow agreement prior to the termination of the Commitment Letter, but in no event prior to February 21, 2022, the lenders have agreed to fund the full amount of the Term Loan (less certain amounts) into the escrow account. If the conditions required for the Term Loan funding have been satisfied prior to the date that the Commitment Letter terminates, the amount of funds in the escrow account is to be distributed to the Company, net of certain fees and expenses, otherwise such funds are to be returned to the lenders upon termination of the Commitment Letter.

As a closing condition to the facility, the Company will issue warrants (the "Lender Warrants") to purchase 2.75 million shares of common stock of the Company to the lenders, on a pro-rata basis based on each lender's lending commitments. The Lender Warrants will be subject to customary registration and antidilution rights, have a three-year term and a $4.50 per share exercise price.

The lenders received certain exclusivity rights for future fundings of the Company, relating to any transaction that would replace all or any portion of the funding under the facility, as described in greater detail in the Commitment Letter.

The obligation of the lenders party to the Commitment Letter to honor their respective commitments under the Commitment Letter is subject to satisfaction (or waiver) of certain conditions precedent, including, without limitation, the negotiation and receipt of customary closing documents, together with certain collateral documents, execution of a working capital credit agreement by the Company and certain third party lenders, execution of an intercreditor agreement, the issuance of the Lender Warrants, the consummation of the acquisition of the Mobile refinery, substantially simultaneously with the initial borrowings under the facility, completion of applicable "know your customer" requests and delivery of documentation related thereto, no material adverse effect with respect to the Company, the occurrence of no events of default, completion of lender due diligence, payment of required fees, delivery of customary financial reporting information, specified representations and warranties, perfection of certain security interests, and delivery of customary opinions. The Company will pay certain fees and expenses in connection with obtaining the facility. Given the conditional nature of the Commitment Letter and the commitments of the lenders thereunder, the lenders may not be obligated to provide funding under the planned facility, and, as a result, the Company may not be able to consummate such financing or obtain such loan funds, on the terms described in the Commitment Letter, if at all.

On March 2, 2022, (1) the Company, (2) Vertex Refining, (3) the Lenders and (4) Cantor Fitzgerald Securities (the "Escrow Agent"), entered into an Escrow Agreement (the "Escrow Agreement"). Pursuant to the Escrow Agreement, on March 2, 2022 each of the Lenders deposited their pro rata portion of the $125 million loan amount, less certain upfront fees, into an escrow account. Such funds will be released to (i) Vertex Refining if the Credit Agreement is entered into by April 1, 2022, and certain other conditions precedent are satisfied by that date or (ii) the Lenders if (a) the Credit Agreement is not entered into by such date and the other conditions precedent are not satisfied, (b) the Acquisition (as defined below) is consummated without use of the loan amount under the Credit Agreement or if the Lenders become aware of a breach under the exclusivity provision of the Commitment Letter, (c) the termination of the Refinery Purchase Agreement in accordance with its terms prior to the closing date of the Credit Agreement, or (d) the date upon which Vertex Refining breaches its obligations under the Commitment Letter or otherwise fails to comply with the terms and conditions of the Commitment Letter (unless such breach or failure is cured within two business days following Vertex Refining's receipt of notice of such breach or failure). The

Escrow Agreement includes customary indemnification obligations of Vertex Refining and the Company and certain limited indemnification obligations of the Lenders. The Company is required to pay a 'ticking fee' equal to 10.5% per annum on the gross aggregate amount of escrow account proceeds, beginning on March 2, 2022, which was the date funds were deposited, into the escrow account.

Heartland and Myrtle Grove Purchase Agreements

On February 25, 2022, Vertex Splitter Corporation ("Vertex Splitter"), a wholly-owned subsidiary of the Company entered into (1) a Purchase and Sale Agreement with Tensile-Vertex Holdings LLC ("Tensile-Vertex"), an affiliate of Tensile and Tensile-Heartland (the "Heartland Purchase Agreement"); and (2) a Purchase and Sale Agreement with Tensile-Vertex and Tensile-MG (the "Myrtle Grove Purchase Agreement", and together with the Heartland Purchase Agreement, the "Purchase Agreements").

As discussed above, Tensile-Heartland holds 65% of Heartland SPV and Tensile-MG owns 15% of MG SPV, and Tensile-Vertex holds 100% of both Tensile-Heartland and Tensile-MG.

Pursuant to the Heartland Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-Heartland and pursuant to the Myrtle Grove Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-MG, from Vertex-Tensile, the result of which will be that Vertex Splitter will own 100% of each of Heartland SPV and MG SPV.

Pursuant to the Heartland Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-Heartland is $35 million (the "Base Amount"), plus an amount accrued and accruing from and after May 31, 2021, on the Base Amount on a daily basis at the rate of 22.5% per annum compounded on the last day of each calendar quarter plus an amount equal to any and all cash and cash equivalents of Tensile-Heartland, as of the closing date, which we currently anticipate will total an aggregate of approximately $44 million. The purchase contemplated by the Heartland Purchase Agreement is required to take place on June 30, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Heartland Purchase Agreement includes customary representations of the parties, requires Vertex Splitter to maintain officer and director insurance for Tensile-Heartland for at least six years following the closing; requires that they bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing.

The Heartland Purchase Agreement may be terminated prior to closing, by the mutual consent of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Pursuant to the Myrtle Grove Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-MG is estimated to be approximately $7 million, and will be based on the value of the Class B Unit preference of MG SPV held by Tensile-MG, plus capital invested by Tensile-MG in MG SPV (which has not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-MG as of the closing date. The purchase contemplated by the Myrtle Grove Purchase Agreement is required to take place on March 31, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Myrtle Grove Purchase Agreement includes customary representations of the parties, requires Vertex Splitter to maintain officer and director insurance for Tensile-MG for at least six years following the closing; requires that they bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing.

The Myrtle Grove Purchase Agreement may be terminated prior to closing, by the mutual approval of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Tensile-Vertex, Vertex Splitter and the Company (collectively, Vertex Splitter and the Company, the "Vertex Parties") also entered into a Side Letter Re Purchase and Sale Agreements (the "Side Letter"), pursuant to which the parties agreed that in the event that (i) the closing of the transactions contemplated by the Myrtle Grove Purchase Agreement does not occur on or prior to March 31, 2022, and/or (ii) the closing of the transactions contemplated by the Heartland Purchase Agreement does not occur on or prior to June 30, 2022, then, in addition to any of the rights of Tensile-Vertex under the Purchase Agreements: (a) the Vertex Parties will use their best efforts to cause the closings under the Purchase Agreements to occur, including without limitation by raising debt financing, selling equity in a private or public transaction, selling assets and/or otherwise doing all things necessary or appropriate to raise the funds necessary to make the payments required to be made by Vertex Splitter under the Purchase Agreements, in each case on commercially reasonable terms and conditions, subject to certain exceptions; (b) upon the written election of Tensile-Vertex, the Vertex Parties will and will cause their affiliates to consent to the distribution or other payment of any and all cash and cash equivalents of Heartland SPV (including any proceeds from the repayment of that certain $7,000,000 promissory note, issued by Vertex Operating to Heartland SPV on July 1, 2021, as amended to date (the "Heartland Note")) and any direct and indirect subsidiaries to Tensile-Vertex, with such distribution or other payment to be structured as specified by Tensile-Vertex so as to be tax efficient for Tensile-Vertex; and (c) Tensile-Vertex may, with written notice, cause Heartland SPV to initiate a process intended to result in a sale of Heartland SPV, with Tensile-Vertex being entitled, upon the consummation of such sale, of the greater of (i) 65% of the total net equity proceeds of such sale, and (ii) the amount due to Tensile-Vertex under the Heartland Purchase Agreement as of the date of the consummation of such sale.

Heartland Note Amendment

Also on February 25, 2022, Vertex Operating, the Company and Heartland SPV, entered into a Second Amendment to Promissory Note (the "Second Note Amendment"), which amended the Heartland Note, to extend the due date of the Heartland Note until the earlier of (i) June 30, 2022; and (ii) five (5) calendar days following the closing of a sale of substantially all the assets of Vertex Refining OH, LLC ("VROH"), and/or the sale of membership interests in VROH possessing voting control (with the consent of the Company), provided that the Heartland Note may be prepaid in whole or in part at any time without premium or penalty and without the consent of Heartland SPV. The Heartland Note accrues interest at the applicable federal rate of interest from time to time, increasing to 12% upon an event of default.

Novel Coronavirus (COVID-19)

The COVID-19 pandemic and actions of governments and others in response thereto has resulted in significant business and operational disruptions, including business closures, supply chain disruptions, travel restrictions, stay-at-home orders, and limitations on the availability and effectiveness of the workforce. The worldwide vaccine rollouts in 2021 have allowed governments to ease COVID-19 restrictions and lockdown protocols; however, the recent increase in COVID-19 cases resulting from the Delta and Omicron variants has created questions about whether lockdown protocols must be adjusted and the ultimate impact of those variants is unknown. Notwithstanding such 'stay-at-home' orders, to date, our operations have for the most part been deemed an essential business under applicable governmental orders based on the critical nature of the products we offer.

We sell products and services primarily in the U.S. domestic oil and gas commodity markets. During 2021, we continued to see incremental improvements in the demand for our products and services consistent with the lifting of travel and other government restrictions and the ongoing and state vaccination efforts. Over the year, our business has been gradually recovering after the decline in 2020.

Our goal through this downturn has been to remain disciplined in allocating capital and to focus on liquidity and cash preservation. We are taking the necessary actions to right-size the business for expected activity levels.

The full extent of the impact of COVID-19 on our business and operations currently cannot be estimated and will depend on a number of factors including the scope and duration of the global pandemic, the efficacy of, ability to manufacture a sufficient amount of, and the willingness of the general public to obtain, vaccines.

Currently we believe that we have sufficient cash on hand and will generate sufficient cash through operations to support our operations for the foreseeable future; however, we will continue to evaluate our business operations based on new information as it becomes available and will make changes that we consider necessary in light of any new developments regarding the pandemic.

The pandemic is developing rapidly and the full extent to which COVID-19 will ultimately impact us depends on future developments, including the duration and spread of the virus, the impact of vaccines and virus mutations and the potential seasonality of new outbreaks.

Description of Business Activities:

We are an environmental services company that recycles industrial waste streams and off-specification commercial chemical products. Our primary focus is recycling used motor oil and other petroleum by-products. We are engaged in operations across the entire petroleum recycling value chain including collection, aggregation, transportation, storage, re-refinement, and sales of aggregated feedstock and re-refined products to end users. We operate in three segments:

(1) Black Oil,

(2) Refining and Marketing, and

(3) Recovery.

We currently provide our services in 15 states, primarily in the Gulf Coast, Midwest and Mid-Atlantic regions of the United States. For the rolling twelve-month period ending December 31, 2021, we aggregated approximately 87.5 million gallons of used motor oil and other petroleum by-product feedstocks and managed the re-refining of approximately 79.7 million gallons of used motor oil with our proprietary TCEP, VGO and Base Oil processes.

Our Black Oil segment collects and purchases used motor oil directly from third-party generators, aggregates used motor oil from an established network of local and regional collectors, and sells used motor oil to our customers for use as a feedstock or replacement fuel for industrial burners. We operate a refining facility that uses our proprietary TCEP and we also utilize third-party processing facilities. TCEP's original purpose was to re-fine used oil into marine cutterstock; however, in the third quarter of fiscal 2015, that use ceased to be economically accretive, and instead, we operated TCEP for the purposes of pre-treating our used motor oil feedstock prior to shipping to our facility in Marrero, Louisiana. During the fourth quarter of 2019, the original purpose of TCEP once again became economically viable and at that time we switched to using TCEP to re-fine used oil into marine cutterstock; provided that with the decline in oil prices and challenges in obtaining feedstock during early 2020, we switched back to using TCEP for the purposes of pre-treating our used motor oil feedstock prior to shipping to our facility in Marrero, Louisiana, and continuing through the filing date of this report.

We also operate a facility in Marrero, Louisiana, which facility re-refines used motor oil and also produces VGO and own 85% of an entity which owns a re-refining complex in Belle Chasse, Louisiana, which we call our Myrtle Grove facility.

Our Refining and Marketing segment aggregates and manages the re-refinement of used motor oil and other petroleum by-products and sells the re-refined products to end customers. In addition, we are distributing refined motor fuels such as gasoline, blended gasoline products and diesel used as engine fuels, to third party customers who typically resell these products to retailers and end consumers.

Our Recovery segment includes a generator solutions company for the proper recovery and management of hydrocarbon streams as well as metals which includes transportation and marine salvage services throughout the Gulf Coast.

Black Oil Segment

Discontinued operations of Vertex include the Black Oil Segment, also referred to as the UMO Business, Refer to “Part II” - “Item 8. Financial Statements and Supplementary Data”, Note 19, “Discontinued Operations” for additional information.

Our Black Oil segment is engaged in operations across the entire used motor oil recycling value chain including collection, aggregation, transportation, storage, refinement, and sales of aggregated feedstock and re-refined products to end users. We collect and purchase used oil directly from generators such as oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries, and petrochemical manufacturing operations. We own a fleet of 43 collection vehicles, which routinely visit generators to collect and purchase used motor oil. We also aggregate used oil from a diverse network of approximately 50 suppliers who operate similar collection businesses to ours.

We manage the logistics of transport, storage and delivery of used oil to our customers. We own a fleet of 30 transportation trucks and more than 80 aboveground storage tanks with over 8.6 million gallons of storage capacity. These assets are used by both the Black Oil segment and the Refining and Marketing segment. In addition, we also utilize third parties for the transportation and storage of used oil feedstocks. Typically, we sell used oil to our customers in bulk to ensure efficient delivery by truck, rail, or barge. In many cases, we have contractual purchase and sale agreements with our suppliers and customers, respectively. We believe these contracts are beneficial to all parties involved because it ensures that a minimum

volume is purchased from collectors and generators, a minimum volume is sold to our customers, and we are able to minimize our inventory risk by a spread between the costs to acquire used oil and the revenues received from the sale and delivery of used oil. Also, as discussed above under “Description of Business Activities”, from time to time, when market conditions warrant (i.e., when oil prices are sufficiently high), we have used our proprietary TCEP technology to re-refine used oil into marine fuel cutterstock. Due to the decline in oil prices and challenges in obtaining feedstock during the first quarter of 2020, we have used TCEP solely to pre-treat our used motor oil feedstock prior to shipping to our facility in Marrero, Louisiana. In addition, at our Marrero, Louisiana facility, we produce a Vacuum Gas Oil (VGO) product that is sold to refineries as well as to the marine fuels market. At our Columbus, Ohio facility (Heartland Petroleum), the ownership of 65% of which was transferred to Tensile in connection with the Heartland SPV (discussed above), effective January 1, 2020, we produce a base oil product that is sold to lubricant packagers and distributors.

Refining and Marketing Segment

Our Refining and Marketing segment is engaged in the aggregation of feedstock, re-refining it into higher value end products, and selling these products to our customers, as well as related transportation and storage activities. We aggregate a diverse mix of feedstocks including used motor oil, petroleum distillates, transmix and other off-specification chemical products. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, and are also transferred from our Black Oil segment. We have a toll-based processing agreement in place with Monument Chemical Port Arthur, LLC (formerly with KMTEX) to re-refine feedstock streams, under our direction, into various end products that we specify. Monument Chemical uses industry standard processing technologies to re-refine our feedstocks into pygas, gasoline blendstock and marine fuel cutterstock. We sell all of our re-refined products directly to end-customers or to processing facilities for further refinement. In addition, we are distributing refined motor fuels such as gasoline, blended gasoline products and diesel used as engine fuels, to third party customers who typically resell these products to retailers and end consumers.

Recovery Segment

The Company’s Recovery Segment includes a generator solutions company for the proper recovery and management of hydrocarbon streams, the sales and marketing of Group III base oils through January 2021, and other petroleum-based products, together with the recovery and processing of metals.

Thermal Chemical Extraction Process

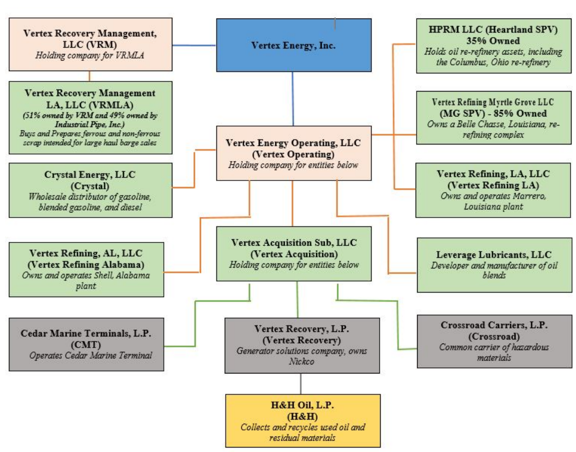
We own the intellectual property for our patented TCEP. TCEP is a technology which utilizes thermal and chemical dynamics to extract impurities from used oil which increases the value of the feedstock. We intend to continue to develop our TCEP technology and design with the goal of producing additional re-refined products, which may include lubricating base oil.

TCEP differs from conventional re-refining technologies, such as vacuum distillation and hydrotreatment, by relying more heavily on chemical processes to remove impurities rather than temperature and pressure. Therefore, the capital requirements to build a TCEP plant are typically much less than a traditional re-refinery because large feed heaters, vacuum distillation columns, and a hydrotreating unit are not required. The end product currently produced by TCEP is used as fuel oil cutterstock. Conventional re-refineries produce lubricating base oils or product grades slightly lower than base oil that can be used as industrial fuels or transportation fuel blendstocks.

We currently estimate the cost to construct a new, fully-functional, commercial facility using our TCEP technology, with annual processing capacity of between 25 and 50 million gallons at another location would be approximately $10 - $15 million, which could fluctuate based on throughput capacity. The facility infrastructure would require additional capitalized expenditures which would depend on the location and site specifics of the facility. Our TCEP technology converts feedstock into a low sulfur marine fuel that can be sold into the new 0.5% low sulfur marine fuel specification mandated under International Maritime Organization (IMO) rules which went into effect on January 1, 2020. As described above, due to the decline in oil prices and challenges in obtaining feedstock in the early part of 2020, we are currently using TCEP for the purposes of pre-treating our used motor oil feedstock prior to shipping to our facility in Marrero, Louisiana. We have no current plans to construct any other TCEP facilities at this time.

Organizational Structure

The following chart reflects our current organization structure, including significant subsidiaries (all of which are wholly-owned, except as discussed below):



Our Industry

The used oil recycling industry is comprised of multiple participants including generators, collectors, aggregators, processors, re-refiners and end users. Generators are entities that generate used oil through conducting oil changes on consumer and commercial vehicles, or machinery and heavy equipment. Collectors are intermediaries who collect used oil from generators as an on-site removal service and transport to aggregators, processors and re-refiners. The collection market is highly fragmented and industry estimates indicate that there are 350-400 used oil collection companies in the United States. Aggregators are specialized businesses that purchase used oil and petroleum by-products from multiple collectors and sell and deliver it as feedstock to processors and re-refiners. Processors and re-refineries, utilize a processing technology to convert the used oil or petroleum by-product into a higher-value feedstock or end-product. Used oil is any oil that has been refined from crude oil or any synthetic oil that has been used and, as a result of such use, is contaminated by physical or chemical impurities. Physical impurities could include contamination by metal shavings, sawdust, or dirt. Chemical impurities could include contamination by water or benzene, or degradation of lubricating additives.

Conventional re-refineries typically employ vacuum distillation and hydrotreating processes to transform used oil into various grades of base oil. Vacuum distillation is a process that removes emulsified contaminated water and separates used oil into vacuum gas oil and light fuels. The vacuum gas oil is then hydrotreated to produce lubricating base oil. Hydrotreating is a process which combines chemical catalysts, heat, and pressure to remove impurities such as sulfur, chlorine, and oxygen and to stabilize the end product. A re-refined lubricating base oil is of equal quality and will last as long as a virgin base oil. In addition, other re-refining processes transform used oil into product grades slightly lower than base oil. These products, along with vacuum gas oil and the end product produced by TCEP, are commonly referred to as intermediate products and are used as industrial fuels or transportation fuel blendstocks.

The petroleum by-products industry is driven by the financial and environmental benefits of recycling, as well as by the amount of petroleum by-product generated each year. Used oil is typically used: (a) as an industrial burner oil, where the used oil is dewatered, filtered and demineralized for use in industrial burners; (b) as hydraulic oil; (c) as bitumen-based products (for road surfacing and roofing); (d) as an additive in manufactured products; or (e) as a re-refined base oil for use as a lubricant, hydraulic or transformer oil - which is how the Company uses such used oil. The market value of recycled oil is based, in large part, on its end use. In general, the market price for used motor oil that is burned as an industrial fuel is driven by the cost of competing fuels, including natural gas, while the market value of re-refined used motor oil is driven by competing petroleum products.

The extent to which the financial benefits of recycling used oil are realized is driven by operating efficiency in aggregating, storing and transporting used oil supply; the extent to which the used oil is re-refined; and to the price spread between natural gas and crude oil.

According to the U.S. Department of Energy's Report to Congress dated December 2020, entitled, "Used Oil Management and Beneficial Reuse Options to Address Section 1: Energy Savings from Lubricating Oil Public Law 115-345" (the "U.S. Dept. of Energy Report"), of the annual total U.S. lubricant demand, an average of between 900 million and 1 billion gallons of used oil is collected commercially, while approximately from 200 million gallons of used oil is improperly disposed of into the environment. Of the 900 million and 1 billion gallons collected, approximately 287 million gallons are re-refined into lubricating base oils, approximately 195 million gallons are re-refined into intermediate products with grades slightly lower than base oil, approximately 380 million gallons are burned as an industrial fuel source, approximately 50 million gallons are blended into High Sulphur Fuel Oil (HSFO); and roughly 20 million gallons of used oil is exported—either directly or as-is, or indirectly through blending into HSFO for export to non-marine utility and industrial plants overseas (all numbers are estimates as of 2017). Also pursuant to the U.S. Dept. of Energy Report, each year the U.S. is estimated to generate 425 million used automotive oil filters containing approximately 160,000 tons of steel units and 18 million gallons of oil, , according to a January 2002 feasibility study prepared for the U.S. Department of Energy. We expect that the amount of used oil being re-refined into base oils and intermediate products in the U.S. will stay relatively flat in 2022.

As of the date of this Report, the approximate market price for used oil at the generator level is approximately \$0.30 to \$0.40 per gallon (which is required to be paid to acquire such used oil), the approximate market price of intermediate re-refined products ranges from \$1.85 to \$2.00 per gallon, and the approximate price for lubricating base oil ranges from \$3.75 to \$4.00 per gallon, representing a U.S. market size of approximately \$2.0 - \$2.75 billion for recycled oil.

As with the financial benefits of recycling used oil, the environmental benefits are also driven by its end use. Environmental regulations prohibit the disposal of used oil in sewers or landfills because used motor oil is insoluble and contains heavy metals and other contaminants that make it detrimental to the environment if improperly disposed; one gallon of used oil can contaminate up to 1 million gallons of fresh drinking water. Additionally, according to the Environmental Protection Agency, it takes 42 gallons of crude oil, but only 1 gallon of used oil, to produce 2.5 quarts of new, high-quality lubricating oil. Compared to burning used oil as an industrial fuel, re-refined oil significantly reduces the amount of toxic heavy metals and greenhouse gases and other pollutants introduced into the environment. In addition, the use of re-refined motor oil conserves petroleum that would have otherwise been refined into virgin base stock oil.

We believe that the used oil recycling market has significant growth potential through increasing the percentage of recycled oil that is re-refined rather than burned as a low-cost industrial fuel. We believe that the financial and environmental benefits of re-refining used oil combined with consumer and commercial demand for high-quality, environmentally responsible products will drive growth in demand for re-refined oil and re-refining capacity in the United States. Furthermore, we believe that increasing consumer and industrial awareness of the environmental impact of improperly disposing used oil may drive additional market growth as approximately 200 million gallons of used oil generated each year are improperly disposed rather than recycled.

Used motor oil is burned by various users such as asphalt companies, paper mills and industrial facilities as an alternative to their base fuels, to offset operational costs. Therefore, the commercial price of used oil is typically slightly less than the base fuels for the burners. Similarly, re-refined oil is used as a substitute for various virgin petroleum-based products with pricing driven by the market price of crude oil. Since there is not an active marketplace for used and re-refined oil prices, we use the prices of natural gas and crude as benchmarks in our industry. Typically, the spread between crude and natural gas prices is an accurate proxy for the potential incremental value of re-refining used oil.

Our Competitive Strengths

Large, Diversified Feedstock Supply Network.

We obtain our feedstock supply through a combination of direct collection activities and purchases from third-party suppliers. We believe our balanced direct and indirect approach to obtaining feedstock is highly advantageous because it enables us to maximize total supply and reduce our reliance on any single supplier and the risk of not fulfilling our minimum feedstock sale quotas. We collect feedstock directly from over 4,500 generators including oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries and petrochemical manufacturing operations, as well as brokers. We aggregate used oil from a diverse network of approximately 50 suppliers who operate similar collection businesses to ours.

Strategic Relationships.

We have established relationships with key feedstock suppliers, storage and transportation providers, oil re-refineries, and end-user customers. We believe our relationships with these parties are strong, in part due to our high level of customer service, competitive prices, and our ability to contract (for purchase or sale) long-term, minimum monthly feedstock commitments. We believe that our strategic relationships could lead to contract extensions and expanded feedstock supply or purchase agreements.

Proprietary Technology.

Our proprietary TCEP technology produces a fuel oil cutterstock for the fuel oil market or a refining feedstock. We believe we are able to build TCEP re-refining facilities at a significantly lower cost than conventional re-refineries. We estimate the cost to build a TCEP plant with capacity of up to 50 million gallons at approximately \$10 - \$15 million, whereas a similar sized base oil plant with vacuum distillation towers and a hydrotreater can cost in excess of \$50 million. Notwithstanding the lower cost of TCEP plants, with volume of feedstock during 2021, we do not believe that it makes economic sense to expand our TCEP technology at this time due to the fixed operating costs involved.

Logistics Capabilities.

We have extensive expertise and experience managing and operating feedstock supply chain logistics and multimodal transportation services for customers who purchase our feedstock or higher-value, re-refined products. We believe that our scale, infrastructure, expertise, and contracts enable us to cost effectively transport product and consistently meet our customers' volume, quality and delivery schedule requirements.

Scale of Operations.

We believe that the size and scale of our operations is a significant competitive advantage when competing for new business and maintaining existing customer relationships. Price is one of the main competitive factors in the feedstock collection industry and because we are able to effectively leverage our fixed operating costs and economies of scale, we believe that our prices are competitive. Through our network of suppliers and customers, we aggregate a large amount of feedstock, which enables us to enter into minimum purchase and sale contracts as well as accept large volume orders year-round. We believe this is a competitive advantage because it minimizes our suppliers' inventory risk and ensures our customers' minimum order volumes are satisfied. In addition, we believe our end customers prefer to work with an exclusive supplier rather than manage multiple customer relationships.

Diversified End Product Sales.

We believe that the diversity of the products we sell reduces our overall risk and exposure to price fluctuations. Prices for petroleum-based products can be impacted significantly by supply and demand fluctuations which are not correlated with general commodity price changes. For instance, in a rising commodity price environment with a significant over-supply of base oil, the price of base oil may fall precipitously while the price of gasoline increases; and in a falling commodity price environment with a shortage of base oil, the price of base oil may increase precipitously while the price of gasoline falls. We offer a diversified product mix consisting of used motor oil, fuel oil, pygas, and gasoline blendstock. We can also control our mix of end products by choosing to either resell collected feedstock or re-refine it into a higher-value product.

Management Team.

We are led by a management team with expertise in petroleum recycling, finance, operations, and re-refinement technology. Each member of our senior management team has more than 22 years of industry experience. We believe the strength of our management team will help our success in the marketplace.

Our Business Strategy

The principal elements of our strategy include:

Pursue Strategic Acquisitions and Partnerships

We plan to grow market share by consolidating feedstock supply through partnering with or acquiring collection and aggregation assets. Our executive team has a proven ability to evaluate resource potential and identify acquisition targets. The

acquisitions and/or partnerships could increase our revenue and provide better control over the quality and quantity of feedstock available for resale and/or upgrading as well as providing additional locations for the potential future implementation of TCEP (assuming future favorable market conditions). We also intend to diversify our revenue by acquiring complementary recycling service businesses, refining assets and technologies, and other vertically integrated businesses or assets. We believe we can realize synergies on acquisitions by leveraging our customer and vendor relationships, infrastructure, and personnel, and by eliminating duplicative overhead costs.

During the second quarter 2021, we announced the entry into an agreement to acquire the Mobile refinery from Equilon Enterprises LLC d/b/a Shell Oil Products US, Shell Oil Company and Shell Chemical LP, subsidiaries of Shell plc ("Shell"), subsidiaries of royal Dutch Shell plc. Upon completion of the acquisition, Vertex intends to initiate two capital projects; (1) modify the Mobile refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis; and (2) development of a pre-treatment facility intended to provide for increased renewable feedstock optionality.

Expand Feedstock Supply Volume

We intend to expand our feedstock supply volume by growing our collection and aggregation operations. We plan to increase the volume of feedstock we collect directly by developing new relationships with generators and working to displace incumbent collectors; increasing the number of collection personnel, vehicles, equipment, and geographical areas we serve; and acquiring collectors in new or existing territories. We intend to increase the volume of feedstock we aggregate from third-party collectors by expanding our existing relationships and developing new vendor relationships. We believe that our ability to acquire large feedstock volumes will help to cultivate new vendor relationships because collectors often prefer to work with a single, reliable customer rather than manage multiple relationships and the uncertainty of excess inventory.

Broaden Existing Customer Relationships and Secure New Large Accounts

We intend to broaden our existing customer relationships by increasing sales of used motor oil and re-refined products to these accounts. In some cases, we may also seek to serve as our customers' primary or exclusive supplier. We also believe that as we increase our supply of feedstock and re-refined products, we will have the opportunity to secure larger customer accounts that require a partner who can consistently deliver high volumes.

Re-Refine Higher Value End Products

We intend to develop, lease, or acquire technologies to re-refine our feedstock supply into higher value end products, including assets or technologies which complement TCEP. From the third quarter of 2015 to the fourth quarter of 2019, we utilized TCEP to pre-treat our used motor oil feedstocks prior to shipping to our facility in Marrero, Louisiana; however, beginning in the fourth quarter of 2019, we once again began using TCEP for the purpose of producing finished cutterstock until the first quarter of 2020, when such use became no longer economical due to falling oil prices, and we once again switched to using TCEP to pre-treat used motor oil feedstocks. We hope that continued improvements in our technologies and investments in additional technologies will enable us to upgrade feedstock into higher value end products, such as fuels and lubricating base oil that command higher market prices.

Products and Services

We generate substantially all of our revenue from the sale of eight categories of product and services. All of these products are commodities that are subject to various degrees of product quality and performance specifications.

Base Oil

Base oil is an oil to which other oils or substances are added to produce a lubricant. Typically, the main substance in lubricants, base oils, are refined from crude oil.

Pygas

Pygas, or pyrolysis gasoline, is a product that can be blended with gasoline as an octane booster or that can be distilled and separated into its components, including benzene and other hydrocarbons.

Industrial Fuel

Industrial fuel is a distillate fuel oil which is typically a blend of lower quality fuel oils. It can include diesel fuels and fuel oils such as No. 1, No. 2 and No. 4 diesel fuels that are historically used for space heating and power generation. Industrial fuel is typically a fuel with low viscosity, as well as low sulfur, ash, and heavy metal content, making it an ideal blending agent.

Distillates

Distillates are finished fuel products such as gasoline and diesel fuels.

Oil Collection Services

Oil collection services include the collection, handling, treatment and sales of used motor oil and products which include used motor oil (such as oil filters) which are collected from our customers.

Metals

Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

Other re-refinery products

Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

VGO/Marine fuel sales

VGO/Marine fuel sales relate to the sale of low sulfur fuel meeting the criteria for IMO 2020 compliant marine fuels.

The way that the product categories above fit into our three operating segments (1) Black Oil; (2) Refining and Marketing; and (3) Recovery, are indicated below:

	Black Oil(1)	**Refining and Marketing(2)**	**Recovery(3)**
Base oil	X		X
Pygas		X	
Industrial fuel	X	X	
Distillates		X	
Oil collection services	X		
Metals			X
Other re-refinery products	X		X
VGO/Marine fuel sales	X		

(1) As discussed in greater detail above under "Black Oil Segment", the Black Oil segment consists primary of the sale of (a) petroleum products which include base oil and industrial fuels—which consist of used motor oils, cutterstock and fuel oil generated by our facilities; (b) oil collection services—which consist of used oil sales, burner fuel sales, antifreeze sales and service charges; (c) the sale of other re-refinery products including asphalt, condensate, recovered products, and used motor oil; (d) transportation revenues; and (e) the sale of VGO (vacuum gas oil)/marine fuel.

(2) As discussed in greater detail above under "Refining and Marketing Segment", the Refining and Marketing segment consists primarily of the sale of pygas; industrial fuels, which are produced at a third-party facility (Monument Chemical); and distillates.

(3) As discussed in greater detail above under "Recovery Segment", the Recovery segment consists primarily of revenues generated from the sale of ferrous and non-ferrous recyclable Metal(s) products that are recovered from manufacturing and consumption. It also includes revenues generated from trading/marketing of Group III Base Oils.

Suppliers

We conduct business with a number of used oil generators, as well as a large network of suppliers that collect used oil from used oil generators. In our capacity as a collector of used oil, we purchase feedstock from approximately 4,500 businesses, such as oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries, and petrochemical manufacturing operations, which generate used oil through their operations.

In our capacity as a broker of used oil, we work with approximately 50 suppliers that collect used oil from businesses such as those mentioned above.

Customers

The Black Oil segment sells used oil, VGO, base oil and other petroleum feedstocks to numerous customers in the Gulf Coast and Midwest regions of the United States. The primary customers of its products are packagers, distributers, blenders and industrial burners, as described above as well as re-refiners of the feedstock. The Black Oil segment is party to various feedstock sale agreements whereby we sell used oil feedstock to third parties. The agreements provide for us to sell certain minimum gallons of used oil feedstock per month at a price per barrel equal to our direct costs, plus certain commissions, based on the quality and quantity of the used oil we supply.

The Recovery segment does not rely solely on contracts, but mainly on the spot market as well as a strategic network of customers and vendors to support the purchase and sale of its products which are commodities. It also relies on project-based work which it bids on from time to time of which there is no guarantee or assurance of repeat business.

KMTEX/Monument Chemical Tolling Agreement

On or around April 17, 2013, and effective June 1, 2012, we entered into a Tolling Agreement with KMTEX, Ltd. ("KMTEX" and the agreement as amended to date, the "Tolling Agreement"). The Company was previously party to a tolling agreement with KMTEX which expired pursuant to its terms on June 30, 2010, provided that the parties had continued to operate under the terms of the expired agreement until their entry into the April 2013 Tolling Agreement.

On December 14, 2016, and effective January 1, 2017, we entered into a Third Amendment to Processing Agreement with KMTEX. The amendment formally extended the date of the initial term of the Tolling Agreement to December 31, 2018, provided that if not terminated by either party by written notice to the other, received within ninety (90) days prior to the expiration of the initial term, as amended (or any Extension Term, defined below), the agreement automatically renews for a successive one (1) year period (an "Extension Term"). The Tolling Agreement can be automatically extended for up to six (6) Extension Terms from the end of the extended initial term. The amendment also updated the pricing terms of the agreement. As the Tolling Agreement, as amended, was not terminated by either party within 90 days of December 31, 2020, the term of the Tolling Agreement automatically extended for an additional one (1) year period through December 31, 2021, and such agreement could be extended for up to three (3) additional one (1) year extensions.

During the year ended December 31, 2021, Monument Chemical Port Arthur, LLC. ("Monument Chemical") acquired KMTEX LLC. Effective January 1, 2022, we entered into a Custom Chemical Manufacturing Agreement with Monument Chemical, which replaced and superseded the prior agreement we had with KMTEX. Pursuant to that agreement, Monument Chemical agreed to provide us custom chemical manufacturing and related services in Port Arthur, Texas. The agreement has a term of one year (automatically renewable for additional one year terms thereof, subject to the termination provisions of the agreement) and requires us to pay certain per pound processing fees to Monument Chemical, as well as certain other fees and charges, as well as certain tank rental fees. The agreement contains certain customary confidentiality, indemnification, limitation of liability and insurance requirements, and customary representations and warranties of the parties.

Swap Agreement and Base Oil Agreement

On January 29, 2016, we (through Vertex Operating) and Safety-Kleen Systems, Inc. ("Safety-Kleen") entered into a Swap Agreement (the "Swap Agreement"). The Swap Agreement has a term of five years, beginning January 29, 2016, and automatically renews for additional one-year terms thereafter unless either party provides the other 90 days prior written notice of their intention not to renew prior to any automatic extension. Pursuant to the Swap Agreement, we and Safety-Kleen agreed to swap certain quantities of used oil feedstock (the agreement includes monthly maximums, quarterly minimums and maximums, and annual maximums of used oil feedstock volume required to be 'swapped') between Safety-Kleen's plant in Nevada and our Marrero, Louisiana plant and/or the Cedar Marine Terminal in Baytown, Texas, on a monthly, quarterly and annual basis, with any shortfall in the amount of used oil feedstock 'swapped' on a quarterly basis, being paid for in cash based on a discount to U.S. Platts mid-range per gallon rate for Gulf Coast No. 6, 3% oil (the "Platts"). The Swap Agreement could be terminated with 30 days prior written notice in the event either party failed to meet the specifications for oil feedstock set forth in the agreement, a party failed to deliver the required minimum quarterly volumes of oil feedstock during any three consecutive quarters, or a party materially breached a term of the agreement. Effective January 29, 2021, the Swap Agreement initial term expired and the agreement was not renewed.

Additionally, we (through Vertex Operating) and Safety-Kleen also entered into a Base Oil Agreement on January 29, 2016 (the "Base Oil Agreement"). The Base Oil Agreement provides for us to purchase from Safety-Kleen, and Safety-Kleen to sell to us, certain required quantities of base oils and other finished lubricants described in greater detail in the Base Oil Agreement (the "Base Oil")(the agreement contains quarterly and annual maximum volumes of Base Oil to be acquired by us). The agreement has a term of five years and automatically renews for additional one-year terms thereafter unless either party provides the other 90 days prior written notice of their intention not to renew prior to any automatic extension. Effective January 29, 2021, the Base Oil Agreement initial term expired and the agreement was not renewed.

Competition

The industrial waste and brokerage of petroleum products industries are highly competitive. There are numerous small to mid-size firms that are engaged in the collection, transportation, treatment and brokerage of virgin and used petroleum products. Competitors include, but are not limited to: Safety-Kleen, Inc. (a wholly-owned subsidiary of Clean Harbors, Inc.), Rio Energy, Inc., Heritage-Crystal Clean, Inc., and Origin Americas LLC (formerly Flex Oil Service, LLC). These competitors actively seek to purchase feedstock from local, regional and industrial collectors, refineries, pipelines and other sources. Competition for these feedstocks may result in increasing prices to obtain used motor oil and transmix feedstocks critical to the success of our business. In order to remain competitive, we must control costs and maintain strong relationships with our feedstock suppliers. Our network of generators and collectors minimizes our reliance on any single supplier. A portion of the sales of the collected and aggregated used motor oil product are based on supply contracts which include a range of prices which change based on feedstock quality specifications and volumes. This pricing structure helps to insulate us from inventory risk by ensuring a spread between costs to acquire used motor oil feedstock and the revenues received for delivery of the feedstock. We believe that price and service are the main competitive factors in the used motor oil collection industry. We believe that our ability to accept and transport large volumes of oil year round gives us an advantage over many of our competitors. In addition, we believe that our storage capacity and ability to process the streams of products we receive as well as our ability to transport the end product by barge, rail and truck provide further advantages over many of our competitors.

Employees

The Company works diligently to attract the best talent from a diverse range of sources in order to meet the current and future demands of our business. We have established relationships with trade schools, world-class universities, professional associations and industry groups to proactively attract talent.

We have a strong employee value proposition that leverages our unique culture, collaborative working environment, shared sense of purpose, desire to do the right thing and ground-breaking work to attract talent to our Company. Although we have a broad footprint in our business, our people feel like they are amongst friends and can be themselves. We empower them to find new and better ways of doing things and the scale of our business means that careers can develop in exciting and unexpected directions.

In 2021, we hired 70 new employees at our Company. When we hire talent, they tend to stay at the Company. The average employee has 5.85 years of service. As of February 21, 2022, we employed 282 full-time employees. We believe that our relations with our employees are good.

Seasonality

The industrial hydrocarbon recovery business is seasonal to the extent that it is dependent on streams from seasonal industries. For example, asphalt plants burn recycled waste oil in their process, placing pricing and supply availability constraints on the industry during the good weather construction and road building seasons. In our current markets, road paving typically occurs from late spring to early fall. Therefore, it is somewhat easier to procure certain waste streams during winter months when competition for used motor oil feedstock is historically not as strong. Currently we are seeing increased demand for used motor oil feedstocks throughout the year due to the addition of re-refining technologies in the marketplace.

Governmental Regulation, Including Environmental Regulation and Climate Change

Our operations are subject to stringent United States federal, state and local laws and regulations concerning the discharge of materials into the environment or otherwise relating to health and safety or the protection of the environment. Additional laws and regulations, or changes in the interpretations of existing laws and regulations, that affect our business and operations may be adopted, which may in turn impact our financial condition.

Additionally, the U.S. Departments of Transportation, Coast Guard and Homeland Security as well as various federal, state, local and foreign agencies exercise broad powers over our transportation operations, generally governing such activities as authorization to engage in motor carrier operations, safety and permits to conduct transportation business. We may also become subject to new or more restrictive regulations that the Departments of Transportation and Homeland Security, the Occupational Safety and Health Administration, the Environmental Protection Agency or other authorities impose, including regulations relating to engine exhaust emissions, the hours of service that our drivers may provide in any one time-period, security and other matters.

Our compliance challenges arise from various legislative and regulatory bodies influenced by political, environmental, health and safety concerns.

For example, changes in federal regulations relating to the use of methyl tertiary butyl ether and new sulfur limitations for product shipped in domestic pipelines resulted in tightened specifications of gasoline blendstock that we were refining, causing a corresponding decrease in revenue and gross margin growth during 2016, as compared to prior years. This change in regulation, as well as other emission-related regulations, had a material impact on the entire petroleum industry, and we adapted and managed our operations by finding materials better suited to comply with these regulations. As such, it is possible that future changes in federal regulations could have a material adverse effect on our results from operations.

We must also obtain and maintain a range of federal, state and local permits for our various logistical needs as well as our planned industrial processes.

The following is a summary of the more significant existing health, safety and environmental laws and regulations to which our operations are subject.

Hazardous Substances and Waste

The United States Comprehensive Environmental Response, Compensation, and Liability Act, as amended, referred to as "CERCLA" or the "Superfund" law, and comparable state laws impose liability without regard to fault or the legality of the original conduct on certain defined persons, including current and prior owners or operators of a site where a release of hazardous substances occurred and entities that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these "responsible persons" may be liable for the costs of cleaning up the hazardous substances, for damages to natural resources and for the costs of certain health studies.

In the course of our operations, we occasionally generate materials that are considered "hazardous substances" and, as a result, may incur CERCLA liability for cleanup costs. Also, claims may be filed for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants. We also generate solid wastes that are subject to the requirements of the United States Resource Conservation and Recovery Act, as amended, or "RCRA," and comparable state statutes.

Although we use operating and disposal practices that are standard in the industry, hydrocarbons or other wastes may have been released at properties owned or leased by us now or in the past, or at other locations where these hydrocarbons and wastes were taken for treatment or disposal. Under CERCLA, RCRA and analogous state laws, we could be required to clean up contaminated property (including contaminated groundwater), or to perform remedial activities to prevent future contamination.

Air Emissions

The Clean Air Act, as amended, or "CAA," and similar state laws and regulations restrict the emission of air pollutants and also impose various monitoring and reporting requirements. These laws and regulations may require us to obtain approvals or permits for construction, modification or operation of certain projects or facilities and may require use of emission controls.

Global Warming and Climate Change

While we do not believe our operations raise climate change issues different from those generally raised by the commercial use of fossil fuels, legislation or regulatory programs that restrict greenhouse gas emissions in areas where we conduct business or that would require reducing emissions from our truck fleet could increase our costs.

Water Discharges

We operate facilities that are subject to requirements of the United States Clean Water Act, as amended, or "CWA," and analogous state laws for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters. Among other things, these laws impose restrictions and controls on the discharge of pollutants, including into navigable waters as well as the protection of drinking water sources. Spill prevention, control and counter-measure requirements under the CWA require implementation of measures to help prevent the contamination of navigable waters in the event of a hydrocarbon spill. Other requirements for the prevention of spills are established under the United States Oil Pollution Act of 1990, as amended, or "OPA", which amended the CWA and applies to owners and operators of vessels, including barges, offshore platforms and certain onshore facilities. Under OPA, regulated parties are strictly liable for oil spills and must establish and maintain evidence of financial responsibility sufficient to cover liabilities related to an oil spill for which such parties could be statutorily responsible.

State Environmental Regulations

Our operations involve the storage, handling, transport and disposal of bulk waste materials, some of which contain oil, contaminants and other regulated substances. Various environmental laws and regulations require prevention, and where necessary, cleanup of spills and leaks of such materials and some of our operations must obtain permits that limit the discharge of materials. Failure to comply with such environmental requirements or permits may result in fines and penalties, remediation orders and revocation of permits. Specifically, in Texas, we are subject to rules and regulations promulgated by the Texas Railroad Commission and the Texas Commission on Environmental Quality, including those designed to protect the environment and monitor compliance with water quality. In Louisiana, we are subject to rules and regulations promulgated by the Louisiana Department of Environmental Quality and the Louisiana Department of Natural Resources as to environmental and water quality issues, and the Louisiana Public Service Commission as to allocation of intrastate routes and territories for waste water transportation. We believe that we are in compliance with regulations in the states where we conduct business.

Occupational Safety and Health Act

We are subject to the requirements of the United States Occupational Safety and Health Act, as amended, or "OSHA," and comparable state laws that regulate the protection of employee health and safety. OSHA's hazard communication standard requires that information about hazardous materials used or produced in our operations be maintained and provided to employees, state and local government authorities and citizens.

Transportation Regulations

We may conduct interstate motor carrier (trucking) operations that are subject to federal regulation by the Federal Motor Carrier Safety Administration, or "FMCSA," a unit within the United States Department of Transportation, or "USDOT." The FMCSA publishes and enforces comprehensive trucking safety regulations, including rules on commercial driver licensing, controlled substance testing, medical and other qualifications for drivers, equipment maintenance, and drivers' hours of service, referred to as "HOS." The agency also performs certain functions relating to such matters as motor carrier registration (licensing), insurance, and extension of credit to motor carriers' customers. Another unit within USDOT publishes and enforces regulations regarding the transportation of hazardous materials, or "hazmat."

In December 2010, the FMCSA launched a program called Compliance, Safety, Accountability, or "CSA," in an effort to improve commercial truck and bus safety. A component of CSA is the Safety Measurement System, or "SMS," which analyzes all safety violations recorded by federal and state law enforcement personnel to determine a carrier's safety performance. The SMS is intended to allow the FMCSA to identify carriers with safety issues and intervene to address those

problems. Although our trucking operations currently hold a "Satisfactory" safety rating from FMCSA (the best rating available), the agency has announced a future intention to revise its safety rating system by making greater use of SMS data in lieu of on-site compliance audits of carriers. We cannot predict the effect such a revision may have on our safety rating.

Our intrastate trucking operations are also subject to various state environmental transportation regulations discussed under "Environmental Regulations" above. Federal law also allows states to impose insurance and safety requirements on motor carriers conducting intrastate business within their borders, and to collect a variety of taxes and fees on an apportioned basis reflecting miles actually operated within each state.

HOS regulations establish the maximum number of hours that a commercial truck driver may work. A FMCSA rule reducing the number of hours a commercial truck driver may work each day became effective in February 2012 and the compliance date of selected provisions was July 1, 2013. The rule, which is intended to reduce the risk of fatigue and fatigue-related crashes and harm to driver health, prohibits a driver from driving if more than eight hours have passed since the driver's last off-duty or sleeper berth break of at least 30 minutes and limits the use of the restart to once a week, which, on average, cut the maximum work week from 82 to 70 hours.

A new regulation primarily impacting our marine bunker fuel production is known as "IMO 2020". On January 1, 2020, the International Maritime Organization (the "IMO") implemented a new regulation for a 0.50% global sulphur cap for marine fuels. Under the new global cap, ships that traverse the oceans will be required to use marine fuels with a sulphur content of no more than 0.50%, versus the prior limit of 3.50%, in an effort to reduce the amount of sulphur oxide and decrease pollution and greenhouse gas emissions from the global shipping fleet.

Our Marrero facility produces and sells IMO 2020 compliant bunker fuel.

Inflation and Commodity Price Risk

We have seen increases in costs when comparing to the prior year as well as inflationary and supply chain pressures across our business in areas such as labor, transportation, supplies and overall energy related expenses. We purchase petroleum and petroleum by-products for consolidation and delivery, as well as for our own refining operations. By virtue of constant changes in the market value of petroleum products, we are exposed to fluctuations in both revenues and expenses. We are exposed to market risks related to the volatility in the price of crude oil, No. 6 Fuel Oil and refined petroleum products. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, such as futures and options. Our positions in commodity derivative instruments are monitored and managed on a daily basis to ensure compliance with our stated risk management policy that has been approved by our board of directors.

We primarily use commodity derivative instruments as economic hedges, which are not designated as hedging instruments, and we use fair value and cash flow hedges from time to time.

Our objectives for holding economic hedges are to (i) manage price volatility in certain feedstock and refined petroleum product inventories and fixed-price purchasing, and (ii) lock in the price of forecasted feedstock, refined petroleum product, and refined petroleum product sales at existing market prices.

The purchase of our used motor oil feedstock tends to track with natural gas pricing due to the market's typical practice of substituting used motor oil for natural gas as a fuel source for various industrial processes. On the other hand, the prices of the products that may in the future be generated through the re-refining processes that we hope to develop are expected to track with market pricing for marine diesel and vacuum-gas oil. The recent rise in oil prices has increased the spread between the price of used motor oil, feedstock and re-refining end-products.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology, trade secrets, technical know-how and other proprietary information. We also enter into confidentiality and invention assignment agreements with our employees.

We have five patents registered with the U.S. Patent and Trademark Office:

- "System For Making A Usable Hydrocarbon Product From Used Oil" (US #8,613,838 B2), which was granted on December 24, 2013.
- "Method for Making a Usable Hydrocarbon Product From Used Oil" (US #8,398,847 B2), which was granted on March 19, 2013.
- "System for producing an American Petroleum Institute Standards Group III Base Stock from vacuum gas oil" (US #10,421,916 B2), which was granted on September 24, 2019.
- "Method for producing an American Petroleum Institute Standards Group III Base Stock from vacuum gas oil" (US #10,287,515 B1), which was granted on May 14, 2019.
- "System for producing an American Petroleum Institute Standards Group III Base Stock from vacuum gas oil" (US #10,723,961 B2), which was granted on July 28, 2020
- "Process for recycling components of a confided space metal container" (US #10,421,196 B2), which was published February 18, 2021, and is still pending.

In addition, we have developed a website and have registered www.vertexenergy.com as our domain name, which contains information we do not desire to incorporate by reference herein.

Available Information

We file annual, quarterly, and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov and are available for download, free of charge, soon after such reports are filed with or furnished to the SEC, on the "Investor Relations," "SEC Filings" page of our website at www.vertexenergy.com. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC like us at http://www.sec.gov. Our internet address is www.vertexenergy.com. Information on our website is not part of this Report, and we do not desire to incorporate by reference such information herein. Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report.

Item 1A. Risk Factors

Summary Risk Factors

We face risks and uncertainties related to our business, many of which are beyond our control. In particular, risks associated with our business include:

- our need for additional funding, the availability of, and terms of, such funding, our ability to pay amounts due on such indebtedness, covenants of such indebtedness and security interests in connection therewith;
- risks associated with our outstanding Convertible Notes, including amounts owed, conversion rights associated therewith, dilution caused thereby, redemption obligations associated therewith and our ability to repay such facilities and amounts due thereon when due;
- risks associated with our outstanding preferred stock, including the liquidation preference associated therewith;
- risks related to our planned Mobile refinery acquisition, including funding required in connection therewith, our ability to obtain such funding, the terms of such funding, security interests in connection therewith, conditions to obtaining such funding, conditions to closing the acquisition of the Mobile refinery, costs associated therewith, costs of combining such operations with the Company, business uncertainties and termination rights associated therewith, including negative effects of such termination on the Company and its securities;
- risks associated with an offtake agreement which will only become effective upon the occurrence of certain events, including the planned Mobile acquisition and the completion of a capital project thereon, which much be completed timely;
- risks associated with a planned capital project associated with the Mobile refinery, including the timing thereof, costs associated therewith and our ability to generate revenues while such project is pending;

- the level of competition in our industry and our ability to compete;
- the supply and demand for oil and used oil, as well as used oil feed stocks and the price of oil and the feedstocks we use in our operations, process and sell;
- the availability of used oil feedstocks;
- our economics of using TCEP for its intended purpose;
- the outcome of natural disasters, hurricanes, floods, war, terrorist attacks, fires and other events negatively impacting our facilities and operations;
- our ability to respond to changes in our industry;
- the loss of key personnel or failure to attract, integrate and retain additional personnel;
- our ability to protect our intellectual property and not infringe on others' intellectual property;
- our ability to scale our business;
- our ability to maintain supplier relationships and obtain adequate supplies of feedstocks;
- our ability to obtain and retain customers;
- our ability to produce our products at competitive rates;
- our ability to execute our business strategy in a very competitive environment;
- trends in, and the market for, the price of oil and gas and alternative energy sources;
- our ability to maintain our relationship with Bunker One (USA) Inc.;
- the impact of competitive services and products;
- our ability to integrate acquisitions;
- our ability to complete future acquisitions;
- our ability to maintain insurance;
- potential future litigation, judgments and settlements;
- risk of increased regulation of our operations and products and rules and regulations making our operations more costly or restrictive, including IMO 2020;
- changes in environmental and other laws and regulations and risks associated with such laws and regulations;
- economic downturns both in the United States and globally;
- negative publicity and public opposition to our operations;
- disruptions in the infrastructure that we and our partners rely on;
- an inability to identify attractive acquisition opportunities and successfully negotiate acquisition terms;
- our ability to effectively integrate acquired assets, companies, employees or businesses;
- liabilities associated with acquired companies, assets or businesses;

- unexpected changes in our anticipated capital expenditures resulting from unforeseen required maintenance, repairs, or upgrades;
- prohibitions on borrowing and other covenants of our future debt facilities;
- our ability to effectively manage our growth;
- the costs of required insurance, our lack of insurance, or claims not covered by our insurance;
- the redemptive rights of our agreements with partners;
- our lack of effective disclosure controls and procedures and internal control over financial reporting;
- loss of our ability to use net operating loss carry-forwards;
- improvements in alternative energy sources and technologies;
- decreases in global demand for, and the price of, oil, due to COVID-19, state, federal and foreign responses thereto;
- our ability to acquire sufficient amounts of used oil feedstock through our collection routes, to produce finished products, and in the absence of such internally collected feedstocks, our ability to acquire third-party feedstocks on commercially reasonable terms;
- risks associated with COVID-19, the global efforts to stop the spread of COVID-19, potential downturns in the U.S. and global economies due to COVID-19 and the efforts to stop the spread of the virus, and COVID-19 in general;
- the volatile nature of the market for our common stock;
- our ability to meet earnings guidance;
- anti-take-over rights in our governing documents;
- our ability to maintain the listing of our common stock on The Nasdaq Capital Market; and
- dilution caused by new equity offerings, the exercise of warrants and/or the conversion of outstanding preferred stock or convertible notes.

Investing in our common stock involves a high degree of risk. You should carefully consider each of the following risk factors and all of the other information set forth in this filing, including our consolidated financial statements and related notes, before investing in our common stock. The following risks and the risks described elsewhere in this filing, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," could materially harm our business, financial condition, future results and cash flow. If that occurs, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Relating to Our Outstanding Debt and Receivables, and Financial Statements

We will need to raise additional capital in the future and our ability to obtain the necessary funding is uncertain.

We will need to raise additional funding or refinance our existing debt to meet the requirements of the terms and conditions of our outstanding Convertible Notes, will need to raise additional funding through the Term Loan or otherwise to complete the acquisition of the Mobile Refinery, and will further need to raise additional funding to acquire the inventory required to be purchased in connection with the Mobile Refinery acquisition. If we raise additional funds in the future, by issuing equity securities, dilution to existing stockholders will result, and such securities may have rights, preferences and privileges senior to those of our common stock and preferred stock. If funding is insufficient at any time in the future and we are unable to generate sufficient revenue from new business arrangements, to repay our outstanding debts, complete planned acquisitions or operations, our results of operations and the value of our securities could be adversely affected. Future funding may not be available on favorable terms, if at all.

We may not be able to generate sufficient cash flow to meet our debt service and other obligations due to events beyond our control.

Our ability to generate cash flows from operations, to make scheduled payments on or refinance our indebtedness and to fund working capital needs and planned capital expenditures will depend on our future financial performance and our ability to generate cash in the future. Our future financial performance will be affected by a range of economic, financial, competitive, business and other factors that we cannot control, such as general economic, legislative, regulatory and financial conditions in our industry, the economy generally, the price of oil and other risks described below. A significant reduction in operating cash flows resulting from changes in economic, legislative or regulatory conditions, increased competition or other events beyond our control could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations. If we are unable to service our indebtedness or to fund our other liquidity needs, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, seeking additional capital, or any combination of the foregoing. If we raise additional debt, it would increase our interest expense, leverage, and our operating and financial costs. We cannot assure you that any of these alternative strategies could be affected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on our indebtedness or to fund our other liquidity needs. Reducing or delaying capital expenditures or selling assets could delay future cash flows. In addition, the terms of current or existing or future debt agreements may restrict us from adopting any of these alternatives. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

If for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of the agreements governing our indebtedness, which would allow our creditors at that time to declare all of our outstanding indebtedness to be due and payable (subject to certain cure periods). This would likely in turn trigger cross-acceleration or cross-default rights between our applicable debt agreements. Under these circumstances, we could be forced to apply all of our available cash to repay our borrowings. In addition, the lenders under our future debt facilities or other secured indebtedness could seek to foreclose on our assets that are their collateral. If the amounts outstanding under our indebtedness were to be accelerated, or were the subject of foreclosure actions, our assets may not be sufficient to repay in full the money owed to the lenders or to our other debt holders.

Uncertainty and illiquidity in credit and capital markets can impair our ability to obtain credit and financing on acceptable terms and can adversely affect the financial strength of our business partners.

Our ability to obtain credit and capital depends in large measure on the state of the credit and capital markets, which is beyond our control. Our ability to access credit and capital markets may be restricted at a time when we would like, or need, access to those markets, which could constrain our flexibility to react to changing economic and business conditions. In addition, the cost and availability of debt and equity financing may be adversely impacted by unstable or illiquid market conditions. Protracted uncertainty and illiquidity in these markets also could have an adverse impact on our lenders, commodity hedging counterparties, or our customers, preventing them from meeting their obligations to us.

From time to time, our cash needs may exceed our internally generated cash flow, and our business could be materially and adversely affected if we are unable to obtain necessary funds from financing activities. From time to time, we may need to supplement cash generated from operations with proceeds from financing activities. Uncertainty and illiquidity in financial markets may materially impact the ability of the participating financial institutions to fund their commitments to us under our liquidity facilities. Accordingly, we may not be able to obtain the full amount of the funds available under our liquidity facilities to satisfy our cash requirements, and our failure to do so could have a material adverse effect on our operations and financial position.

We have substantial indebtedness and plan to acquire additional indebtedness in the future, which could adversely affect our financial flexibility and our competitive position. Our future failure to comply with financial covenants in our debt agreements could result in such debt agreements again being declared in default.

We have a significant amount of outstanding indebtedness. As of December 31, 2021, we owed approximately $7.8 million in accounts payable and accrued expenses. As of December 31, 2021, we owed $140 million, net of original issue discount "OID", under our senior notes payable (each described below under "Part II. - Item 8. Financial Statements and Supplementary Data" -"Note 9. Financing Arrangements"-"Indenture and Convertible Notes").

Our substantial indebtedness could have important consequences and significant effects on our business. For example, it could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- restrict us from taking advantage of business opportunities;
- make it more difficult to satisfy our financial obligations;
- place us at a competitive disadvantage compared to our competitors that have less debt obligations; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes on satisfactory terms or at all.

We may need to raise additional funding in the future to repay or refinance the Senior Notes, planned future borrowings and our accounts payable, and as such may need to seek additional debt or equity financing. Such additional financing may not be available on favorable terms, if at all. If debt financing is available and obtained, our interest expense may increase and we may be subject to the risk of default, depending on the terms of such financing. If equity financing is available and obtained it may result in our stockholders experiencing significant dilution. If such financing is unavailable, we may be forced to curtail our operations, which may cause the value of our securities to decline in value and/or become worthless.

The covenants in our future credit and loan agreements may restrict our ability to operate our business and might lead to a default under our credit agreements.

Our future debt agreements may limit, among other things, our ability to:

- incur or guarantee additional indebtedness;
- create liens;
- make payments to junior creditors;
- make investments;
- sell material assets;
- affect fundamental changes in our structure;
- make certain acquisitions;
- sell interests in our subsidiaries;
- consolidate or merge with or into other companies or transfer all or substantially all of our assets; and
- engage in transactions with affiliates.

As a result of these covenants and limitations, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our future debt facilities and loan agreements may require, us to maintain certain financial ratios and satisfy certain other financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our Senior Notes or future credit facilities. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under such Senior Notes or future debt facilities, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such Senior Notes or future debt facilities were to be accelerated, our assets might not be sufficient to repay in full that indebtedness and our other indebtedness.

Our Senior Notes also contain cross-default and cross-acceleration provisions as may our future debt facilities. Under these provisions, a default or acceleration under one instrument governing our debt will in the case of the Senior Notes and may in the case of future indebtedness, constitute a default under our other debt instruments that contain cross-default and cross-acceleration provisions, which could result in the related debt and the debt issued under such other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which funds might not be available to us on favorable terms, on a timely basis or at all. Alternatively, such a default could require us to sell assets and otherwise curtail operations to pay our creditors. The proceeds of such a sale of assets, or curtailment of operations, might not enable us to pay all of our liabilities.

A prolonged period of weak, or a significant decrease in, industry activity and overall markets, due to COVID-19 or otherwise, may make it difficult to comply with our covenants and the other restrictions in the agreements governing our debt and current global and market conditions have increased the potential for that difficulty.

Our ability to service our indebtedness will depend on our ability to generate cash in the future.

Our ability to make payments on our current (including our Convertible Notes) and future indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is subject to general economic and market conditions and financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business may not generate sufficient cash to fund our working capital requirements, capital expenditures, debt service and other liquidity needs, which could result in our inability to comply with financial and other covenants contained in our debt agreements, our being unable to repay or pay interest on our indebtedness, and our inability to fund our other liquidity needs. If we are unable to service our debt obligations, fund our other liquidity needs and maintain compliance with our financial and other covenants, we could be forced to curtail our operations, our creditors could accelerate our indebtedness and exercise other remedies and we could be required to pursue one or more alternative strategies, such as selling assets or refinancing or restructuring our indebtedness. However, such alternatives may not be feasible or adequate.

We expect that our obligations under future planned debt facilities will be secured by a first priority security interest in substantially all of our assets.

We expect that our obligations under future planned debt facilities (including the Term Loan) will be secured by a first priority security interest in substantially all of our assets. Additionally, substantially all of our subsidiaries will be required to agree to guarantee our obligations under such agreements (including the Term Loan). As such, our creditors may enforce their security interests over our assets and/or our subsidiaries which secure the repayment of such obligations, take control of our assets and operations, force us to seek bankruptcy protection, or force us to curtail or abandon our current business plans and operations. If that were to happen, any investment in the Company could become worthless.

If we are unable to maintain a credit facility, it could have an adverse effect on our business.

We have historically been able to maintain lines of credit and other credit facilities. We rely heavily on the availability and utilization of these lines of credit and credit facilities for our operations and for the purchase of inventory. If we are unable to borrow funds under a credit facility or similar lending agreement in the future, we may be forced to curtail or abandon our current and/or future planned business operations.

A decline in expected profitability of the Company or any of our business segments could result in the impairment of assets and other long-lived assets.

We hold material amounts of long-lived assets on our balance sheet. A decline in expected profitability of one of our operating segments or a decline in the global economy, could call into question the recoverability of our long-lived tangible and intangible assets, and require us to write down or write off these assets. Such an occurrence could have a material adverse effect on our annual results of operations and financial position.

Changes in interest rates could adversely affect our earnings and/or cash flows.

Changes in interest rates could have a material adverse impact on our earnings and cash flows. Because our future notes payable are expected to have variable interest rates, our business results are expected to be subject to fluctuations in interest rates. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows.

Risks Relating to Our Operations, Business and Industry

Epidemics, including the recent outbreak of the COVID-19 coronavirus, and other crises have, and will in the future, negatively impact our business and results of operations.

Our revenues and cost of revenues are significantly impacted by fluctuations in commodity prices; decreases in commodity prices typically result in decreases in revenue and cost of revenues. Our revenue is to a large extent a function of the market discount we are able to obtain in purchasing feedstock, as well as how efficiently management conducts operations. Additionally, our sales volumes, and as a result, our results of operations and cash flows, significantly depend on the U.S. and to a lesser extent, worldwide demand for oil and used oil. As a result, pandemics, epidemics, and public health crises, which effect the U.S. and the world as a whole, and which result in travel disruptions, reductions in shipping and therefore declines in the need for oil and used oil, will harm our business and cause our operating results to suffer. Similarly, the economic slowdown and general market uncertainty caused by the COVID-19 coronavirus outbreak and the steps taken by local, state and federal governments to attempt to reduce the spread of, and effects of, such virus, significantly reduced the demand for, and price of oil (which reached all-time lows during 2020), but has more recently recovered to pre-pandemic levels, and concurrent therewith, the slowdown in the U.S. economy caused by stay-at-home and similar orders during 2020, reduced the amount of feedstock being produced and as a result, our ability to obtain feedstocks, and produce finished products, which had a material adverse effect on our year-over-year results of operations for 2020. While the majority of COVID-19 restrictions in the jurisdictions in which we operate have since expired or been terminated due to the availability of vaccines, the possibility of future variants and potential waning immunity of vaccinations, creates continued uncertainty as to the total length and effect of the pandemic and/or whether future government actions will result in further reduced economic activity or new 'stay-at-home' or similar orders.

A public health pandemic, including COVID-19, poses the risk that the Company or its affiliates, employees, suppliers, customers and others may be prevented from conducting business activities for an indefinite period of time, including as a result of shutdowns, travel restrictions and other actions that may be requested or mandated by governmental authorities. Such actions may prevent the Company from accessing or operating its facilities, delivering products or continuing to obtain feedstocks. While a substantial portion of the Company's businesses have been classified as an essential business in jurisdictions in which facility closures have been mandated, the Company can give no assurance that this will not change in the future or that the Company's businesses will be classified as essential in each of the jurisdictions in which it operates.

It is also possible that the current outbreak or continued spread of COVID-19 will cause a global recession, or continued shortages in supplies of certain materials and equipment.

A continued prolonged period of weak, or a significant decrease in, industry activity and overall markets, due to COVID-19 or otherwise, may make it difficult to comply with our covenants and the other restrictions in the agreements governing our debt (including our recently sold Convertible Notes). Current global and market conditions have increased the potential for that difficulty.

The price of oil and fluctuations in oil prices may have a negative effect on our results of operations.

The majority of our operations are associated with collecting used oil, re-refining or otherwise processing a portion of such used oil and then selling both such re-refined/processed oil and the excess feedstock oil which we do not currently have the capacity to re-refine, to other customers. The prices at which we sell our re-refined/processed oil and extra feedstock are affected by changes in the reported spot market prices of oil. If applicable rates increase or decrease, we typically will charge a higher or lower corresponding price for our re-refined/processed oil and excess feedstock. The price at which we sell our re-refined/processed oil and excess feedstock is affected by changes in certain indices measuring changes in the price of heavy fuel oil, with increases and decreases in the indices typically translating into a higher or lower price for our re-refined/processed oil and excess feedstock. The cost to collect used oil, including the amounts we pay to obtain a portion of our used oil and therefore ability to collect necessary volumes as well as the fuel costs of our oil collection fleet, typically also increases or decreases when the relevant indices increase or decrease. However, even though the prices we can charge for our re-refined/processed oil and excess feedstock and the costs to collect and re-refine/processed used oil typically increase and decrease together, there is no assurance that when our costs to collect and re-refine/process used oil increase we will be able to increase the prices we charge for our re-refined/processed oil excess feedstock to cover such increased costs, or that our costs to collect and re-refine/process used oil will decline when the prices we can charge for re-refined/processed oil declines. These risks are exacerbated when there are rapid fluctuations in these oil indices and when there is lower pricing due to decreased demand, which have both occurred recently as a result of the economic uncertainty caused by the COVID-19 outbreak. These risks are also greater when there is an increased supply of oil from the Organization of the Petroleum Exporting Countries (OPEC), which has also recently occurred.

In addition to the above, the value of re-refined and processed used oil is usually greater the more expensive oil is. As the price of oil decreases so does the spread between re-refined/processed used oil and refined oil and extremely low oil prices, such as those which we are currently experiencing, customers will often be willing to pay the slightly higher cost of refined oil rather than paying for re-refined/processed oil. Furthermore, as the price of oil decreases, the price we can charge for re-refined/processed oil decreases, and while in general the cost of our feedstocks decreases, the prices required to process such feedstock and operate our plans remain fixed. As such, in the event the price of oil remains low and we are not able to increase the prices we charge for re-refined/processed oil, our margins will likely decrease and it may not become economically feasible to continue to operate our facilities. In the event that were to occur, we may be forced to shut down our facilities.

The occurrence of any of the events described above could have a material adverse effect on our results of operations and could in turn cause our securities to decline in value.

The prices of many of our products are subject to significant volatility.

Our principal products include marine fuel cutterstock and a higher-value feedstock for further processing, vacuum oil gas, base oil that is sold to lubricant packagers and distributors, pygas and gasoline blendstock. The prices of these products are tied to the value of oil. Accordingly, our results of operations will be affected by fluctuations in the prevailing market price for oil. Historically, market prices for oil have fluctuated in response to a number of factors, including global changes in supply and demand resulting from changes in local and global economic conditions, changes in energy policies of U.S. and foreign governments, changes in international trading policies, OPEC, and other factors. While we seek to mitigate the risks associated with price declines, including in some situations, by using hedging, a significant decrease in the market price of any of our products or of oil would have a material adverse effect on our results of operations and cash flow. Furthermore, rapid and material changes in feedstock prices generally have an immediate and, often times, material impact on the Company's gross margin and profitability resulting from the lag effect or lapse of time from the procurement of the feedstock until they are re-refined/processed and the finished products are sold. Our results of operations could be materially and adversely affected in the future by this volatility.

Downturns and volatility in global economies and commodity and credit markets could materially adversely affect our business, results of operations and financial condition.

Our results of operations are materially affected by the conditions of the global economies and the credit, commodities and stock markets. Among other things, we may be adversely impacted if our customers and suppliers are not able to access sufficient capital to continue to operate their businesses or to operate them at prior levels. A decline in consumer confidence or changing patterns in the availability and use of disposable income by consumers can negatively affect both our suppliers and customers. Declining discretionary consumer spending or the loss or impairment of a meaningful number of our suppliers or customers could lead to a dislocation in either feedstock availability or customer demand. Any tightening in credit supply could negatively affect our customers' ability to pay for our products on a timely basis or at all and could result in a requirement for additional bad debt reserves. Although many of our customer contracts are formula-based, continued volatility in the oil market could negatively impact our revenues and overall profits. Counterparty risk on finished product sales can also impact revenue and operating profits when customers either are unable to obtain credit or refuse to take delivery of finished products due to market price declines.

If we are unable to retain current, and obtain new customers, our revenue and cash flows could be reduced to levels that could adversely affect our results of operations.

Any of the following factors could result in our inability to maintain current customers or attain new customers. If that were to happen our results of operations could be materially adversely affected and the value of our securities could decline in value:

- a material decrease in the supply or price of crude oil or petroleum related products in which we deal;
- a material decrease in demand for the finished products in the markets we serve;
- scheduled refinery turnarounds or unscheduled maintenance; and
- operational problems or catastrophic events at any of our facilities.

We are dependent on third parties for the disposal of our waste streams.

We do not own any waste disposal sites. As a result, we are dependent on third parties for the disposal of waste streams. To date, disposal vendors have met their requirements, but they may not continue to do so. If for some reason our current disposal vendors cannot perform up to standards, we may be required to replace them. Although we believe there are a number of potential replacement disposal vendors that could provide such services, we may incur additional costs and delays in identifying and qualifying such replacements. In addition, any mishandling of our waste streams by disposal vendors could expose us to liability. Any failure by disposal vendors to properly collect, transport, handle or dispose of our waste streams could expose us to liability, damage our reputation and generally have a material adverse effect on our business, financial condition or results of operations.

We are subject to risks associated with our relationship with Bunker One.

On January 10, 2020, we entered into a Heads of Agreement and a Joint Supply and Marketing Agreement, with Bunker One (USA) Inc. Pursuant to the Heads of Agreement, the Company and Bunker One agreed to form a joint decision-making body to focus on strategic matters related to the overall cooperation of the parties and to establish rules and procedures for identifying and undertaking joint projects. For each project that the parties agree to pursue, the parties will enter into a form of Co-Operation and Joint Supply and Marketing Agreement. The principal objective of each such Co-Operation JSMA will be the expansion of the business of each party by cooperating in the sourcing, storing, transportation, marketing and selling of products, where: (a) Vertex is primarily responsible for the sourcing and storing of the product (bunker fuels); (b) Bunker One is primarily responsible for the transporting, blending, marketing, selling and delivering of the product (bunker fuels); (c) Bunker One is responsible for the risk management/exposure (e.g. hedging) of the bunker fuels; and (d) Bunker One is the exclusive seller of the product to third parties. The Heads of Agreement has a term of ten years, beginning effective on January 1, 2020, and continuing through April 30, 2029, provided that the agreement extends for additional five-year periods thereafter unless either party provides the other at least 120 days' notice of non-renewal before any such automatic renewal date. Finally, under the agreement, if at any time the Company acquires a supply of material that the Company intends to sell in Texas, Louisiana or Alabama and that is suitable for use in Bunker One's bunkering business in such area from a third party, or produces additional material for sale in such area, the Company is required to provide Bunker One the right to purchase such supply/material pursuant to the terms and conditions of the Heads of Agreement.

The JSMA is effective as of May 1, 2020, and provides for Bunker One to acquire 100% of the production from the Company's Marrero, Louisiana re-refining facility (which produces approximately 100,000 barrels per month of Bunker Fuel). Pursuant to the JSMA, the parties agreed to the percentages pursuant to which net profit will be split between the parties, relating to the sale of such Bunker Fuel by Bunker One, which is to be sold in Texas, Louisiana, Alabama and areas immediately adjacent thereto if mutually agreed. The JSMA has a term from May 1, 2020 to April 30, 2029, provided that the term is automatically renewable for additional five-year periods thereafter unless either party provides the other at least 120 days prior written notice of non-renewal, prior to any automatic renewal date.

As a result of the above, Bunker One is the purchaser of the majority of the Company's finished product from its Marrero, Louisiana re-refining facility, which makes up approximately 29% of the Company's revenues. Bunker One also currently owns certain shares of our outstanding common stock and has the right, during the term of the JSMA, to have a representative attend each meeting of the Board of Directors of the Company and the committees of the board (in a non-voting observer capacity). As such, we rely on Bunker One for a significant source of our revenues and the termination of, or material adverse change in, the terms of our relationship, or a material adverse change to Bunker One or its operations, could affect our business, financial condition, liquidity and results of operations. If our relationship with Bunker One is terminated, we would have to find a new purchaser of our Marrero finished products, or enter into another similar counterparty arrangement with a third party, which we may not be able to enter into on terms that are as favorable to us, or at all. We are also reliant on Bunker One's ability to timely pay us amounts due under the JSMA and in the event that Bunker One is unable to pay such amounts, timely, or at all, it could have a material adverse effect on our operating results. Due to our significant reliance on Bunker One, in the event Bunker One experiences issues in selling our finished products, or in connection with its operations in general, it could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We are dependent on third party generators and collectors for our feedstock.

Generators are entities that generate used oil through their daily operations such as automotive businesses conducting oil changes on consumer and commercial vehicles and industrial users changing lubricants on machinery and heavy equipment.

Collectors are typically local businesses that purchase used oil from generators and provide on-site collection services. The collection market is highly fragmented and we believe there are more than 400 used oil collectors in the United States.

We depend on generators to generate used oil feedstock and collectors to collect such feedstock. In the event a significant number of generators cease generating feedstock, or generators and collectors cease providing us their feedstock or otherwise materially change the current process by which feedstock is collected, due to COVID-19, other future pandemics, or otherwise, it could have a material adverse effect on our business, financial condition or results of operations.

Worsening economic conditions and trends and downturns in the business cycles of the industries we serve and which provide services to impact our business and operating results.

A significant portion of our customer base is comprised of companies in the chemical manufacturing and hydrocarbon recovery industries. The overall levels of demand for our products, refining operations, and future planned re-refined oil products are driven by fluctuations in levels of end-user demand, which depend in large part on general macroeconomic conditions in the U.S., as well as regional economic conditions. For example, many of our principal consumers are themselves heavily dependent on general economic conditions, including the price of fuel and energy, availability of affordable credit and capital, employment levels, interest rates, consumer confidence and housing demand. These cyclical shifts in our customers' businesses may result in fluctuations in demand, volumes, pricing and operating margins for our services and products.

In addition to our customers, the suppliers of our feedstock are also affected by downturns in the economy and adverse changes in the price of feedstock. For example, we previously experienced difficulty obtaining feedstock from our suppliers who, because of prior sharp downturns in the price of oil (used and otherwise) in 2015-16 saw their margins decrease substantially, which in some cases made it uneconomical for such suppliers to purchase feedstock from their suppliers and/or sell to us at the rates set forth in their contracts. Similarly, the economic slowdown and general market uncertainty caused by the COVID-19 coronavirus outbreak and the steps taken by local, state and federal governments to attempt to reduce the spread of, and effects of, such virus, significantly reduced the demand for, and price of oil (which reached all-time lows during 2020), but has more recently recovered to pre-pandemic levels, and concurrent therewith, the slowdown in the U.S. economy caused by stay-at-home and similar orders during 2020, reduced the amount of feedstock being produced and as a result, our ability to obtain feedstocks, and produce finished products. While the majority of COVID-19 restrictions in the jurisdictions in which we operate have since expired or been terminated due to the availability of vaccines, the possibility of future variants and potential waning immunity of vaccinations, creates continued uncertainty as to the total length and effect of the pandemic and/or whether future government actions will result in further reduced economic activity or new 'stay-at-home' or similar orders.

Inflation may increase our costs and create supply chain pressures.

We have seen increases in costs when comparing to the prior year as well as inflationary and supply chain pressures across our business in areas such as labor, transportation, supplies and overall energy related expenses. We purchase petroleum and petroleum by-products for consolidation and delivery, as well as for our own refining operations. By virtue of constant changes in the market value of petroleum products, we are exposed to fluctuations in both revenues and expenses. We are exposed to market risks related to the volatility in the price of crude oil, No. 6 Fuel Oil and refined petroleum products. Continued increases in inflation may increase our costs, which increased costs we may not be able to pass on to purchasers of our products, and create supply chain pressures, which may result in a decrease in available feed stocks, an increase in the price of such feedstocks, or unavailability of equipment or machinery needed for us or third parties to operate our or their facilities, which could prevent us from operating at capacity, decrease our revenues, or have a material adverse effect on our operating results.

Our operating margins and profitability may be negatively impacted by changes in fuel and energy costs.

We transport our feedstock, refined oil and re-refined oil, VGO and other materials with trucks and by rail. As a result, increases in shipping and transportation costs caused by increases in oil, gasoline and diesel prices have a significant impact on our operating expenses. The price and supply of oil and gas is unpredictable and fluctuates based on events beyond our control, including geopolitical developments, natural disasters, supply and demand for oil and natural gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. A significant increase in transportation or fuel costs could lower our operating margins and negatively impact our profitability.

Additionally, the price at which we sell our refined oil and our re-refined oil, VGO and other materials is affected by changes in certain oil indexes. If the relevant oil index rises, we anticipate being able to increase the prices for our refined and re-refined oil. If the relevant oil index declines, we anticipate having to reduce prices for our refined and re-refined oil. However, the cost to collect used oil and refinery feedstock, including the amounts that must be paid to obtain used oil and feedstock, generally also increases or decreases when the relevant index increases or decreases. Even though the prices that can be charged for our refined and re-refined products and the costs to collect, refine, and re-refine the feedstock generally increase and decrease together, if the costs to collect, refine and re-refine used oil and petrochemical products increase in the future, we may not be able to increase the prices we charge for our refined and re-refined products to cover such increased costs. Additionally, the costs to collect, refine and re-refine used oil and petrochemical products may not decline if the prices we can charge for our products decline. If the prices we charge for our finished products and the costs to collect, refine and re-refine products do not move together or in similar magnitudes, our profitability may be materially and negatively impacted.

We are vulnerable to the potential difficulties associated with rapid growth.

We believe that our future success depends on our ability to manage the rapid growth that we have experienced, and the continued growth that we expect to experience organically and through acquisitions, including, but not limited to, the planned acquisition of the Mobile Refinery. Our growth places additional demands and responsibilities on our management to, among other things, maintain existing suppliers and customers and attract, recruit, retain and effectively manage employees, as well as expand operations. The following factors could present difficulties to us: lack of sufficient executive-level personnel and increased administrative burden; availability of suitable acquisition candidates, trucks, barges, tanks, rail cars and processing facilities; and the ability to provide focused service attention to our customers, among others.

Our contracts may not be renewed and our existing relationships may not continue, which could be exacerbated by the fact that a limited number of our customers represent a significant portion of our sales.

Our contracts and relationships in the black oil business include feedstock purchasing agreements with local waste oil collectors, feedstock sale agreements, a few key relationships in the bunkering, blending and No. 6 oil industry, and other relationships. Because our operations are extremely dependent on the black oil key bunkering, blending and No. 6 oil relationships as well as our third-party refining contracts, if we were to lose relationships, there would be a material adverse effect on our operations and results of operations. Additionally, if we were to lose any of our current local waste oil collectors, we could be required to spend additional resources locating and providing incentives for other waste oil collectors, which could cause our expenses to increase and/or cause us to curtail or abandon our business plans.

We operate in competitive markets, and there can be no certainty that we will maintain our current customers or attract new customers or that our operating margins will not be impacted by competition.

The industries in which we operate are highly competitive. We compete with numerous local and regional companies of varying sizes and financial resources in our refining and feedstock consolidation operations, transportation services, feedstock collection and aggregation and used oil recycling, and we compete with larger oil companies, with significantly greater resources than us, in our oil re-refining operations. We expect competition to intensify in the future. Furthermore, numerous well-established companies are focusing significant resources on providing used oil collection, transportation, refining and re-refining services that will compete with our services. We may not be able to effectively compete with these other companies and competitive pressures, including possible downward pressure on the prices we charge for our products and services, may arise. In the event that we cannot effectively compete on a continuing basis, or competitive pressures arise, such inability to compete or competitive pressures could have a material adverse effect on our business, results of operations and financial condition.

Disruptions in the supply of feedstock and/or increases in the cost of feedstock could have an adverse effect on our business.

We depend on the continuing availability of raw materials, including feedstock, to remain in production. Additionally, we depend on the price of such raw materials, including feedstock being reasonable to us in relation to the prices we are able to receive for our final products. As a result of the impact of the COVID-19 outbreak, some of our feedstock suppliers have permanently or temporarily closed their businesses, limited our access to their businesses, and/or have experienced a decreased demand for services. As a result of the above, and due to 'stay-at-home' and other social distancing orders, as well as the decline in U.S. travel caused by COVID-19, we have seen a significant decline in the volume of feedstocks (specifically used oil) that we have been able to collect, and therefore process through our facilities. A continued disruption in supply of feedstock, such as we are currently experiencing, or significant increases in the prices of feedstock, has significantly reduced/could significantly reduce, the availability of raw materials at our plants and which are available to be processed by our third-party processors. Additionally, increases in production costs could have a material adverse effect on our business, results of operations and financial condition. In the event the margins of our feedstock suppliers decrease substantially, it may become uneconomical for such suppliers to purchase feedstock from their suppliers and/or sell to us at the rates set forth in their contracts. This could prevent us from maintaining our required levels of output and/or force us to seek out additional suppliers of feedstock, who may charge more than our current suppliers, and therefore adversely affect our results of operations—as a result of the COVID-19 pandemic and the issues described above, we have recently been forced to seek out additional suppliers of feedstock, who in some cases have charged us more than our current suppliers.

Our reliance on small business customers causes us to be subject to the trends and downturns that impact small businesses, which could adversely affect our business.

Our feedstock customer base is primarily composed of small businesses in the vehicle repair and manufacturing industries. The high concentration of our feedstock customers that are small businesses exposes us to significant risk. Small businesses start, close, relocate, and are acquired and sold frequently. In addition, small businesses are often impacted more significantly by economic recessions when compared to larger businesses. As a result, we must continually identify new feedstock customers and expand our business with existing feedstock customers in order to sustain our growth and feedstock supply. If we experience a rise in levels of customer turnover, it may have a negative impact on the profitability of our business.

Unanticipated problems at, or downtime effecting, our facilities and those operated by third parties on which we rely, could have a material adverse effect on our results of operations.

Our ability to process feedstocks depends on our ability to operate our refining/processing operations and facilities, and those operated by third parties on which we rely, including, but not limited to Monument Chemical, and the total time that such facilities are online and operational. The occurrence of significant unforeseen conditions or events in connection with the operation or maintenance of such facilities, such as the need to refurbish such facilities, complete capital projects at such facilities, shortages of workers or materials, adverse weather, including, but not limited to lightning strikes, floods, hurricanes, tornadoes and earthquakes, equipment failures, fires, explosions, oil or other leaks, damage to or destruction of property and equipment associated therewith, environmental releases and/or damage, government regulation changes affecting the use of such facilities, terrorist attacks, mechanical or physical failures of equipment, acts of God, or other conditions or events, could prevent us from operating our facilities, or prevent such third parties from operating their facilities, or could force us or such third parties to shut such facilities down for repairs, maintenance, refurbishment or upgrades for a significant period of time. In the event any of our facilities or those of third parties on which we rely are offline for an extended period of time, it could have a material adverse effect on our results of operations and consequently the price of our securities. For example, on October 7, 2020, we had a fire at our Marrero refinery which took the facility offline for repairs for about two weeks. The refinery suffered some minor structural damage along with piping, valves and instrumentation in the immediate area of the fire, the largest impact was the damage to the electrical conduit that feeds the power to the refinery equipment and was back up October 26, 2020. Additionally, during August and September 2020, two hurricanes brought severe flooding and high winds that adversely impacted operations in the Gulf Coast and, specifically at the Company's Marrero, Louisiana refinery, while also limiting outbound shipments of finished product along adjacent waterways between Houston and New Orleans for approximately two weeks. Additionally, during August 2021, Hurricane Ida made landfall in southeast Louisiana, approximately 30 miles directly south and west of the Myrtle Grove facility, which resulted in the entire 42 acre Myrtle Grove site to be covered with 4-6 feet of storm surge and thus damages of assets and equipment. The Company reviewed the inspection report and related information from insurance companies and a third party engineer, and determined that there is no 100% certainty around the recoverability of some Construction-In-Progress assets such as fire heaters and pumps and instrumentation. The Company recorded $2.1 million of loss on assets impairment on the Consolidated Statements of Operations in the fourth quarter of 2021, of which the entire amount is related to our Black Oil segment. Subsequent downtime at our facilities, losses of equipment or use of such facilities may have a material adverse effect on our operations, cash flows or assets. The Company believes that it maintains adequate insurance coverage.

The fees charged to customers under our agreements with them may not escalate sufficiently to cover increases in costs and the agreements may be suspended in some circumstances, which would affect our profitability.

Under our agreements with our customers, we may be unable to increase the fees that we charge our customers at a rate sufficient to offset any increases in our costs. Additionally, some customers' obligations under their agreements with us may be permanently or temporarily reduced upon the occurrence of certain events, some of which are beyond our control, including force majeure events. Force majeure events may include (but are not limited to) events such as revolutions, wars, acts of enemies, embargoes, import or export restrictions, strikes, lockouts, fires, storms, floods, acts of God, explosions, mechanical or physical failures of our equipment or facilities of our customers. If the escalation of fees is insufficient to cover increased costs or if any customer suspends or terminates its contracts with us, our profitability could be materially and adversely affected.

Improvements in or new discoveries of alternative energy technologies and/or government mandated use of such technologies and/or government restrictions or quotas on the use of oil and gas, could have a material adverse effect on our financial condition and results of operations.

Because our business depends on the demand for oil and used oil, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels and/or increases in battery technology or capacity), government mandated use of such technologies and/or government restrictions or quotas on the use of oil and gas that increase the use of alternative forms of energy and/or reduce the demand or market for oil, used oil and oil and used oil related products could have a material adverse impact on our business, financial condition and results of operations.

In addition to the above, we may be exposed to risks related to laws passed by governments or regulations incentivizing or mandating the use of alternative energy sources, such as wind power and solar energy, and/or phasing out the use of traditional hydrocarbon energy sources, which may reduce demand for oil and natural gas. For example, California has recently passed a law which requires the state to adopt regulations around gas-powered tools by July 1, 2022, and ban their sale by the start of 2024, if such ban is determined feasible, and has further discussed the adoption of laws to ban gas car sales by 2030 or 2035. Such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business, and could adversely affect our operations by limiting opportunities.

Improvements in or new methodologies or technology relating to the refining and re-refining of used oil feedstocks could have a material adverse effect on our financial condition and results of operations.

In the event our competitors or future competitors design or implement new methodologies or new technology relating to the refining or re-refining of used oil feedstock it could reduce demand for our processes, or make such processes commercially irrelevant. In the event we are not able to duplicate or license such new methodologies or technology it could have a material adverse impact on our business, financial condition and results of operations.

Our business is subject to operational and safety risks, including the risk of personal injury to employees and others.

Our operations involve risks such as truck accidents, equipment defects, malfunctions and failures. Additionally, our operations are subject to risk associated with releases of oil and other materials. Operation of our facilities involves additional risks of fire and explosion. Any of these risks could potentially result in injury or death of employees and others, a need to shut down or reduce operation of facilities, increased operating expense and exposure to liability for pollution and other environmental damage, and property damage or destruction.

While we seek to minimize our exposure to such risks through comprehensive training, compliance and response and recovery programs, as well as vehicle and equipment maintenance programs, if we were to incur substantial liabilities in excess of any applicable insurance, our business, results of operations and financial condition could be adversely affected. Any such incidents could also tarnish our reputation and reduce the value of our brand. Additionally, a major operational failure, even if suffered by a competitor, may bring enhanced scrutiny and regulation of our industry, with a corresponding increase in operating expense.

We may be subject to citizen opposition and negative publicity due to public concerns over our operations and planned future operations, which could have a material adverse effect on our business, financial condition or results of operations.

There currently exists a high level of public concern over hazardous waste and refining and re-refining operations, including with respect to the location and operation of transfer, processing, storage and disposal facilities. Part of our business strategy is to increase our re-refining capacity through the construction of new facilities in growth markets. Zoning, permit and licensing applications and proceedings, as well as regulatory enforcement proceedings, are all matters open to public scrutiny and comment. Accordingly, from time to time we may be subject to citizen opposition and publicity which may damage our reputation and delay or limit the planned expansion and development of future facilities or operations or impair our ability to renew existing permits, any of which could prevent us from implementing our growth strategy and have a material adverse effect on our business, financial condition or results of operations.

We depend heavily on the services of our Chief Executive Officer and Chairman, Benjamin P. Cowart.

Our success depends heavily upon the personal efforts and abilities of Benjamin P. Cowart, our Chief Executive Officer and Chairman, who is employed by us pursuant to an employment contract which continues in effect until December 31, 2022, provided that the agreement automatically extends for additional one-year terms thereafter in the event neither party provides the other at least 60 days prior notice of their intention not to renew the terms of the agreement. The loss of Mr. Cowart or other key employees could have a material adverse effect on our business, results of operations or financial condition. In addition, the absence of Mr. Cowart may force us to seek a replacement who may have less experience or who may not understand our business as well, or we may not be able to find a suitable replacement.

Unanticipated problems or delays in building our facilities to the proper specifications may harm our business and viability.

Our future growth will depend on our ability to timely and economically complete and operate our re-refining facilities and operate our existing refining operations and facilities, and complete planned acquisitions and capital projects, including our planned acquisition of the Mobile Refinery and the capital project planned in connection therewith. If our operations are disrupted or our economic integrity is threatened for unexpected reasons, our business may experience a substantial setback. Moreover, the occurrence of significant unforeseen conditions or events in connection with the construction of our planned facilities may require us to reexamine our business model. Any change to our business model or management's evaluation of the viability of our planned services may adversely affect our business. Construction costs for our future facilities may also increase to a level that would make a new facility too expensive to complete or unprofitable to operate. Contractors, engineering firms, construction firms and equipment suppliers also receive requests and orders from other companies and, therefore, we may not be able to secure their services or products on a timely basis or on acceptable financial terms. We may suffer significant delays or cost overruns as a result of a variety of factors, such as increases in the prices of raw materials, shortages of workers or materials, transportation constraints, adverse weather, equipment failures, fires, damage to or destruction of property and equipment, environmental damage, unforeseen difficulties or labor issues, or issues associated with planned capital projects, including cost overruns and unforeseen delays, any of which could prevent us from beginning or completing construction or capital projects, or commencing operations at future re-refining facilities or other facilities, including the Mobile Refinery.

Strategic relationships on which we rely are subject to change.

Our ability to identify and enter into commercial arrangements with feedstock suppliers and refined and re-refined oil clients depends on developing and maintaining close working relationships with industry participants. Our success in this area also depends on our ability to select and evaluate suitable projects as well as to consummate transactions in a highly competitive environment. These factors are subject to change and may impair our ability to grow.

Disruptions to infrastructure and our and our partner's facilities could materially and adversely affect our business.

Our business depends on the continuing availability of road, railroad, port, storage and distribution infrastructure and our re-refining facilities. Any disruptions in this infrastructure network or such facilities, whether caused by labor difficulties, earthquakes, storms, other natural disasters, human error or malfeasance or other reasons, could have a material adverse effect on our business. We rely on third parties to maintain the rail lines from our plants to the national rail network, and any failure by these third parties to maintain the lines could impede the delivery of products, impose additional costs and could have a material adverse effect on our business, results of operations and financial condition. For example, previous damage to our terminal facility located at Cedar Marine Terminal in Baytown, Texas as a result of Hurricane Ike in 2008 (which caused the terminal to temporarily be out of operation) resulted in increased costs associated with the shipping of feedstock through third-party contractors, thereby raising the overall cost of the feedstock and lowering our margins. Additionally, on October 7, 2020, we had a fire at our Marrero refinery which took the facility offline for repairs for about two weeks. The refinery suffered some minor structural damage along with piping, valves and instrumentation in the immediate area of the fire, the largest impact was the damage to the electrical conduit that feeds the power to the refinery equipment. On October 26, 2020, the facility was back up and running. Additionally, during August 2021, Hurricane Ida made landfall in southeast Louisiana, approximately 30 miles directly south and west of the Myrtle Grove facility, which resulted in the entire 42 acre Myrtle Grove site to be covered with 4-6 feet of storm surge and thus damages of assets and equipment. The Company reviewed the inspection report and related information from insurance companies and a third party engineer, and determined that there is no 100% certainty around the recoverability of some Construction-In-Progress assets such as fire heaters and pumps and instrumentation. The Company recorded $2.1 million of loss on assets impairment on the Consolidated Statements of Operations in the fourth quarter of 2021, of which the entire amount is related to our Black Oil segment. Additional hurricanes, storms, floods, fires or natural disasters in the future could cause similar damage to our infrastructure, prevent us from generating revenues while such infrastructure is undergoing repair (if repairable) and/or cause our margins and therefore our results of operations to be adversely affected.

Any prolonged period during which the facilities we operate or acquire are non-operational or operational on a limited basis due to the decision to refurbish or upgrade such facilities, due to accidents or events which occur at such facilities, including, but not limited to fires, floods or other acts of God, or any other reason, including problems with the facilities, could adversely affect our revenues and results of operations. Furthermore, any period during which Monument Chemical's and Bunker One's facilities or our other facilities are offline could have an adverse effect on our revenues, force us to seek alternative re-refining facilities (which may be more expensive or require us to transport our feedstock over longer distances) and may increase our expenses, decreasing our operating margins.

Negative publicity may harm our operations and we may face additional expenses due to such negative publicity.

Only a relatively small number of entities operate in our industry including competitors, feedstock suppliers, re-refining operators, purchasers of our products and transportation companies. If issues arise with our products or third parties (including entities which operate in our industry) allege issues with our products, even if no issues with such products exist, such negative publicity may force us to change service providers, undertake certain transportation activities ourselves, at higher costs than third parties would charge, or cause certain of our buyers, sellers or service providers to cease working with us. The result of such actions may result in our expenses increasing, a decrease in our ability to purchase feedstock, or our ability to sell or transport our resulting products, which could cause our revenues to decrease and/or expenses to increase, which could cause a material adverse effect on our results of operations.

Our commercial success will depend in part on our ability to obtain and maintain protection of our intellectual property.

Our success will depend in part on our ability to maintain or obtain and enforce patent rights and other intellectual property protection for our technologies, to preserve our trade secrets, and to operate without infringing upon the proprietary rights of third parties. We currently have five registered patents in the United States (none, internationally), and one pending patent application. If we file additional patent applications for our technologies in the future, such patents may not be granted and the scope of any claims granted in any patent may not provide us with proprietary protection or a competitive advantage. Furthermore, our current patents, or future patents, if granted, may not be valid and may not afford us with protection against competitors with similar technology. The failure to obtain or maintain patents or other intellectual property protection on the technologies underlying our technologies may have a material adverse effect on our competitive position and business prospects. It is also possible that our technologies may infringe on patents or other intellectual property rights owned by others. We may have to alter our products or processes, pay licensing fees, defend an infringement action or challenge the validity of the patents in court, or cease activities altogether because of patent rights of third parties, thereby causing additional unexpected costs and delays to it. A license may not be available to us, if at all, upon terms and conditions acceptable to us and we may not prevail in any intellectual property litigation. Intellectual property litigation is costly and time consuming, and we may not have sufficient resources to pursue such litigation. If we do not obtain a license under such intellectual property rights, are found liable for infringement or are not able to have such patents declared invalid, we may be liable for significant money damages and may encounter significant delays in bringing products to market.

We may be unable to sell our UMO Business.

Our agreement with Safety-Kleen to acquire our UMO Business was terminated in January 2022. We are continuing to seek sales opportunities relating to such UMO Business, but we may be unable to find a purchaser to purchase such UMO Business on as favorable terms as Safety-Kleen had previously agreed to acquire such assets, such sale may be unable to be completed due to required conditions to closing, including governmental regulations, and the knowledge that we are actively trying to sell our UMO Business may result in depressed prices. As a result, we may not be able to sell our UMO Business on favorable terms, if at all and/or may face termination and other fees in connection with any planned sale which is subsequently abandoned.

Competition may impair our success.

New technologies may be developed by others that could compete with our refining and re-refining technologies. In addition, we face competition from other producers of oil substitutes and related products. Such competition is expected to be intense and could significantly drive down the price for our products. Competition will likely increase as prices of energy in the commodities market, including refined and re-refined oil, rise. Additionally, new companies are constantly entering the market, thus increasing the competition even further. These companies may have greater success in the recruitment and retention of qualified employees, as well as in conducting their own refining and re-refining operations, and may have greater access to feedstock, market presence, economies of scale, financial resources and engineering, technical and marketing capabilities, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. If we are unable to compete effectively or adequately respond to competitive pressures, this may materially adversely affect our results of operations and financial condition and could also have a negative impact on our ability to obtain additional capital from investors.

Potential competition from our existing executive officers, after they leave their employment with us, and subject to the non-compete terms of their employment agreements, could negatively impact our profitability.

Although our Chief Executive Officer, Benjamin P. Cowart, our Chief Financial Officer and Secretary, Chris Carlson, and our Chief Operating Officer, John Strickland, are prohibited from competing with us while they are employed with us and for twelve months thereafter (subject to the terms of, and exceptions set forth in, their employment agreements with the Company), none of such individuals will be prohibited from competing with us after such twelve-month period ends. Accordingly, any of these individuals could be in a position to use industry experience gained while working with us to compete with us. Such competition could increase our costs to obtain feedstock, and increase our costs for contracting use of operating assets and services such as third-party refining capacity, trucking services or terminal access. Furthermore, such competition could distract or confuse customers, reduce the value of our intellectual property and trade secrets, or result in a reduction in the prices we are able to obtain for our finished products. Any of the foregoing could reduce our future revenues, earnings or growth prospects.

Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability.

Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean-burning gaseous fuels that may address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for our services. If these non-petroleum-based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for our petroleum-based products is reduced, we may not be able to compete effectively in the marketplace.

We rely on new technology to conduct our business, including TCEP, and our technology could become ineffective or obsolete.

We currently rely on relatively new technology and will be required to continually enhance and update our technology to maintain our efficiency and to avoid obsolescence. Previously, from the third quarter of fiscal 2015, to the fourth quarter of 2019, TCEP was being used to pre-treat our used motor oil feedstock prior to shipping to our facility in Marrero, Louisiana instead of for its originally intended purpose of producing finished cutterstock, due to market conditions. During the fourth quarter of 2019, market conditions improved and we once again began using TCEP for its originally intended purpose of producing finished cutterstock. Starting in the first quarter of 2020, with declining oil prices, such use of TCEP for its originally intended purpose became non-economical and we once again switched to using TCEP to pre-treat our used motor oil feedstock. Additionally, the costs moving forward of enhancing and updating and/or replicating our technology or creating new technology may be substantial and may be higher than the costs that we anticipated for technology maintenance and development. If we are unable to maintain the efficiency of our technology, replicate our technology, or create new technologies, our ability to manage our business and to compete may be impaired. Even if we are able to maintain technical effectiveness, our technology may not be the most efficient means of reaching our objectives, in which case we may incur higher operating costs than we would if our technology was more effective. The impact of these potential future technical shortcomings, including but not limited to the failure of TCEP, the continued non-economic use of TCEP for its originally intended use, and/or the costs associated with enhancing or replicating TCEP, could have a material adverse effect on our prospects, business, financial condition, and results of operations.

Our operations would be significantly negatively affected if we are unable to use our facilities in the future.

If we were not able to use any one or more of our facilities moving forward, our ability to generate revenue and compete in the marketplace would be significantly negatively affected. If we are unable to use our facilities for any reason, we will not be able to effectively generate revenue or compete with additional technologies brought to market by our competitors, the volume of our finished products would decline and our finished products could be worth less, and if our competitors are willing to pay more for feedstock than we are, they could drive up prices, which would cause our revenues to decrease, and cause our cost of sales to increase, respectively. Additionally, if we are forced to pay more for feedstock, our cash flows will be negatively impacted and our margins will decrease.

Our business is subject to local, legal, political, and economic factors which are beyond our control.

We believe that the current political environment for refining and re-refining facilities is sufficiently supportive to enable us to continue to operate our facilities and in the future plan and implement the construction of additional facilities; however, there are risks that conditions will change in an adverse manner. These risks include, but are not limited to, environmental issues, land use, air emissions, water use, zoning, workplace safety, restrictions imposed on the re-refining and refining industry such as restrictions on production, substantial changes in product quality standards, restrictions on feedstock supply, price controls and export controls. Any changes in financial incentives, investment regulations, policies or a shift in political attitudes are beyond our control and may adversely affect our business, plans for future facilities, and future financial results.

Additionally, the U.S. Departments of Transportation, Coast Guard and Homeland Security and various federal, state, local and foreign agencies exercise broad powers over our transportation operations, generally governing such activities as authorization to engage in motor carrier operations, safety and permits to conduct transportation business. We may also become subject to new or more restrictive regulations that the Departments of Transportation and Homeland Security, the Occupational Safety and Health Administration, the Environmental Protection Agency or other authorities impose, including regulations relating to engine exhaust emissions, the hours of service that our drivers may provide in any one-time period, security and other matters. Compliance with these regulations could increase our costs and adversely affect our results of operations.

Our business may be harmed by anti-terrorism measures.

Due to ongoing increased concerns regarding future terrorist attacks and illegal immigration, federal, state and municipal authorities, from time to time, implement various security measures, including checkpoints and travel restrictions on large trucks. Although many companies are adversely affected by slowdowns in the availability of freight transportation, the negative impact could affect our business disproportionately. For example, if the security measures disrupt or impede the timing of our deliveries of feedstock, we may not have sufficient feedstock to run our re-refining processes at full capacity, or may incur increased expenses to do so. These measures may significantly increase our costs and reduce our operating margins and income.

Our business is geographically concentrated and is therefore subject to regional economic downturns.

Our operations and customers are concentrated principally in the Gulf Coast, upper Midwest, and Mid-Atlantic. Therefore, our business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and budget constraints and severe weather conditions. In addition, as we seek to expand in our existing markets, opportunities for growth within this region may become more limited and the geographic concentration of our business may increase.

Our insurance policies do not cover all losses, costs or liabilities that we may experience and if we cannot maintain adequate insurance coverage, we will be unable to continue certain operations.

Our business exposes us to various risks, including claims for causing damage to property and injuries to persons that may involve allegations of negligence or professional errors or omissions in the performance of our services. Such claims could be substantial. We believe that our insurance coverage is presently adequate and similar to, or greater than, the coverage maintained by other similarly situated companies in the industry. If we are unable to obtain adequate or required insurance coverage in the future, or if such insurance is not available at affordable rates, we could be in violation of our permit conditions and other requirements of the environmental laws, rules and regulations under which we operate. Such violations could render us unable to continue certain of our operations. These events could result in an inability to operate certain assets and significantly impair our financial condition.

Notwithstanding the above, our policies do not cover all of our potential losses, costs or liabilities. We could suffer losses for uninsurable or uninsured risks, or in amounts in excess of our existing insurance coverage, which would significantly affect our financial performance. Our insurance policies also have deductibles and self-retention limits that could expose us to significant financial expense. Our ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which we have no control. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. In addition, our business requires that we maintain various types of insurance. If such insurance is not available or not available on economically acceptable terms, our business would be materially and adversely affected.

Claims above our insurance limits, or significant increases in our insurance premiums, may reduce our profitability.

We currently employ approximately 57 full-time drivers. From time to time, some of these employee drivers are involved in automobile accidents. We currently carry liability insurance of $1,000,000 for our drivers, subject to applicable deductibles, and carry umbrella coverage up to $25,000,000. We currently employ over 200 employees. Claims against us may exceed the amounts of available insurance coverage. If we were to experience a material increase in the frequency or severity of accidents, liability claims or workers' compensation claims or unfavorable resolutions of claims, our operating results could be materially affected.

Litigation related to personal injury from the operation of our business may result in significant liabilities and limit our profitability.

The hazards and risks associated with the transport, storage, and handling, treatment and disposal of used oil and other hydrocarbon products (such as fires, spills, explosions and accidents) may expose us to personal injury claims, property damage claims and/or products liability claims from our employees, customers or third parties. As protection against such claims and operating hazards, we maintain insurance coverage against some, but not all, potential losses. However, we may sustain losses for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverage. Due to the unpredictable nature of personal injury litigation, it is not possible to predict the ultimate outcome of any future claims or lawsuits, and we may be held liable for significant personal injury or damage to property or third parties, or other losses, that are not fully covered by our insurance, which could have a material adverse effect on our financial condition, results of operations and cash flows.

The litigation environment in which we operate poses a significant risk to our businesses.

We may be involved from time to time in the ordinary course of business in lawsuits involving employment, commercial, and environmental issues, other claims for injuries and damages, and shareholder and class action litigation, among other matters. We may experience negative outcomes in such lawsuits in the future. Any such negative outcomes could have a material adverse effect on our business, liquidity, financial condition and results of operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of judgment. Actual outcomes or losses may differ materially from such assessments and estimates. The settlement or resolution of such claims or proceedings may have a material adverse effect on our results of operations. In addition, judges and juries in certain jurisdictions in which we conduct business have demonstrated a willingness to grant large verdicts, including punitive damages, to plaintiffs in personal injury, property damage and other tort cases. We use appropriate means to contest litigation threatened or filed against us, but the litigation environment in these areas poses a significant business risk to us and could cause a significant diversion of management resources and could have a material adverse effect on our financial condition, results of operations and cash flows.

The Company’s information technology systems could suffer interruptions, failures or breaches and our business operations could be disrupted adversely effecting results of operations and the Company’s reputation.

The Company’s information technology systems, some of which are dependent on services provided by third parties, serve an important role in the operation of our business. These systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks.

The Company has been, and likely will continue to be, subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. To date, the Company has seen no material impact on our business or operations from these attacks or events. Any future significant compromise or breach of data security, whether external or internal, or misuse of customer, associate, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits, and damage to the Company's reputation. However, the ever-evolving threats mean the Company and its third-party service providers and vendors must continually evaluate and adapt respective systems and processes and overall security environment, as well as those of any companies acquired. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to the Company's business, compliance with those requirements could also result in additional costs.

We operate our business through many locations, and if we are unable to effectively oversee all of these locations, our business reputation and operating results could be materially adversely affected.

Because we operate through various different facilities located throughout the United States, we are subject to risks related to our ability to oversee these locations. If in the future we are unable to effectively oversee our locations, our results of operations could be materially adversely affected, we could fail to comply with environmental regulations, we could lose customers, we could lose control of inventory and other assets, and our business could be materially adversely affected.

Increases in energy costs will affect our operating results and financial condition.

Our production costs will be dependent on the costs of the energy sources used to run our facilities and to procure feedstock. These costs are subject to fluctuations and variations, and we may not be able to predict or control these costs. If these costs exceed our expectations, this may adversely affect our results of operations.

Fluctuations in fuel costs could impact our operating expenses and results.

We operate a fleet of transportation, collection and aggregation trucks to collect and transport used oil and re-refined oil products, among other things. The price and supply of fuel is unpredictable and fluctuates based on events beyond our control, including, among others, geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries (OPEC) and other oil and gas producers, war and unrest in oil producing countries and regional production patterns. We have experienced increases in the cost of fuel over the past several years. Although in the past, we have been able to pass-through some of these costs to our customers, we may not be able to continue to do so in the future. A significant increase in our fuel or other transportation costs could lower our operating margins and negatively impact our profitability.

Our hedging activities may prevent us from benefiting fully from increases in oil prices and may expose us to other risks, including counterparty risk.

We use derivative instruments to hedge the impact of fluctuations in oil prices on our results of operations and cash flows. To the extent that we continue to engage in hedging activities to protect ourselves against commodity price declines, we may be prevented from fully realizing the benefits of increases in oil prices above the prices established by our hedging contracts. In addition, our hedging activities may expose us to the risk of financial loss in certain circumstances, including instances in which the counterparties to our hedging contracts fail to perform under the contracts. Finally, we are subject to risks associated with the adoption of derivatives legislation and regulations related to derivative contracts which if adopted, could have an adverse impact on our ability to hedge risks associated with our business. If regulations adopted in the future require that we post margin for our hedging activities or require our counterparties to hold margin or maintain capital levels, the cost of which could be passed through to us, or impose other requirements that are more burdensome than current regulations, hedging transactions in the future would become more expensive than we experienced in the past.

Competitors that produce their own supply of feedstocks, have more extensive retail outlets, or have greater financial resources may have a competitive advantage.

The refining and re-refining industries are highly competitive with respect to both feedstock supply and refined/re-refined product markets. We compete with many companies for available supplies of feedstocks and for outlets for our products. We do not produce any of our feedstocks. Some of our competitors, however, obtain a portion of their feedstocks from their own production and some have more extensive retail outlets than we have. Competitors that have their own production or extensive retail outlets (and greater brand-name recognition) are at times able to offset losses from their operations with profits from producing or retailing operations, and may be better positioned to withstand periods of depressed margins or feedstock shortages.

Some of our competitors also have materially greater financial and other resources than we have. Such competitors have a greater ability to bear the economic risks inherent in all phases of our business. In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual customers.

Risks Relating to Accounting and Internal Controls

We incur significant costs as a result of operating as a fully reporting company in connection with Section 404 of the Sarbanes Oxley Act, and our management is required to devote substantial time to compliance initiatives.

We incur significant legal, accounting and other expenses in connection with our status as a fully reporting public company. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and rules subsequently implemented by the SEC have imposed various requirements on public companies, including requiring changes in corporate governance practices. As such, our management and other personnel are required to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time consuming and costly. In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing has revealed deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we continue to identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Our ability to use our net operating loss carry-forwards may be subject to limitation.

Under Section 382 of the Internal Revenue Code of 1986, as amended, substantial changes in our ownership may limit the amount of net operating loss carry-forwards that could be utilized annually in the future to offset our taxable income. Specifically, this limitation may arise in the event of a cumulative change in ownership of our company of more than 50% within a three-year period. Any such annual limitation may significantly reduce the utilization of our net operating loss carry-forwards before they expire. At December 31, 2021, the net operating loss carry-forwards are approximately $88.6 million resulting from a 382 study which was completed during 2021. Transactions that may occur in the future may trigger an ownership change pursuant to Section 382, and prior transactions may be deemed to have triggered an ownership change pursuant to Section 382, the result of which could limit the amount of net operating loss carryforwards that we can utilize annually to offset our taxable income, if any. Any such limitation could have a material adverse effect on our results of operations.

Our inventory is subject to significant impairment charges in the event the prices of oil and gas fall sharply after such inventory is acquired.

We did not have an inventory impairment charge for the years ended December 31 2021 and 2020. However, in the event, commodity prices fall sharply during any period requiring the Company to take a non-cash charge/adjustment to the value of our products in inventory taking into account the lower net realizable value for the products being held for sale, we may be required to take significant impairment charges, which could negatively affect our balance sheet, result in us not meeting certain debt ratios set forth in our credit and loan agreements, and negatively affect our cash flows. Future significant impairment charges and/or significant decreases in oil prices could have a material adverse effect on our balance sheet, debt covenants (including creating an event of default) and could further cause the value of our securities to decline in value.

We have identified material weaknesses in our disclosure controls and procedures and internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. As reported under "Part II" - "Item 9. Controls and Procedures", as of December 31, 2021, our CEO and CFO have determined that our disclosure controls and procedures were not effective, and such disclosure controls and procedures have not been deemed effective since approximately September 30, 2018. Separately, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 and determined that such internal control over financial reporting was not effective as a result of such assessment, and such internal control over financial reporting has not been deemed effective since approximately September 30, 2018.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. As of December 31, 2021, the material weakness in our internal control over financial reporting related to the fact that management did not maintain appropriately designed entity-level controls impacting the control environment, risk assessment procedures and effective monitoring controls to detect or prevent material misstatements to the financial statements. These deficiencies were attributed to: lack of structure and responsibility, insufficient number of qualified resources and inadequate oversight, inadequate oversight and accountability over the performance of internal control related responsibilities, ineffective assessment and identification of risks impacting internal control, and ineffective evaluation and determination as to whether the components of internal control were present and functioning, and further relate to the fact that the Company did not appropriately design and maintain effective segregation of duties controls to timely detect and independently review instances where individuals with access to post a journal entry may also have edited or created the journal entry, the Company did not design and maintain controls over the documentation of the completeness and accuracy of key spreadsheets and reports used in financial reporting, the Company did not design and maintain effective controls over certain IT general controls for information systems that are relevant to the preparation of our financial statements, the Company did not design and maintain controls over the documentation of detective controls over Period-end Financial Reporting, specifically controls over the proper review of balance sheet reconciliations, financial statement disclosures, and significant accounting transactions, the Company did not maintain controls over the documentation relating to the accounting for revenue transactions, specifically procedures over the existence, completeness, and accuracy of data used to support accounts related to revenue and accounts receivable, the Company did not design and maintain controls over the documentation relating to the completeness and accuracy of the accounting for inventory transactions, specifically procedures over the existence, completeness, and accuracy of data used to support accounts related to inventory and cost of sales included in the financial statement close process, the Company did not maintain controls over the documentation of treasury transactions, specifically documentation of the review of the application of cash receipts and payments to customer and vendor accounts and review of the online access to bank accounts, and the Company did not maintain adequate design and controls over the documentation and review relating to income tax accounting and disclosures for the significant components of deferred tax assets and liabilities.

Maintaining effective disclosure controls and procedures and effective internal control over financial reporting are necessary for us to produce reliable financial statements and the Company is committed to remediating its material weaknesses in such controls as promptly as possible. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock, and/or result in litigation against us or our management. In addition, even if we are successful in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or facilitate the fair presentation of our financial statements or our periodic reports filed with the SEC.

Risks Relating to Acquisitions

Our strategy includes pursuing acquisitions, partnerships and joint ventures and our potential inability to successfully integrate newly-acquired companies or businesses, or successfully manage our partnerships and joint ventures may adversely affect our financial results.

In the future, we may seek to grow our business by investing in new or existing facilities or technologies, making acquisitions (similar to our pending Mobile Refinery acquisition) or entering into partnerships and joint ventures. Acquisitions, partnerships, joint ventures or investments may require significant managerial attention, which may divert management from our other activities and may impair the operation of our existing businesses. Any future acquisitions of businesses or facilities could entail a number of additional risks, including:

- the failure to successfully integrate the acquired businesses or facilities or new technology into our operations;
- incurring significantly higher than anticipated capital expenditures and operating expenses;
- disrupting our ongoing business;
- dissipating our management resources;
- failing to maintain uniform standards, controls and policies;
- the inability to maintain key pre-acquisition business relationships;
- loss of key personnel of the acquired business or facility;
- incurring significant debt;
- significant dilution to existing stockholders in the event that equity is provided as part of the consideration for the transaction(s);
- exposure to unanticipated liabilities; and
- the failure to realize efficiencies, synergies and cost savings.

We may also assume liabilities and environmental liabilities as part of acquisitions. Although we will endeavor to accurately estimate and limit liabilities and environmental liabilities presented by the businesses or facilities to be acquired, some liabilities, including ones that may exist only because of the past operations of an acquired business or facility, may prove to be more difficult or costly to address than we estimate. It is also possible that government officials responsible for enforcing environmental laws may believe an environmental liability is more significant than we then estimate, or that we will fail to identify or fully appreciate an existing liability before we become legally responsible to address it. We may have no recourse, or only limited recourse, to the former owners of such properties in the event such liabilities are present. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow.

The consolidation of our operations with the operations of acquired companies, including the consolidation of systems, procedures, personnel and facilities, the relocation of staff, and the achievement of anticipated cost savings, economies of scale and other business efficiencies, presents significant challenges to our management, particularly if several acquisitions occur at the same time. Fully integrating an acquired company or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also could impact our financial position and capital needs, and could cause substantial fluctuations in our quarterly and yearly results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings or increase our stated losses.

We may not successfully identify and complete acquisitions on favorable terms or achieve anticipated synergies relating to any acquisitions, and such acquisitions could result in unforeseen operating difficulties and expenditures and require significant management resources.

We regularly review potential acquisitions of complementary businesses, services or products. However, we may be unable to identify suitable acquisition candidates in the future. Even if we identify appropriate acquisition candidates, we may be unable to complete or finance such acquisitions on favorable terms, if at all. In addition, the process of integrating an acquired business, service or product into our existing business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may require significant management resources that otherwise would be available for ongoing development of our business. Moreover, we may not realize the anticipated benefits of any acquisition or strategic alliance and such transactions may not generate anticipated financial results. Future acquisitions could also require us to incur debt, assume contingent liabilities or amortize expenses related to intangible assets, any of which could harm our business.

Our ability to make acquisitions may be adversely impacted by our outstanding indebtedness and by the price of our stock.

Our ability to make future business acquisitions, particularly those that would be financed solely or in part through cash from operations, may be curtailed due to our obligations to make payments of principal and interest on our outstanding indebtedness. We may not have sufficient capital resources, now or in the future, and may be unable to raise sufficient additional capital resources on terms satisfactory to us, if at all, in order to meet our capital requirements for such acquisitions. In addition, the terms of our indebtedness include covenants that directly restrict, or have the effect of restricting, our ability to make certain acquisitions while this indebtedness remains outstanding. To the extent that the amount of our outstanding indebtedness has a negative impact on our stock price, using our common stock as consideration will be less attractive for potential acquisition candidates. The future trading price of our common stock could limit our willingness to use our equity as consideration and the willingness of sellers to accept our shares and as a result could limit the size and scope of our acquisition program. If we are unable to pursue strategic acquisitions that would enhance our business or operations, the potential growth of our business and revenues may be adversely affected.

The Heartland Company Agreement includes redemption rights.

Heartland SPV Class A Unit holders (common and preferred) (currently owned 65% by Tensile-Heartland and 35% by the Company) may force Heartland SPV to redeem the outstanding Class A Units at any time on or after the earlier of (a) January 17, 2025 and (ii) the occurrence of a Heartland Triggering Event. The cash purchase price for such redeemed Class A Unit will be the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party agreed to in writing by a majority of the holders seeking Heartland Redemption and Vertex Operating (provided that Vertex Operating still owns Class B Units on such date) and (z) the Class A preference. The preference is defined as the greater of (A) the aggregate unpaid Class A yield equal to 22.5% per year or (B) an amount equal to the original per-unit price for such Class A Units plus fifty percent (50%) of the aggregate capital invested by the Class A Unit holders through such Heartland Redemption date.

Distributions of available cash of Heartland SPV pursuant to the Heartland Company Agreement (including pursuant to liquidations of Heartland SPV), subject to certain exceptions set forth therein, are to be made (a) first, to the holders of the Class A Preferred Units, in amount equal to the greater of (A) the aggregate unpaid Class A Yield and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class A Preferred Unit holders (initially Tensile-Heartland)(such aggregate capital invested by the Class A Preferred Unit holders, the "Heartland Invested Capital", which totaled approximately $21 million as of the Heartland Closing Date, subject to adjustment as provided in the Heartland Share Purchase), less prior distributions (such greater amount of (A) and (B), the "Class A Preferred Priority Distributions"); (b) second, the Class A Preferred Unitholders, together as a separate and distinct class, are entitled to receive an amount equal to the aggregate Heartland Invested Capital; (c) third, the Class B Unitholders (other than Class B Unitholders which received Class B Units upon conversion of Class A Preferred Units), together as a separate and distinct class, are entitled to receive all or a portion of any distribution equal to the sum of all distributions made under sections (a) and (b) above; and (d) fourth, to the holders of Units who are eligible to receive such distributions in proportion to the number of Units held by such holders.

The exercise of the redemption rights may have an adverse effect on the Company, its revenues, and/or prospects, and may cause the value of its securities to decline in value or become worthless.

The MG Company Agreement includes redemption rights.

The MG SPV Class B Unit holders may force MG SPV (currently owned 85% by the Company and 15% by Tensile-MG) to redeem the outstanding Class B Units at any time on or after the earlier of (a) July 26, 2024 and (b) the occurrence of an applicable triggering event. The cash purchase price for such redeemed Class B Units is the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party and (z) the Class B preference. Preference is defined as the greater of (A) the aggregate unpaid Class B yield, which equals 22.5% per annum and (B) an amount equal to original per-unit price for such Class B Units plus fifty percent (50%) of the aggregate capital invested by the Class B Unit holders through such redemption date. MG SPV may not have sufficient funds to redeem such Class B Units on such required redemption date and/or the Company may be forced to advance funds to MG SPV to allow it to complete such redemption, if such redemption is triggered.

Distributions of available cash of MG SPV pursuant to the MG Company Agreement (including pursuant to liquidations of MG SPV), subject to certain exemptions and exemptions set forth therein, are to be made (a) first, to the holders of the Class B Units, in an amount equal to the greater of (A) the aggregate unpaid "Class B Yield" (equal to an annual return of 22.5% per annum) and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class B Unit holders (initially Tensile-MG)(such aggregate capital invested by the Class B Unit holders, the "MG Invested Capital", which totals $3 million as of the Closing Date), less prior distributions (the greater amount of (A) and (B), the "Class B Priority Distributions"); (b) second, the Class B Unitholders, together as a separate and distinct class, are entitled to receive an amount equal to the aggregate MG Invested Capital; (c) third, the Class A Unitholders (other than Class A Unitholders which received Class A Units upon conversion of Class B Units), together as a separate and distinct class, are entitled to receive all or a portion of any distribution equal to the sum of all distributions made under sections (a) and (b) above; and (d) fourth, to the holders of Units who are eligible to receive such distributions in proportion to the number of Units held by such holders.

The exercise of the redemption rights may have an adverse effect on the Company, its revenues, and/or prospects, and may cause the value of its securities to decline in value or become worthless.

Our acquisitions may expose us to unknown liabilities.

Because we have acquired, and expect generally to acquire in the future, all the outstanding shares of certain of our acquisition targets, our investment in those companies are or will be subject to all of their liabilities other than their respective debts which we paid or will pay at the time of the acquisitions. If there are unknown liabilities or other obligations, our business could be materially affected. We may also experience issues relating to internal controls over financial reporting that could affect our ability to comply with the Sarbanes-Oxley Act, or that could affect our ability to comply with other applicable laws.

Legal, Environmental, Governmental and Regulatory Risks

Currently pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.

From time to time, we are involved in lawsuits, regulatory inquiries and may be involved in governmental and other legal proceedings arising out of the ordinary course of our business. For example, we are currently involved in ongoing lawsuits seeking damages relating to alleged noxious and harmful emissions from our facility located in Marrero, Louisiana and ongoing issues in connection with Penthol LLC's termination of the June 2016 Sales and Marketing Agreement. Each of these matters are described in greater detail under "Part II" - "Item 8. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 4. Concentrations, Significant Customers, Commitments and Contingencies", under the heading "Litigation". Many of these matters raise difficult and complicated factual and legal issues and are subject to uncertainties and complexities. The timing of the final resolutions to these matters (including pending matters) is often uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our results of operations and liquidity.

Climate change may adversely affect our facilities and our ongoing operations.

The potential physical effects of climate change on our operations are highly uncertain and depend upon the unique geographic and environmental factors present. Examples of such effects include rising sea levels at our coastal facilities, changing storm patterns and intensities, and changing temperature levels. As many of our facilities are located near coastal areas, rising sea levels may disrupt our ability to operate those facilities or transport feedstock and products. Extended periods of such disruption could have an adverse effect on our results of operation. We could also incur substantial costs to protect or repair these facilities.

We are subject to numerous environmental and other laws and regulations and, to the extent we are found to be in violation of any such laws and regulations, our business could be materially and adversely affected.

We are subject to extensive federal, state, and local laws and regulations relating to the protection of the environment which, among other things:

- regulate the collection, transportation, handling, processing and disposal of hazardous and non-hazardous wastes;
- impose liability on persons involved in generating, handling, processing, transporting or disposing hazardous materials;
- impose joint and several liability for remediation and clean-up of environmental contamination; and
- require financial assurance that funds will be available for the closure and post-closure care of sites where hazardous wastes are stored, processed or disposed.

The breadth and complexity of all of these laws and regulations impacting us make consistent compliance extremely difficult and often result in increased operating and compliance costs, including requiring the implementation of new programs to promote compliance. Even with these programs, we and other companies in the industry are routinely faced with legal and administrative proceedings which can result in civil and criminal penalties, interruption of business operations, fines or other sanctions and require expenditures.

Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable environmental laws or regulations, it could significantly increase our cost of doing business.

Additionally, under current law, we may be held liable for damage caused by conditions that existed before we acquired our assets and/or before we took control of our leased properties or if we arranged for the transportation, disposal or treatment of hazardous substances that cause environmental contamination. In the future, we may be subject to monetary fines, civil or criminal penalties, remediation, clean-up or stop orders, injunctions, orders to cease or suspend certain practices or denial of permits required to operate our facilities and conduct our operations. The outcome of any proceeding and associated costs and expenses could have a material adverse impact on our operations and financial condition.

Our trucking operations are subject to a number of federal, state and local rules and regulations generally governing such activities as authorization to engage in motor carrier operations, safety compliance and reporting, contract compliance, insurance requirements, taxation and financial reporting. We could be subject to new or more restrictive regulations, such as regulations relating to engine emissions, drivers' hours of service, occupational safety and health, ergonomics or cargo security. Compliance with such regulations could substantially reduce equipment productivity, and the costs of compliance could increase our operating expenses.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBMs, and may impose fines and penalties for failure to comply with these requirements. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building or plant. In addition, the presence of ACBM in our properties or plants may expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos).

Environmental laws and regulations are subject to change and may become increasingly stringent or relaxed. Interpretation or enforcement of existing laws and regulations, or the adoption of new laws and regulations, may require us to modify or curtail our operations or replace or upgrade our facilities or equipment at substantial costs which we may not be able to pass on to our customers. On the other hand, if new laws and regulations are less stringent, then our customers or competitors may be able to compete with us more effectively, without reliance on our services, which could decrease the need for our services and/or increase competition which could adversely affect our revenues and profitability, if any.

We are required to obtain and maintain permits, licenses and approvals to conduct our operations in compliance with such laws and regulations. If we are unable to maintain our currently held permits, licenses and approvals, we may not be able to continue certain of our operations. If we are unable to obtain any additional permits, licenses and approvals which may be required as we expand our operations, we may be forced to curtail or abandon our current and/or future planned business operations.

In addition, mandatory fuel standards have been adopted in many jurisdictions which can be costly to implement and maintain compliance. For example, the International Maritime Organization required, as of January 1, 2020, that ships must comply with new low sulfur fuel oil requirements ("IMO 2020"). Shipping companies were able to comply with this requirement by either using fuel with low sulfur content, which is more expensive than standard marine fuel, or by upgrading vessels to provide cleaner exhaust emissions, such as by installing "scrubbers" or retrofitting vessels to be powered by liquefied natural gas ("LNG"). The continued cost of compliance with these regulatory changes may be significant for shipping companies and it is uncertain how the availability and price of fuel globally will be affected by the implementation of the IMO 2020 regulations as refineries adjust their capacity to increase production of compliant fuels. These and future changes to applicable standards or other more stringent requirements in the industries we serve could reduce our ability to procure feedstocks, reduce our margins, increase our operational expenses, increase fuel prices, require us to incur additional handling costs and/or require the expenditure of capital. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of our products or we are unable to adequately source compliant fuels, our business and result of operations would be adversely affected. Furthermore, IMO 2020 and/or other regulations may decrease demand for our products or force us to change the mix of products we offer. With the COVID-19 pandemic during 2020, it has been hard to see the real impact of IMO 2020 on our operations; however, so far, we are seeing strong demand for our finished products.

Environmental risks and regulations may adversely affect our business.

All phases of designing, constructing and operating our refining and re-refining plants present environmental risks and hazards. We are subject to environmental regulation implemented or imposed by a variety of federal, state and municipal laws and regulations as well as international conventions. Among other things, environmental legislation provides for restrictions and prohibitions on spills and discharges, as well as emissions of various substances produced in association with our operations. Legislation also requires that facility sites be operated, maintained, abandoned and reclaimed in such a way that would satisfy applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which could be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability, as well as potentially increased capital expenditures and operating costs. The presence or discharge of pollutants in or into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such presence or discharge.

Environmental, health and safety laws, regulations and permit requirements, and the potential for further expanded laws, regulations and permit requirements may increase our costs or reduce demand for our products and thereby negatively affect our business. Environmental permits required for our operations are subject to periodic renewal and may be revoked or modified for cause or when new or revised environmental requirements are implemented. Changing and increasingly strict environmental requirements and the potential for further expanded regulation may increase our costs and can affect the manufacturing, handling, processing, distribution and use of our products. If so affected, our business and operations may be materially and adversely affected. In addition, changes in these requirements may cause us to incur substantial costs in upgrading or redesigning our facilities and processes, including our waste treatment, storage, disposal and other waste handling practices and equipment. For these reasons, we may need to make capital expenditures beyond those currently anticipated to comply with existing or future environmental or safety laws. The application of environmental, health and safety laws, regulations and permit requirements to our business may cause us to limit our production, significantly increase the costs of our operations and activities, reduce the market for our products or to otherwise adversely affect our financial condition, results of operations or prospects.

Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating and capital costs and reduced demand for our products.

There is a significant number of scientific studies showing that emissions of greenhouse gases, or GHGs, such as carbon dioxide and methane, are linked to climate change. Climate change and the costs that may be associated with its impacts and the regulation of GHGs affect our business in many ways, including negatively impacting the costs of our operations, transportation costs, feedstock costs and demand for our products (due to changes in both costs and weather patterns).

In recent years, the U.S. Congress has from time to time considered adopting new and expanded legislation to reduce emissions of GHGs and several states have already taken legal measures to reduce emissions of GHGs primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Most of these cap-and-trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is generally reduced each year in an effort to achieve the overall GHG emission reduction goal.

Depending on the scope of a particular program, we could be required to purchase and surrender allowances for GHG emissions resulting from our operations. Although most of the state-level initiatives have to date been focused on large sources of GHG emissions, such as electric power plants, it is possible that smaller sources such as our operations could become subject to GHG-related regulation. Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for GHG emissions resulting from our operations. Independent of Congress, the Environmental Protection Agency (EPA) has adopted regulations controlling GHG emissions under its existing Clean Air Act authority. For example, on December 15, 2009, the EPA officially published its findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings by the EPA allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. In 2009, the EPA adopted rules regarding regulation of GHG emissions from motor vehicles. In 2010, EPA also issued a final rule, known as the "Tailoring Rule," that makes certain large stationary sources and modification projects subject to permitting requirements for greenhouse gas emissions under the Clean Air Act. In addition, on September 22, 2009, the EPA issued a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the U.S. beginning in 2011 for emissions occurring in 2010. None of our facilities currently generate enough greenhouse gasses to be subject to this reporting requirement under this rule, but we could become subject to such reporting requirements in the future.

Although it is not possible at this time to accurately estimate how potential future laws or regulations addressing greenhouse gas emissions would impact our business, any future federal laws or implementation of regulations that may be adopted to address greenhouse gas emissions could require us to incur increased operating costs and could adversely affect demand for our feedstocks and resulting products, and/or increase our transportation costs. The potential increase in the costs of our operations resulting from any legislation or regulation to restrict emissions of greenhouse gases could include new or increased costs to operate and maintain our facilities, install new emission controls on our facilities, acquire allowances to authorize our greenhouse gas emissions, pay any taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program. While we may be able to include some or all of such increased costs in the rates charged for our products, such recovery of costs is uncertain. Moreover, incentives to conserve energy or use alternative energy sources could reduce demand for our products and/or lower the supply of our feedstocks. We cannot predict with any certainty at this time how these possibilities may affect our operations. Many scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate change that could have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events; if such effects were to occur, they could have an adverse effect on our operations.

The adoption of regulations implementing recent financial reform legislation could impede our ability to manage business and financial risks by restricting our use of derivative instruments as hedges against fluctuating commodity prices.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") establishes federal oversight and regulation of over-the-counter ("OTC") derivatives and requires the SEC and the Commodity Futures Trading Commission (the "CFTC") to enact further regulations affecting derivatives, including those we use to hedge our commodity exposure. Although the CFTC and the SEC have issued final regulations in certain areas, final rules in other areas and the scope of relevant definitions and/or exemptions still remain to be finalized.

The above regulations and rules could increase the costs to us of entering into derivatives to hedge or mitigate our commodity price exposure. If we voluntarily or involuntarily reduce our use of derivative contracts as a result of the new requirements, we become more exposed to commodity price fluctuations, which could adversely affect our ability to conduct our operations and/or hedge against falling prices, the result of which may mean more extreme swings in our results of operations and ultimately a decline in the value of our securities.

We could be subject to involuntary shutdowns or be required to pay significant monetary damages or remediation costs if we are found to be a responsible party for the improper handling or the release of hazardous substances.

As a company engaged in the sale, handling, transportation, storage, recycling and disposal of materials that are or may be classified as hazardous by federal, state, provincial or other regulatory agencies, we face risks of liability for environmental contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or "CERCLA" or Superfund, and similar state laws impose strict liability for clean-up costs on current or former owners and operators of facilities that release hazardous substances into the environment, as well as on the businesses that generate those substances or transport them. As a potentially responsible party, or "PRP," we may be liable under CERCLA for substantial investigation and cleanup costs even if we operate our business properly and comply with applicable federal and state laws and regulations. Liability under CERCLA may be joint and several, which means that if we were found to be a business with responsibility for a particular CERCLA site, we could be required to pay the entire cost of the investigation and cleanup, even though we were not the party responsible for the release of the hazardous substance and even though other companies might also be liable. Even if we are able to identify who the other responsible parties might be, we may not be able to compel them to contribute to the remediation costs, or they might be insolvent or unable to contribute due to lack of financial resources.

Our facilities, the Mobile Refinery (which we plan to acquire), and the facilities of our clients and third-party contractors may have generated, used, handled and/or disposed of hazardous substances and other regulated wastes. Environmental liabilities could exist, including cleanup obligations at these facilities or at off-site locations, which could result in future expenditures that cannot be currently quantified and which could materially reduce our profits. In addition, new services or products offered by us could expose us to further environmental liabilities for which we have no historical experience and cannot estimate our potential exposure to liabilities.

Risks Related to Our Common Carrier Operations

We face competition from other common carriers and transportation providers.

Crossroads is a common carrier that provides transportation and logistical services for liquid petroleum products, as well as other hazardous materials and waste streams. We face competition from trucking companies, railroads, motor carriers and, to a lesser extent, ships and barges. In addition to price competition, we face competition with respect to transit times and quality and reliability of service. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation, automating transportation and/or increased competition from competitors, including competitors with more resources than us, could have a material adverse effect on our results of operations, financial condition, and liquidity. Additionally, any future consolidation of the trucking industry could materially affect the competitive environment in which we operate.

Risks Related to Our Securities

Our Chief Executive Officer, Benjamin P. Cowart, has significant voting control over us, and Mr. Cowart, as a significant shareholder, may, take actions that are not in the interests of other stockholders.

Benjamin P. Cowart, our Chairman, President and Chief Executive Officer, beneficially owns approximately 15.5% of our common stock and approximately 11.7% of our total voting stock, and as such, Mr. Cowart exercises significant control in determining the outcome of corporate transactions or other matters, including the election of directors, mergers, consolidations, the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. The interests of Mr. Cowart may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other stockholders. Should conflicts of interest arise, Mr. Cowart may not act in the best interests of our other stockholders and conflicts of interest may not be resolved in a manner favorable to our other stockholders.

We currently have a volatile market for our common stock, and the market for our common stock is and may remain volatile in the future.

We currently have a volatile market for our common stock, which market is anticipated to remain volatile in the future, and will likely be subject to wide fluctuations in response to several factors, including, but not limited to:

- actual or anticipated variations in our results of operations;
- plans for acquisitions, timing of planned projects and availability of funding;
- our ability or inability to generate revenues;
- the number of shares in our public float;
- increased competition; and
- conditions and trends in the market for oil refining and re-refining services, transportation services and oil feedstock.

Our common stock is currently listed on The NASDAQ Capital Market. The 52 week trading range of our common stock has fluctuated between $1.14 per share on March 9, 2021, and $14.32 per share on June 30, 2021. Our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Stockholders and potential investors in our common stock should exercise caution before making an investment in us, and should not rely solely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in our public reports, industry information, and those business valuation methods commonly used to value private companies.

Additionally, the market price of our common stock historically has fluctuated significantly based on, but not limited to, such factors as general stock market trends, announcements of developments related to our business, actual or anticipated variations in our operating results, our ability or inability to generate new revenues, and conditions and trends in the industries in which our customers are engaged.

In recent years, the stock market in general has experienced extreme price fluctuations that have oftentimes been unrelated to the operating performance of the affected companies. Similarly, the market price of our common stock may fluctuate significantly based upon factors unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock.

Our outstanding options and convertible securities may adversely affect the trading price of our common stock.

As of the date of the filing, we had (i) outstanding stock options to purchase an aggregate of 4,195,168 shares of common stock at a weighted average exercise price of $1.73 per share; (ii) outstanding warrants to purchase 1,500,000 shares of common stock at an exercise price of $2.25; and (iii) 381,155 outstanding shares of Series A Convertible Preferred Stock (which convert on a one-for-one basis (subject to adjustments for stock splits and recapitalizations) into common stock). For the life of the options and warrants, the holders have the opportunity to profit from a rise in the market price of our common stock without assuming the risk of ownership. The issuance of shares upon the exercise of outstanding securities will also dilute the ownership interests of our existing stockholders.

The availability of these shares for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. We cannot predict the size of future issuances of our common stock pursuant to the exercise of outstanding options or warrants or conversion of other securities, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline.

In addition, the common stock issuable upon exercise/conversion of outstanding convertible securities may represent overhang that may also adversely affect the market price of our common stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens the price of our stock will decrease, and any additional shares which stockholders attempt to sell in the market will only further decrease the share price. If the share volume of our common stock cannot absorb shares sold by holders of our outstanding convertible securities, then the value of our common stock will likely decrease.

Risks Relating to our Preferred Stock

We have established preferred stock which can be designated by the Board of Directors without shareholder approval and have established Series A Preferred Stock, which give the holders thereof a liquidation preference.

We have 50 million shares of preferred stock authorized, which includes 5 million shares of designated Series A Preferred Stock of which 381,155 shares are issued and outstanding, 10 million designated shares of Series B Preferred Stock, of which no shares are issued and outstanding, and 17 million designated shares of Series B1 Preferred Stock, of which no shares are issued and outstanding. The Series A Preferred Stock has a liquidation preference of $1.49 per share. As a result, if we were to dissolve, liquidate or sell our assets, the holders of our Series A Preferred Stock would have the right to receive up to the first approximately $0.6 million in proceeds from any such transaction. The payment of the liquidation preferences could result in common stock stockholders not receiving any consideration if we were to liquidate, dissolve or wind up, either voluntarily or involuntarily. Additionally, the existence of the liquidation preference may reduce the value of our common stock, make it harder for us to sell shares of common stock in offerings in the future, or prevent or delay a change of control. Because our board of directors is entitled to designate the powers and preferences of the preferred stock without a vote of our stockholders, subject to Nasdaq rules and regulations, our stockholders will have no control over what designations and preferences our future preferred stock, if any, will have.

Risks Related to the Planned Acquisition of the Mobile Refinery and Planned Acquisition of 100% of Heartland SPV and MG SPV

Completion of the acquisition of the Mobile Refinery is subject to certain conditions, and if these conditions are not satisfied or waived, the acquisition will not be completed.

The obligations of the parties to the Mobile Refinery acquisition agreement to complete such sale and purchase are subject to satisfaction or waiver (if permitted) of a number of conditions. The satisfaction of all of the required conditions could delay the completion of the transaction for a significant period of time or prevent it from occurring. Any delay in completing the acquisition could cause the Company not to realize some or all of the benefits that the Company expects to achieve if the acquisition is successfully completed within its expected time frame. Further, there can be no assurance that the conditions to the closing of the acquisition will be satisfied or waived or that the acquisition will be completed.

Failure to complete the Mobile Refinery acquisition could negatively impact our stock price and future business and financial results.

If the Mobile Refinery acquisition is not completed, our ongoing business may be adversely affected and we would be subject to a number of risks, including the following:

- we will not realize the benefits expected from the Mobile Refinery acquisition, including a potentially enhanced competitive and financial position, expansion of assets and therefore opportunities, and will instead be subject to all the risks we currently face as an independent company;

- we may experience negative reactions from the financial markets and our partners and employees;

- the Mobile Refinery acquisition places certain restrictions on the conduct of our business prior to the completion of the Mobile Refinery acquisition or the termination of the Mobile Refinery acquisition. Such restrictions, the waiver of which is subject to the consent of the counterparties to such agreement, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Mobile Refinery acquisition; and

- matters relating to the Mobile Refinery acquisition (including integration planning) may require substantial commitments of time and resources by our management, which would otherwise have been devoted to other opportunities that may have been beneficial to us.

Significant costs are expected to be incurred in connection with the consummation of the Mobile Refinery acquisition and integration of the Company and the Mobile Refinery into a single business, including legal, accounting, financial advisory and other costs.

If the Mobile Refinery acquisition is consummated, the Company is expected to incur significant costs in connection with integrating the Mobile Refinery operations. These costs may include costs for:

- employee redeployment, relocation or severance;
- integration of information systems; and
- reorganization or closures of facilities.

In addition, the Company expects to incur a number of non-recurring costs associated with combining the operations of the Mobile Refinery, which cannot be estimated accurately at this time. The Company will also incur transaction fees and other costs related to the Mobile Refinery acquisition. Additional unanticipated costs may be incurred in the integration of the Mobile Refinery. Upon completion of the Mobile Acquisition, and provided that our fundraising initiatives are successful, we plan to complete the Conversion for an additional cost of approximately $72.0 million. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that the Company will be successful in these integration efforts.

Combining the Mobile Refinery and the Company may be more difficult, costly or time-consuming than expected and the Company may fail to realize the anticipated benefits of the acquisition of the Mobile Refinery, including expected financial and operating performance of the Company.

The success of the acquisition of the Mobile Refinery will depend, in part, on the Company's ability to realize anticipated cost savings from combining the businesses of the Company and the Mobile Refinery. To realize the anticipated benefits and cost savings from the Mobile Refinery acquisition, the Company must successfully integrate and combine the business of the Mobile Refinery in a manner that permits those cost savings to be realized. If the Company is not able to successfully achieve this objective, the anticipated benefits of the Mobile Refinery may not be realized fully or at all or may take longer to realize than expected.

The Company and the Mobile Refinery have operated, and until the completion of the acquisition of the Mobile Refinery, must continue to operate independently. It is possible that the integration process could result in the loss of key employees, the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits and cost savings. Integration efforts may also divert management attention and resources. These integration matters could have an adverse effect on each of the Company and the Mobile Refinery during this transition period and for an undetermined period after completion of the acquisition of the Mobile Refinery.

We will need to raise significant additional capital to complete the acquisition of the Mobile Refinery, a planned capital project, and to pay other expenses associated with the Mobile Refinery.

The initial base purchase price for the Mobile Refinery is $75.0 million, and together with related assets and other costs payable at closing, the total purchase price is expected to be approximately $86.7 million. The funds from the sale of the Convertible Notes will not be sufficient, on their own, to allow us to complete the acquisition of the Mobile Refinery, and we currently estimate that we will need approximately an additional $53.0 million to complete such acquisition (in addition to amounts from the Convertible Note offering currently held in escrow which are anticipated to be used to pay the purchase price for the Mobile Refinery). We plan to raise this funding through the Term Loan, described above under "Item 1. Business—Recent Transactions—Commitment Letter", which we have received a Commitment Letter in connection with, in the amount of $125 million, which will be a three year, first-lien senior secured term loan facility. In addition, we are also required to pay for the hydrocarbon inventory located at the Mobile Refinery, as valued at closing, and the purchase price is subject to other customary purchase price adjustments and reimbursement for certain capital expenditures. Upon completion of the acquisition of the Mobile Refinery and provided that our fundraising initiatives are successful, we plan to follow through with completion of the Conversion at an additional cost of approximately $72.0 million, for a total cost of the Conversion of approximately $85.0 million. We also anticipate the need for approximately $125.0 million of working capital in connection with the Mobile Refinery. We currently anticipate raising such additional required funding for the Mobile Acquisition and other items described above through the Term Loan and a secured working capital facility in the amount of approximately $125.0 million. However, we have not entered into any definitive agreements regarding such funding to date (other than the Commitment Letter and an escrow agreement relating to the Term Loan, provided that such Term Loan remains subject to various conditions to closing), and such funding may not be available on favorable terms, if at all. If debt financing is available and obtained, our interest expense may increase and we may be subject to the risk of default, depending on the terms of such financing. If equity financing is available and obtained it may result in our stockholders' experiencing significant dilution. If such financing is unavailable, we may be unable to complete the acquisition of the Mobile Refinery and/or may be unable to complete the planned capital project.

We anticipate financing a portion of the acquisition of the Mobile Refinery by way of the secured Term Loan, and financing certain working capital and other amounts by way of a secured working capital facility, both of which are expected to be secured by a priority security interest in substantially all of our assets.

As described above, we currently anticipate raising required funding to complete the Mobile Acquisition, to complete a planned capital project thereon, and for working capital, through the entry into the Term Loan in the amount of $125.0 million and a secured working capital facility in the amount of approximately $125.0 million. While we have entered into a Commitment Letter relating to the Term Loan, we have not entered into any definitive documents relating to the secured working capital facility to date. In the event that such funding is available to us, and we are able to borrow such planned funding, we anticipate our obligations under the debt facilities being secured by a priority security interest in substantially all of our assets, with the Term Loan being secured by a first priority security interest in the Mobile Refinery, assuming we are successful in closing the acquisition of such refinery, and the working capital facility being secured by a first priority security interest in our inventory and receivables. We further expect that substantially all of our subsidiaries would be required to guarantee our obligations under such loan facilities. As such, our creditors will likely have security interests over our assets and/or our subsidiaries which secure the repayment of such obligations, and in the event we default under such facilities, the lenders may be able to take control of our assets and operations, force a sale of our assets, force us to seek bankruptcy protection, or force us to curtail or abandon our current business plans and operations. If that were to happen, any investment in the Company (including, but not limited to any investment in our common stock) could become worthless.

The borrowing of funds under the Term Loan remains subject to various conditions precedent which may not be met on a timely basis, if at all, are subject to a Commitment Letter which may require significant interest payments before funding, and may be subject to various covenants and requirements, and the terms of such funding may materially adversely affect current stockholders.

On February 17, 2022, the Company's wholly-owned subsidiary, Vertex Refining Alabama LLC, entered into the Commitment Letter with a syndicate of lenders in respect of a three-year, $125 million first-lien senior secured term loan facility (the Term Loan). The closing date and the funding of the Term Loan are subject to the closing of the Company's planned acquisition of the Mobile Refinery, in addition to various conditions precedent, as set forth in more detail in the Commitment Letter. The Term Loan proceeds are expected to be used by the Company and its wholly-owned subsidiaries to fund a portion of the purchase price of the Mobile Refinery, a portion of a planned renewable diesel conversion project at the Mobile Refinery, liquidity needs, and certain fees and expenses associated with the closing of the Term Loan. The Term Loan is expected to be secured by substantially all of the present and after-acquired assets of the Company and its subsidiaries and to be guaranteed by the Company and certain of its subsidiaries.

The commitments and undertakings of the lenders under the Commitment Letter will automatically terminate on the first to occur of (a) April 1, 2022, (b) consummation of the acquisition of the Mobile Refinery without use of the facility or if the lenders become aware of a breach of the exclusivity provisions of the Commitment Letter, (c) the closing date of the Term Loan and the release of the Term Loan proceeds to the Company, (d) the termination of the Refinery Purchase Agreement in accordance with its terms prior to the closing date and (e) the date upon which the Company breaches its obligations under the Commitment Letter or otherwise fails to comply with the terms and conditions of the Commitment Letter (unless such breach or failure is cured within two (2) business days following the Company's receipt of notice of such breach or failure).

The Term Loan will bear interest at a rate per annum equal to the sum of (i) the greater of (x) the per annum rate publicly quoted from time to time by The Wall Street Journal as the "Prime Rate" in the United States minus 1.50% as in effect on such day and (y) the Fed Funds rate for such day plus 0.50% (subject to a floor of 1.0%), plus (ii) 8.75%. The facility will also be issued with an original issue discount of 1.5%. Beginning on the first anniversary of the closing date of the facility, the loan will amortize in equal quarterly installments in aggregate annual amounts equal to 5.0% of the original principal amount of the facility. The facility will be subject to certain mandatory prepayment obligations and to be further documented in the definitive loan agreements.

Additionally, subject to the terms of the Commitment Letter, we entered into an escrow agreement on March 2, 2022, pursuant to which the Lenders deposited their pro rata amount of the $125 million Term Loan proceeds, less certain expenses. The Company is required to pay a 'ticking fee' equal to 10.5% per annum on the gross aggregate amount of escrow account proceeds, beginning on March 2, 2022, which was the date funds were deposited, into the escrow account. Such funds will be released to (i) Vertex Refining if the Credit Agreement with the Lenders is entered into by April 1, 2022, and certain other conditions precedent are satisfied by that date or (ii) the Lenders if (a) the Credit Agreement is not entered into by such date and the other conditions precedent are not satisfied, (b) the Acquisition (as defined below) is consummated without use of the loan amount under the Credit Agreement or if the Lenders become aware of a breach under the exclusivity provision of the Commitment Letter, (c) the termination of the Refinery Purchase Agreement, in accordance with its terms prior to the closing date of the Credit Agreement, or (d) the date upon which Vertex Refining breaches its obligations under the Commitment Letter or otherwise fails to comply with the terms and conditions of the Commitment Letter (unless such breach or failure is cured within two business days following Vertex Refining's receipt of notice of such breach or failure).

As a closing condition to the facility, the Company will issue warrants (the "Lender Warrants") to purchase 2.75 million shares of common stock of Vertex to the lenders, on a pro-rata basis based on each lender's lending commitments. The Lender Warrants will be subject to customary registration and antidilution rights, have a three-year term and a $4.50 per share exercise price. The lenders also received certain exclusivity rights for future fundings of the Company, relating to any transaction that would replace all or any portion of the funding under the facility, as described in greater detail in the Commitment Letter.

The obligation of the lenders party to the Commitment Letter to honor their respective commitments under the Commitment Letter is subject to satisfaction (or waiver) of certain conditions precedent, including, without limitation, the negotiation and receipt of customary closing documents, together with certain collateral documents, execution of a working capital credit agreement by the Company and certain third party lenders, execution of an intercreditor agreement, the issuance of the Lender Warrants, the consummation of the acquisition of the Mobile Refinery, substantially simultaneously with the initial borrowings under the facility, completion of applicable "know your customer" requests and delivery of documentation related thereto, no material adverse effect with respect to the Company, the occurrence of no events of default, completion of lender due diligence, payment of required fees, delivery of customary financial reporting information, specified representations and warranties, perfection of certain security interests, and delivery of customary opinions. The Company will pay certain fees and expenses in connection with obtaining the facility. Given the conditional nature of the Commitment Letter and the commitments of the lenders thereunder, the lenders may not be obligated to provide funding under the planned facility, and, as a result, the Company may not be able to consummate such financing or obtain such loan funds, on the terms described in the Commitment Letter, if at all.

In the event the lenders fail to comply with their obligations under the Commitment Letter to fund the Term Loan, the Commitment Letter is terminated, the conditions to funding the Term Loan are not met, or the Company otherwise does not receive the funding from the Term Loan, the Company may be unable to complete the acquisition of the Mobile Refinery, which may have a material adverse effect on its projected results of operations and future business plans. The Company may be required to pay significant interest on amounts escrowed in connection with the Term Loan, which funds will not be available to the Company prior to the closing of the Mobile Refinery acquisition, and may reduce the Company's cash flow. The Term Loan may be subject to covenants and requirements which may impair the Company's ability to borrow additional capital and/or may restrict future business activities. The exercise of the Lender Warrants and the anti-dilution rights associated therewith may cause significant dilution to existing stockholders.

Our failure to comply with the covenants in any documents governing future indebtedness could materially adversely affect our financial condition and liquidity.

In connection with our planned credit facilities discussed above (including the planned Term Loan), we anticipate being subject to certain affirmative and negative covenants and to be subject to financial covenants. A breach of any of these covenants, if uncured or unwaived, could lead to an event of default, which in some circumstances could give our creditors the right to demand that we accelerate repayment of amounts due and/or enforce their rights under the debt agreements. This would likely, in turn, trigger cross-acceleration or cross-default rights in other documents governing our indebtedness, including the Convertible Notes. Therefore, in the event of any such breach, we may need to seek covenant waivers or amendments from our creditors or seek alternative or additional sources of financing, and we may not be able to obtain any such waivers or amendments or alternative or additional financing on acceptable terms, if at all. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain additional financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity and/or cause our lenders to pursue enforcement remedies available to them under their respective debt agreements which could ultimately result in foreclosure, which would have a material adverse effect on our operations and the value of our securities. As a result, we may be unable to pay amounts due under such future planned debt facilities or on the Convertible Notes, including upon maturity, and the value of our common stock may decline in value or become worthless.

Upon the closing of the Mobile Refinery acquisition, we plan to transition the majority of our business operations to those of the Mobile Refinery.

Following the closing of the Mobile Refinery acquisition, we anticipate that the more significant portion of our assets and operations will be related to such Mobile Refinery. Our change in business structure may not be successful. Additionally, our directors and officers may not be able to properly manage our new direction. If our new management fails to properly manage and direct our operations, we may be forced to scale back or abandon our planned operations, which may cause the value of our securities to decline or become worthless.

We will be subject to business uncertainties and contractual restrictions while the Mobile Refinery acquisition is pending.

Uncertainty about the effect of the Mobile Refinery acquisition on employees and partners may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Mobile Refinery acquisition is completed, and could cause partners and others that deal with us to seek to change existing business relationships, cease doing business with us or cause potential new partners to delay doing business with us until the Mobile Refinery acquisition has been successfully completed or terminated. Retention of certain employees may be challenging during the pendency of the Mobile Refinery acquisition, as certain employees may experience uncertainty about their future roles or compensation structure. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, our business following the Mobile Refinery acquisition could be negatively impacted. In addition, the Mobile Refinery acquisition restricts us from making certain acquisitions and taking other specified actions until the Mobile Refinery acquisition is completed without certain consents and approvals. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the Mobile Refinery acquisition.

The Mobile Refinery acquisition agreement may be terminated in accordance with its terms and the Mobile Refinery acquisition may not be completed.

The Mobile Refinery acquisition agreement is subject to several conditions that must be fulfilled in order to complete the Mobile Refinery acquisition. These conditions to the closing of the Mobile Refinery acquisition may not be fulfilled and, accordingly, the Mobile Refinery acquisition may not be completed. In addition, the parties to the Mobile Refinery acquisition agreement can generally terminate such agreement if the transactions contemplated thereby do not close by May 26, 2022 (subject to certain extension rights), under certain other conditions if the terms of the Mobile Refinery acquisition agreement are breached, and the parties can mutually decide to terminate the Mobile Refinery acquisition agreement at any time.

Litigation could prevent or delay the closing of the Mobile Refinery acquisition or otherwise negatively impact the business and operations of the Company.

The Company may incur costs in connection with the defense or settlement of any stockholder lawsuits filed in connection with the Mobile Refinery acquisition. Such litigation could have an adverse effect on the financial condition and results of operations of the Company and could prevent or delay the consummation of the Mobile Refinery acquisition. Such litigation, affecting the Mobile Refinery and/or the transaction, could delay or prevent the closing of the Mobile Refinery acquisition.

Termination of the Mobile Refinery acquisition agreement could negatively impact the Company.

In the event the Mobile Refinery acquisition agreement is terminated, our business may have been adversely impacted by our failure to pursue other beneficial opportunities due to the focus of management on the Mobile Refinery acquisition, and the market price of our common stock might decline to the extent that the current market price reflects a market assumption that the Mobile Refinery acquisition will be completed. If the Refinery Purchase Agreement is terminated and our Board of Directors seeks another acquisition or business combination, our stockholders cannot be certain that we will be able to find a party willing to offer equivalent or more attractive consideration than the consideration provided for by the Mobile Refinery acquisition. Upon termination of the Mobile Refinery transaction under certain circumstances, we could lose the $10.0 million deposit that we paid pursuant to the terms of the Mobile Refinery acquisition agreement.

We have used a portion of the approximately $33.5 million of funds which we received immediately upon the sale of the Convertible Notes in anticipation of the closing of the Mobile Acquisition and will not be able to recoup such costs in the event such Mobile Acquisition does not close.

The approximately $33.5 million of net funds from the offering of the Convertible Notes which were not placed in the escrow account were available for use by us immediately. A portion of this amount will be used in anticipation of the closing of the Mobile Acquisition, and in the event that the Mobile Acquisition does not close in the future, we do not believe we will be able to recoup such expenses, which we anticipate will likely be written off in their entirety. As such, in the event the Mobile Acquisition does not close, the use of such proceeds in advance of such closing could have a material adverse effect on us, our operating results and our ability to redeem the Convertible Notes from time to time.

The Offtake Agreement with Idemitsu remains subject to various conditions, the obligations of Idemitsu thereunder may not become effective, may be terminated prior to the end of the initial term thereof, and we may face termination fees in connection therewith.

On February 14, 2022, Vertex Refining entered into a Master Offtake Agreement dated February 4, 2022 with Idemitsu. Pursuant to the Offtake Agreement, Vertex Refining agreed to sell Idemitsu renewable diesel which is planned to be produced by the Mobile Refinery, subject to completion of the acquisition of the Mobile Refinery and the capital project discussed above. The obligations of the parties under the Offtake Agreement are subject to certain conditions precedent, including (a) the closing of the acquisition of the Mobile Refinery occurring prior to April 30, 2022; (b) the parties having entered into a mutually acceptable storage agreement for the storage of renewable diesel on or before the commencement of commercial operations of the refinery following the completion of the capital project (the "COD"); (c) Idemitsu having delivered to Vertex Refining the Guaranty (discussed below) on or before COD; (d) absence of certain actions or proceedings to set aside, enjoin or prevent the performance by either party of its respective obligations under the agreement; (e) no project assets, related facilities or products having been affected adversely or threatened to be affected adversely by any material loss or damage, subject to certain exceptions; (f) the mutual representations and warranties of each party being true and correct; and (g) COD having occurred within eighteen months of the Company's acquisition of the Mobile Refinery.

If a party terminates the Offtake Agreement as a result of any of the conditions precedent required under the Offtake Agreement, as summarized above, not being satisfied, neither party has any further obligation under the Offtake Agreement to the other party, except that (i) Vertex Refining is responsible for payment to Idemitsu of a Termination Payment (defined below), in the event the Master Agreement is terminated due to the failure to satisfy or waive the condition that COD occur within eighteen months of the Company's acquisition of the Mobile Refinery, and (ii) each party shall remain liable to the other party for any and all damages incurred as a result of a breach by a party of its representations, warranties or any other obligations prior to such termination. "Termination Payment" means the actual and documented storage costs incurred by Idemitsu to acquire or lease 300,000 barrels of storage tanks for twelve (12) months. The Termination Payment is payable in monthly installments in an amount equal to the monthly storage costs incurred by Idemitsu.

A performing party may terminate the Offtake Agreement (a) by delivery of a written notice to the other Party within thirty days of any of the conditions precedent required under the Offtake Agreement, as summarized above, not being waived or satisfied by the date required for such condition, or a determination that a condition is not capable of being satisfied by the date indicated for such condition, or (b) if there is an event of default under the agreement.

The initial term of the Offtake Agreement commences on COD and continues for a period of five years thereafter, subject to certain early termination provisions set forth in the agreement, including, but not limited to, the right of either party to request a review of the terms of the agreement prior to the commencement of the 4th and 5th contract years of the agreement, which, if triggered, and if the parties fail to mutually agree in writing to any such requested revisions, will result in the agreement expiring three years or four years after COD, as applicable. The parties may mutually agree to extend the term of the agreement beyond the Initial Term pursuant to the terms of the Offtake Agreement.

The Offtake Agreement may be terminated pursuant to its terms, may be terminated prior to the end of its initial stated term, we may face termination fees in connection with such termination, and any of the above may cause a material adverse effect on our results of operations and financial condition and may cause the value of our common stock to decline in value.

We do not anticipate generating significant revenues from the Mobile Refinery until approximately 12 months after the Mobile Acquisition, following the completion of the Conversion, which is subject to delays, cost overruns and other risks.

Assuming the successful completion of the Mobile Acquisition, we (through one or more subsidiaries and affiliates) plan to complete an $85 million capital project designed to modify the Mobile Refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis (the "Conversion"). We do not anticipate generating significant revenues from the Mobile Refinery until completion of the Conversion, which we expect to be completed no sooner than 12 months after the closing of the Mobile Acquisition. As such, during the period immediately following the acquisition, we will need to support our operations and debt repayment obligations with funds from other non-Mobile Refinery operations, which funds may not be available in sufficient amounts. Furthermore, any delay in the completion of the Conversion, or cost overruns associated therewith, or failure of the Conversion to meet the anticipated results expected by the Company, may materially impact our ability to generate future revenues and/or result in the termination of the Offtake Agreement pursuant to its terms, our ability to meet our debt obligations and/or have other material adverse effects on the Company or its securities.

We need to raise significant additional capital to complete the planned acquisition of assets and operations from Tensile-Vertex, and in the event we fail to complete such transactions, our interests in Heartland SPV may be liquidated.

On February 25, 2022, Vertex Splitter entered into (1) a Purchase and Sale Agreement with Tensile-Vertex and Tensile-Heartland; and (2) a Purchase and Sale Agreement with Tensile-Vertex and Tensile-MG. Tensile-Heartland holds 65% of Heartland SPV and Tensile-MG owns 15% of MG SPV, and Tensile-Vertex holds 100% of both Tensile-Heartland and Tensile-MG.

Pursuant to the Heartland Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-Heartland and pursuant to the Myrtle Grove Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-MG, from Vertex-Tensile, the result of which will be that Vertex Splitter will own 100% of each of Heartland SPV and MG SPV.

Pursuant to the Heartland Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-Heartland is $35 million (the "Base Amount"), plus an amount accrued and accruing from and after May 31, 2021, on the Base Amount on a daily basis at the rate of 22.5% per annum compounded on the last day of each calendar quarter plus an amount equal to any and all cash and cash equivalents of Tensile-Heartland, as of the closing date, which we currently anticipate will total an aggregate of approximately $44 million. The purchase contemplated by the Heartland Purchase Agreement is required to take place on June 30, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Heartland Purchase Agreement includes customary representations of the parties, requires the parties to bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing. The Heartland Purchase Agreement may be terminated prior to closing, by the mutual consent of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Pursuant to the Myrtle Grove Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-MG is estimated to be approximately $7 million, and will be based on the value of the Class B Unit preference of MG SPV held by Tensile-MG, plus capital invested by Tensile-MG in MG SPV (which has not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-MG as of the closing date. The purchase contemplated by the Myrtle Grove Purchase Agreement is required to take place on March 31, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Myrtle Grove Purchase Agreement includes customary representations of the parties, requires that they bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing. The Myrtle Grove Purchase Agreement may be terminated prior to closing, by the mutual approval of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Pursuant to a Side Letter, in the event that (i) the closing of the transactions contemplated by the Myrtle Grove Purchase Agreement does not occur on or prior to March 31, 2022, and/or (ii) the closing of the transactions contemplated by the Heartland Purchase Agreement does not occur on or prior to June 30, 2022, then, in addition to any of the rights of Tensile-Vertex under the Purchase Agreements: (a) the Vertex Parties will use their best efforts to cause the closings under the Purchase

Agreements to occur, including without limitation by raising debt financing, selling equity in a private or public transaction, selling assets and/or otherwise doing all things necessary or appropriate to raise the funds necessary to make the payments required to be made by Vertex Splitter under the Purchase Agreements, in each case on commercially reasonable terms and conditions, subject to certain exceptions; (b) upon the written election of Tensile-Vertex, the Vertex Parties will and will cause their affiliates to consent to the distribution or other payment of any and all cash and cash equivalents of Heartland SPV (including any proceeds from the repayment of that certain $7,000,000 promissory note, issued by Vertex Operating to Heartland SPV on July 1, 2021, as amended to date and any direct and indirect subsidiaries to Tensile-Vertex, with such distribution or other payment to be structured as specified by Tensile-Vertex so as to be tax efficient for Tensile-Vertex; and (c) Tensile-Vertex may, with written notice, cause Heartland SPV to initiate a process intended to result in a sale of Heartland SPV, with Tensile-Vertex being entitled, upon the consummation of such sale, of the greater of (i) 65% of the total net equity proceeds of such sale, and (ii) the amount due to Tensile-Vertex under the Heartland Purchase Agreement as of the date of the consummation of such sale.

We will need to raise significant additional capital to close the acquisitions contemplated by the Purchase Agreements, which funding may not be available on favorable terms, if at all. If we raise such funding through the sale of debt, we may be required to pay significant interest or other amounts on such debt, and/or be subject to material covenants. If we raise such funding through the sale of equity, it may create significant dilution to existing shareholders. In the event we fail to close the transactions contemplated by the Purchase Agreements within the required timelines, Heartland SPV or its assets may be liquidated, which would mean we would not have rights or ownership of such assets, and the sales price of Heartland SPV and/or its assets may be depressed at the time of sale, each of which may have a material adverse effect on our assets, operations or prospects.

Risks Related to the Convertible Notes

Servicing our planned debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current and future planned indebtedness, including the Convertible Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We owe a significant amount of money under the Convertible Notes which could adversely affect our financial flexibility and our competitive position and our failure to comply with the terms of the Indenture could result in the Convertible Notes being declared in default.

We have a significant amount of outstanding indebtedness. As of the date of this filing, we owed approximately $155.0 million under the Convertible Notes. Despite our current debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt.

The indenture governing our Senior Notes imposes certain restrictions on us and requires us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. A failure to comply with the covenants and other provisions of our outstanding debt could result in events of default under such instruments, which could permit acceleration of all of our debt and borrowings. Any required repayment of our debt as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

We may need to raise additional funding in the future to repay or refinance the Convertible Notes and as such may need to seek additional debt or equity financing. Such additional financing may not be available on favorable terms, if at all. If debt financing is available and obtained, our interest expense may increase and we may be subject to the risk of default, depending on the terms of such financing. If equity financing is available and obtained it may result in our stockholders experiencing significant dilution. If such financing is unavailable, we may be forced to curtail our operations, which may cause the value of our securities to decline in value and/or become worthless.

We may not have enough available funds or the ability to raise the funds necessary to pay the special mandatory redemption price on the Convertible Notes upon a special mandatory redemption, to repurchase the Convertible Notes for cash upon a fundamental change or to settle conversions of the Convertible Notes in cash, and our future indebtedness may contain limitations on our ability to pay cash upon conversion or repurchase of the Convertible Notes.

If the Mobile Acquisition is not consummated on or prior to April 1, 2022, if we have not certified to the escrow agent of the escrow pursuant to which 75% of the net proceeds from our November 2021 Convertible Note offering (approximately $100 million) are being held, pending all conditions precedent to our obligations to consummate the Mobile Acquisition being satisfied, or if we notify the Trustee and the escrow agent in writing that the Refinery Purchase Agreement has been terminated, the Convertible Notes will be subject to special mandatory redemption at a special mandatory redemption price equal to 100% of the aggregate accreted principal amount thereof, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date, plus accrued and unpaid interest to, and including, the date that is nine months after the special mandatory redemption date.

Further, holders of the Convertible Notes will have the right to require us to repurchase all or a portion of their Convertible Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the accreted principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

Additionally, we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), to the extent allowed under the terms of the Convertible Notes, we will be required to make cash payments in respect of the Convertible Notes being converted.

Moreover, we will be required to repay the Convertible Notes in cash at their maturity unless earlier repurchased, redeemed or converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor or Convertible Notes are being redeemed or converted. In addition, our ability to repurchase the Convertible Notes or to pay cash upon redemptions of the Convertible Notes may be limited by agreements we enter into governing our future indebtedness, which may limit our ability to repurchase the Convertible Notes or to pay cash upon redemptions or conversions of the Convertible Notes. Finally, our ability to repurchase the Convertible Notes or to pay cash upon redemptions or conversions of the Convertible Notes may be limited by law or by regulatory authority. Our failure to repurchase Convertible Notes at a time when the repurchase is required by the indenture or to pay any cash payable upon redemption or on future conversions of the Convertible Notes, as required by the indenture, would constitute a default under the indenture. A default under the indenture or the occurrence of a fundamental change itself could also lead to a default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change under the indenture governing the Convertible Notes could constitute an event of default under any agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof.

We may not have sufficient funds available to pay amounts owed on the Convertible Notes, and such funding may not be available on favorable terms, if at all. Our failure to pay the amounts due under the Convertible Notes, when due, would constitute a default under the Convertible Notes and may force us to sell certain assets, curtail our business plan, or seek bankruptcy protection.

The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and liquidity.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option.

Specifically, the Convertible Notes bear interest at a rate of 6.25% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022. The Convertible Notes are convertible into common stock at an initial conversion rate of 169.9235 shares of common stock, per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $5.89 per share). Prior to July 1, 2027, the Convertible Notes will be convertible at the option of the holders of the Convertible Notes only upon the satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, provided that until such time as the Company's stockholders have approved the issuance of more than 19.99% of our common stock issuable upon conversion of the Convertible Notes in accordance with the rules of The Nasdaq Capital Market, the Company is required to elect "cash settlement" for all conversions of the Convertible Notes, and such stockholder approval was obtained in January 2022. The Company will also be required to increase the conversion rate for holders who convert their Convertible Notes in connection with a fundamental change and certain other corporate events or convert their Convertible Notes called for optional redemption (or deemed called for optional redemption) following delivery by the Company of a notice of redemption, in either case, in certain circumstances.

If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. Further, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes, as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Additionally, the issuance of common stock upon conversion of the Convertible Notes will result in immediate and substantial dilution to the interests of other stockholders. In addition, the common stock issuable upon conversion of the Convertible Notes may represent overhang that may also adversely affect the market price of our common stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens the price of the company's stock will decrease, and any additional shares which stockholders attempt to sell in the market will only further decrease the share price. The Convertible Notes may in the future be convertible into shares of our common stock at a discount to market, which would provide the holders with the ability to sell their common stock at or below market and still make a profit. If the share volume of our common stock cannot absorb the discounted shares, then the value of our common stock will likely decrease.

The accounting method for reflecting the Convertible Notes on our balance sheet, accruing interest expense for the Convertible Notes and reflecting the underlying shares of our common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.

In August 2020, the Financial Accounting Standards Board ("FASB") published an Accounting Standards Update, which we refer to as ASU 2020-06, which simplifies certain of the accounting standards that apply to convertible notes. ASU 2020-06 will be effective for SEC-reporting entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. However, early adoption is permitted in certain circumstances for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Convertible Notes are reflected as a liability on our balance sheets, with the initial carrying amount equal to the principal amount of the Convertible Notes, net of issuance costs. The issuance costs will be treated as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the Convertible Notes. As a result of this amortization, the interest expense that we expect to recognize for the Convertible Notes for accounting purposes will be greater than the cash interest payments we will pay on the Convertible Notes, which will result in lower reported income.

In addition, we expect that the shares underlying the Convertible Notes will be reflected in our diluted earnings per share using the "if converted" method, in accordance with ASU 2020-06. Under that method, if the conversion value of the Convertible Notes exceeds their principal amount for a reporting period, then we will calculate our diluted earnings per share assuming that all of the Convertible Notes were converted at the beginning of the reporting period and that we issued shares of our common stock to settle the excess. However, if reflecting the Convertible Notes in diluted earnings per share in this manner is anti-dilutive, or if the conversion value of the Convertible Notes does not exceed their principal amount for a reporting period, then the shares underlying the Convertible Notes will not be reflected in our diluted earnings per share. The application of the if-converted method may reduce our reported diluted earnings per share, and accounting standards may change in the future in a manner that may adversely affect our diluted earnings per share.

We have not reached a final determination regarding the accounting treatment for the Convertible Notes, and the description above is preliminary. Accordingly, we may account for the Convertible Notes in a manner that is significantly different than described above.

In addition, so long as we are required to settle conversions of Convertible Notes entirely in cash, the conversion option that is part of the Convertible Notes may be accounted for as a derivative pursuant to accounting standards relating to derivative instruments and hedging activities. Under such standards, for each financial statement period after issuance of the Convertible Notes, if "cash settlement" applies, a gain (or loss) would be reported in our consolidated statement of operations to the extent the valuation of the conversion option changes from the previous period, which could result in significant volatility in our results of operations. This could adversely affect our reported or future financial results, the market price of our common stock and the value of the Convertible Notes. Furthermore, this could also make it harder to compare period to period financial results, as a result of potentially significant non-cash gains or losses relating to such accounting.

The conversion rate for Convertible Notes converted in connection with a make-whole fundamental change or a notice of redemption for an optional redemption may be increased.

If a make-whole fundamental change occurs prior to the maturity date of the Convertible Notes or upon the issuance of a notice of redemption for an optional redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with such make-whole fundamental change or elects to convert its Convertible Notes called (or deemed called) for optional redemption during the related redemption period, by a number of additional shares of our common stock. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective or the date of the notice and the price paid (or deemed to be paid) per share of our common stock in such transaction or the date of the redemption notice. Provided however, in no event will the conversion rate per $1,000 principal amount of Convertible Notes as a result of this adjustment exceed 233.6449 shares of common stock.

Our obligation to increase the conversion rate for Convertible Notes converted in connection with a make-whole fundamental change or Convertible Notes called for optional redemption that are converted during the related redemption period could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The fundamental change repurchase feature of the Convertible Notes could delay or prevent an otherwise beneficial attempt to take over our company, or discourage a potential acquirer of us.

The Convertible Notes include certain repurchase rights of the holders which are triggered upon a fundamental change as discussed herein. A takeover of our company would trigger an option of the holders of the Convertible Notes to require us to repurchase the Convertible Notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to stockholders or discouraging a potential acquirer of us.

Risks Relating to Our Listing on The Nasdaq Capital Market

Our Common Stock may be delisted from The Nasdaq Capital Market if we cannot satisfy Nasdaq's continued listing requirements.

Among the conditions required for continued listing on The Nasdaq Capital Market, Nasdaq requires us to maintain at least $2.5 million in stockholders' equity or $500,000 in net income over the prior two years or two of the prior three years, to have a majority of independent directors, and to maintain a stock price over $1.00 per share. Our stockholders' equity may not remain above Nasdaq's $2.5 million minimum, we may not generate over $500,000 of yearly net income moving forward, we may not be able to maintain independent directors, and we may not be able to maintain a stock price over $1.00 per share. For example, beginning on April 22, 2020 we were notified by Nasdaq that we were not in compliance with Nasdaq Listing Rule 5550(a)(2), which requires listed securities to maintain a minimum bid price of $1.00 per share. However, effective February 2, 2021, we were notified that we had cured such non-compliance issue. If we fail to timely comply with the applicable Nasdaq continued listing requirements, our stock may be delisted. In addition, even if we demonstrate compliance with the requirements above, we will have to continue to meet other objective and subjective listing requirements to continue to be listed on The Nasdaq Capital Market. Delisting from The Nasdaq Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock could decline. Delisting from The Nasdaq Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. In the event our common stock is delisted from The Nasdaq Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

If we are delisted from The Nasdaq Capital Market, our ability to sell our shares of our common stock could also be limited by the penny stock restrictions, which could further limit the marketability of our shares.

If our common stock is delisted, it could come within the definition of "penny stock" as defined in the Exchange Act and would then be covered by Rule 15g-9 of the Exchange Act. That Rule imposes additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors. For transactions covered by Rule 15g-9, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, Rule 15g-9, if it were to become applicable, would affect the ability or willingness of broker-dealers to sell our securities, and accordingly would affect the ability of stockholders to sell their securities in the public market. These additional procedures could also limit our ability to raise additional capital in the future.

Due to the fact that our common stock is listed on The Nasdaq Capital Market, we are subject to financial and other reporting and corporate governance requirements which increase our costs and expenses.

We are currently required to file annual and quarterly information and other reports with the Securities and Exchange Commission that are specified in Sections 13 and 15(d) of the Securities Exchange Act of 1934, as amended. Additionally, due to the fact that our common stock is listed on The Nasdaq Capital Market, we are also subject to the requirements to maintain independent directors, comply with other corporate governance requirements and are required to pay annual listing and stock issuance fees. These obligations require a commitment of additional resources including, but not limited, to additional expenses, and may result in the diversion of our senior management's time and attention from our day-to-day operations. These obligations increase our expenses and may make it more complicated or time consuming for us to undertake certain corporate actions due to the fact that Nasdaq may require approval for such transactions and/or Nasdaq rules may require us to obtain shareholder approval for such transactions.

General Risk Factors

There may be future sales and issuances of our common stock, which could adversely affect the market price of our common stock and dilute stockholders ownership of common stock.

The exercise of any options granted to executive officers, directors and other employees under our equity compensation plans, the exercise of outstanding warrants, the conversion of outstanding convertible securities and other issuances of our common stock in the future could have an adverse effect on the market price of the shares of our common stock. We are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive shares of common stock, provided that we are subject to the requirements of The Nasdaq Capital Market (which generally require shareholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock), subject to certain exceptions. Sales of a substantial number of shares of our common stock in the public market or the perception that such sales might occur could materially adversely affect the market price of the shares of our common stock. Because our decision to issue securities in any future offering or transaction will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or issuances. Additionally, the sale of a significant portion of our common stock may cause the value of our common stock to decline in value.

Securities analysts may not cover our common stock and this may have a negative impact on our common stock's market price.

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We currently have limited research coverage by securities and industry analysts. If one or more of the analysts who covers us downgrades our common stock, changes their opinion of our shares or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease and we could lose visibility in the financial markets, which could cause our stock price and trading volume to decline.

We do not intend to pay cash dividends on our common stock in the foreseeable future, and therefore only appreciation of the price of our common stock will provide a return to our stockholders.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our Board of Directors, and will be subject to the terms of our debt agreements and convertible notes, which we anticipate will prevent us from paying cash dividends on, and/or redeeming, outstanding securities. As a result, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

We may be subject in the normal course of business to judicial, administrative or other third-party proceedings that could interrupt or limit our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity.

Governmental agencies may, among other things, impose fines or penalties on us relating to the conduct of our business, attempt to revoke or deny renewal of our operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations or as a result of third-party challenges, require us to install additional pollution control equipment or require us to remediate potential environmental problems relating to any real property that we or our predecessors ever owned, leased or operated or any waste that we or our predecessors ever collected, transported, disposed of or stored. Individuals, citizens groups, trade associations or environmental activists may also bring actions against us in connection with our operations that could interrupt or limit the scope of our business. Any adverse outcome in such proceedings could harm our operations and financial results and create negative publicity, which could damage our reputation, competitive position and stock price. We may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require us to make substantial capital expenditures. We could also be required to indemnify our employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against us. These could result in a material adverse effect on our prospects, business, financial condition and our results of operations.

We may experience adverse impacts on our reported results of operations as a result of adopting new accounting standards or interpretations.

Our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect our reported financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

Our hedging activities may prevent us from benefiting fully from increases in oil prices and may expose us to other risks, including counterparty risk.

The Company utilizes derivative instruments to manage its exposure to fluctuations in the underlying commodity prices of its inventory. The Company's management sets and implements hedging policies, including volumes, types of instruments and counterparties, to support oil prices at targeted levels and manage its exposure to fluctuating prices. The Company’s derivative instruments consist of swap and futures arrangements for oil. In a commodity swap agreement, if the agreed-upon published third-party index price (“index price”) is lower than the swap fixed price, the Company receives the difference between the index price and the swap fixed price. If the index price is higher than the swap fixed price, the Company pays the difference. For futures arrangements, the Company receives the difference positive or negative between an agreed-upon strike price and the market price.

To the extent that we continue to engage in hedging activities to protect ourselves against commodity price declines, we may be prevented from fully realizing the benefits of increases in oil prices above the prices established by our hedging contracts. In addition, our hedging activities may expose us to the risk of financial loss in certain circumstances, including instances in which the counterparties to our hedging contracts fail to perform under the contracts. Finally, we are subject to risks associated with the adoption of derivatives legislation and regulations related to derivative contracts which if adopted, could have an adverse impact on our ability to hedge risks associated with our business. If regulations adopted in the future require that we post margin for our hedging activities or require our counterparties to hold margin or maintain capital levels, the cost of which could be passed through to us, or impose other requirements that are more burdensome than current regulations, hedging transactions in the future would become more expensive than we experienced in the past.

The threat and impact of terrorist attacks, cyber-attacks or similar hostilities may adversely impact our operations.

We cannot assess the extent of either the threat or the potential impact of future terrorist attacks on the energy industry in general, and on us in particular, either in the short-term or in the long-term. Uncertainty surrounding such hostilities may affect our operations in unpredictable ways, including the possibility that infrastructure facilities, including pipelines and gathering systems, production facilities, processing plants and refineries, could be targets of, or indirect casualties of, an act of terror, a cyber-attack or electronic security breach, or an act of war.

We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.

We may provide from time to time guidance regarding our expected financial and business performance. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate and has in the past been inaccurate in certain respects, such as the timing of acquisitions, revenue projections and project completions. Our guidance is based on certain assumptions such as those relating to anticipated production and sales volumes (which generally are not linear throughout a given period), average sales prices, supplier and commodity costs and planned cost reductions. If our guidance varies from actual results due to our assumptions not being met or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our common stock could decline significantly.

Transactions relating to our convertible senior notes may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of the convertible senior notes issued by would dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of such notes by their holders, and we may be required to deliver a significant number of shares. Any sales in the public market of the common stock issuable upon such conversion could adversely affect their prevailing market prices. In addition, the existence of the convertible senior notes may encourage short selling by market participants because the conversion of such notes could be used to satisfy short positions, or the anticipated conversion of such notes into shares of our common stock could depress the price of our common stock.

Anti-takeover provisions contained in our governing documents, applicable laws and our convertible senior notes could impair a takeover attempt.

Our Articles of Incorporation and Bylaws afford certain rights and powers to our board of directors that may facilitate the delay or prevention of an acquisition that it deems undesirable. We are also subject to Sections 78.378 to 78.3793 of the Nevada Revised Statutes, which seeks to impede “unfriendly” corporate takeovers by providing in that an “acquiring person” shall only obtain voting rights in the “control shares” purchased by such person to the extent approved by the other stockholders at a meeting, subject to certain exceptions, including requiring that an applicable issuer have 200 or more stockholders of record, at least 100 of whom have had addresses in Nevada at all times during the 90 days immediately preceding such date, which we believe do not currently apply to us. In addition, the terms of our convertible senior notes may require us to repurchase such notes in the event of a fundamental change, including a takeover of our company. Any of the foregoing provisions and terms that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties and Facilities

The Company owns three oil collection facilities operated by H&H Oil, which are located in Houston, Austin, and Corpus Christi, Texas. The three owned locations range from 2 acres to 5 acres in area and have offices, storage tank facilities, small warehouse facilities for operations and yard areas for the parking of trucks. These facilities are related to the operations of the Black Oil segment.

In addition, the Company leases four smaller facilities, one located in San Antonio, Texas, one in Mission, Texas, one in Pittsburg, Texas, and one in Dallas, Texas, each with a small yard for the parking of trucks, small storage tanks and an office. The San Antonio facility is leased under a thirty-six month lease which expired in June 2013 (subject to our right to renew the lease for an additional twelve months and/or purchase the property at the end of the lease term), which has a rental cost of $2,500 per month, provided that while not formally extended, we continue to operate under the same cost on a month to month basis. The Mission, Texas lease had a term expiring on September 1, 2021, and a rental cost of $1,250 per month, provided that we continue to operate under the same cost on a month to month basis after such expiration. The Pittsburg lease is for three years, expiring May 1, 2024, at a monthly cost of $4,776. The Dallas lease has a term through October 31, 2022, for a rental cost of $3,500 per month. These facilities are related to the operations of the Black Oil segment.

The Company leases a 19-acre tank terminal facility in Baytown, Texas, where it aggregates the majority of the used motor oil for its TCEP technology. The TCEP technology is located on-site at this facility, which also has facilities for the loading and unloading of trucks and barges located near the Houston Ship Channel. The lease relating to this facility expires on November 30, 2032. The monthly rent relating to this facility is approximately $25,000 per month through November 2027, and $30,000 per month during the remaining term of the lease. The lease contains a provision providing the landlord the right to buy out our rights under the lease for the fair market value of such rights (as provided in the lease agreement) upon the occurrence of any change of control of the Company, including the sale of substantially all of our assets; or our merger with another entity which results in our shareholders holding less than 50% of the voting stock of the post-merger entity. Additionally, we have a right of first refusal to buy the landlord's interest in the property leased in the event the landlord receives a bona fide offer to sell the premises and notifies us of its intent to accept such offer. This facility is related to the operations of the Black Oil segment.

We also lease approximately 6,848 square feet of office space at our current principal executive office located at 1331 Gemini St., Suite 250, Houston, Texas 77058. The office rent is $10,985 per month through August 31, 2022, the end of the lease term. This property relates to general administrative functions of the Company and is proportionally allocated to each of our three segments.

The Company leases four smaller facilities, two located in Zanesville and Sandusky, Ohio, one in Mount Sterling, Kentucky, and one in Ravenswood, West Virginia each with a small yard for the parking of trucks, small storage tanks and an office. The Zanesville facility is leased under a twelve-month lease with automatic renewals (subject to either party providing a written notice to the other party of the intent to cancel the lease prior to thirty days from the expiration of the current term), which has a rental cost of $3,500 per month. The Mount Sterling, Kentucky lease has a term expiring on April 30, 2024, and a rental cost of $2,100 per month. The Ravenswood, West Virginia lease has a term expiring April 6, 2022, and a rental cost of $1,739 per month. The Sandusky, Ohio lease has a term expiring April 18, 2022, and a rental cost of $2,800 per month.

The Company owns or co-owns five other facilities, which are located in Ohio. Two facilities are located in Columbus, of which one is the location of our refinery and the other is for the storage of feedstocks and finished products, the indirect ownership of 65% of which was transferred to Tensile in connection with the Heartland SPV (discussed above under "Part I" - "Item 1. Business" - "Prior Material Acquisitions and Transactions" - "Heartland Share Purchase and Subscription Agreement"), effective January 1, 2020. There are two locations in Zanesville, Ohio, of which one is used for an office, small warehouse facilities for operations and a yard area for the parking of trucks, and the other is used for bulk used oil storage and as a transfer facility. The fifth facility is located in Sandusky, Ohio and is used for bulk storage of used oil and as a transfer facility. All of the Ohio properties relate to the operations of the Black Oil segment.

Marrero Facility:

We lease a used motor oil refinery located in Marrero, Louisiana. The facility was constructed in 1992 by Chevron Texaco, can currently process more than 180,000 gallons per day and has a total storage capacity of nearly 17 million gallons. The facility is accessible by truck, rail, and barge. The lease has a term expiring in April 2023, with a monthly rental cost of $283,000. The lease also provides us the right to extend the lease for up to four additional five-year extension terms through April 2043. This facility is related to the operations of the Black Oil segment.

Myrtle Grove:

Prior to June 17, 2019, we owned all of, and subsequent to June 17, 2019, as a result of the MG Purchase Agreement, defined and described above under "Part I" - "Item 1. Business" - "Prior Material Acquisitions and Transactions" - "Heartland Share Purchase and Subscription Agreement"- "Myrtle Grove Share Purchase and Subscription Agreement", we own 85 % of an entity which leases 45 acres of land on the Gulf Coast in Myrtle Grove, Louisiana. The site, which is currently being developed, is located approximately 26 miles from the Marrero facility (described above). Existing infrastructure includes offices and maintenance buildings, a lab, a control room, and a process area with existing piling and concrete, loading and unloading areas and fire protection for the process area. We also transferred additional refining equipment which we owned or leased located on the site to MG SPV in connection with the transaction described above. The lease has a term expiring on March 24, 2022, and a rental cost of $54,000 per month. The lease also has 10 additional five-year term renewal options through 2072, with the rental cost of each extension term increasing by 8% of the preceding term. This facility is related to the operations of the Black Oil segment.

We believe that our current facilities are suitable and adequate to meet our current needs, and that suitable additional or substitute space will be available as needed. However, we continue to evaluate the purchase or lease of additional properties or the consolidation of our properties, as our business requires.

Item 3. Legal Proceedings

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

Such current litigation or other legal proceedings are described in, and incorporated by reference in, this "Item 3. Legal Proceedings" of this Annual Report on Form 10-K from, "Part II" - "Item 8. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 4. Concentrations, Significant Customers, Commitments and Contingencies", under the heading "Litigation". The Company believes that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations. However, assessment of the current litigation or other legal claims could change in light of the discovery of facts not presently known to the Company or by judges, juries or other finders of fact, which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.

Additionally, the outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

MARKET INFORMATION

Our common stock is traded on The NASDAQ Capital Market ("NASDAQ") under the symbol "VTNR".

HOLDERS

As of March 11, 2022, there were approximately (a) 246 holders of record of our common stock, not including holders who hold their shares in street name, and 63,352,411 shares of common stock issued and outstanding; and (b) 71 holders of record of our 381,155 outstanding shares of Series A Preferred Stock.

DIVIDEND POLICY

We have never paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

DESCRIPTION OF CAPITAL STOCK

Common Stock

The total number of authorized shares of our common stock is 750,000,000 shares, $0.001 par value per share.

Voting Rights. Each share of our common stock is entitled to one vote on all stockholder matters. Shares of our common stock do not possess any cumulative voting rights.

Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, Nevada law, our Articles of Incorporation, as amended or Bylaws, as amended. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we have designated, or may designate and issue in the future.

Dividend Rights. Each share of our common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by our Board of Directors, subject to any preferential or other rights of any outstanding preferred stock.

Liquidation and Dissolution Rights. Upon liquidation, dissolution or winding up, our common stock will be entitled to receive pro rata on a share-for-share basis, the assets available for distribution to the stockholders after payment of liabilities and payment of preferential and other amounts, if any, payable on any outstanding preferred stock.

Fully Paid Status. All outstanding shares of the Company's common stock are validly issued, fully paid and non-assessable.

Listing. Our common stock is listed and traded on The Nasdaq Capital Market under the symbol "VTNR".

Other Matters. No holder of any shares of our common stock has a preemptive right to subscribe for any of our securities, nor are any shares of our common stock subject to redemption or convertible into other securities.

Preferred Stock

The total number of "blank check" authorized shares of our preferred stock is 50,000,000 shares, $0.001 par value per share. The total number of authorized shares of our Series A Convertible Preferred Stock ("Series A Preferred") is 5,000,000; the total number of authorized shares of Vertex's Series B Preferred Stock (of which none are outstanding) is 10,000,000 ("Series B Preferred Stock"); the total number of authorized shares of Vertex's Series B1 Preferred Stock (of which none are outstanding) is 17,000,000 ("Series B1 Preferred Stock") and the total number of authorized shares of Vertex's Series C Convertible Preferred Stock (of which none are outstanding) is 44,000 ("Series C Preferred Stock").

Series A Preferred

Holders of outstanding shares of Series A Preferred are entitled to receive dividends, when, as, and if declared by our Board of Directors. No dividends or similar distributions may be made on shares of capital stock or securities junior to our Series A Preferred until dividends in the same amount per share on our Series A Preferred have been declared and paid. In connection with a liquidation, winding-up, dissolution or sale of the Company, each share of our Series A Preferred is entitled to receive $1.49 prior to similar liquidation payments due on shares of our common stock or any other class of securities junior to the Series A Preferred. Shares of Series A Preferred are not entitled to participate with the holders of our common stock with respect to the distribution of any remaining assets of the Company.

Each share of Series A Preferred is entitled to that number of votes equal to the number of whole shares of common stock into which it is convertible. Generally, holders of our common stock and Series A Preferred vote together as a single class.

Shares of Series A Preferred automatically convert into shares of our common stock on the earliest to occur of the following:

- The affirmative vote or written consent of the holders of a majority of the then-outstanding shares of Series A Preferred;
- If the closing market price of our common stock averages at least $15.00 per share over a period of 20 consecutive trading days and the daily trading volume averages at least 7,500 shares over such period;
- If we consummate an underwritten public offering of our securities at a price per share not less than $10.00 and for a total gross offering amount of at least $10 million; or
- If a sale of the Company occurs resulting in proceeds to the holders of Series A Preferred of a per share amount of at least $10.00.

Each share of Series A Preferred converts into one share of common stock, subject to adjustment.

Series B Preferred Stock

The Series B Preferred Stock accrues a dividend, payable quarterly in arrears (based on calendar quarters), in the amount of 6% per annum of the original issuance price of the Series B Preferred Stock ($3.10 per share).

The dividend is payable by the Company, at the Company's election, in registered common stock of the Company (if available) or cash. In the event dividends are paid in registered common stock of the Company, the number of shares payable will be calculated by dividing (a) the accrued dividend by (b) 90% of the arithmetic average of the volume weighted average price (VWAP) of the Company's common stock for the 10 trading days immediately prior to the applicable date of determination (the "June 2015 Dividend Stock Payment Price"). Notwithstanding the foregoing, in no event may the Company pay dividends in common stock unless the applicable June 2015 Dividend Stock Payment Price is above $2.91. If the Company is prohibited from paying, or chooses not to pay, the dividend in cash or is unable to pay the dividend in registered common stock, the dividend will be paid in-kind in Series B Preferred Stock shares at $3.10 per share.

The Series B Preferred Stock includes a liquidation preference (in the amount of $3.10 per share) which is junior to the Company's Series A Preferred Stock, ranks senior to the Company's Series C Preferred Stock and ranks equally with the Series B1 Preferred Stock. The Series B Preferred Stock also ranks junior to the Company's credit facilities and other debt holders as provided in further detail in the designation of the Series B Preferred Stock (the "Series B Designation").

The Series B Preferred Stock prohibits us from (i) increasing or decreasing (other than by redemption or conversion (as described in the Series B Designation)) the total number of authorized shares of Series B Preferred Stock (except to the extent required to issue payment-in-kind shares); (ii) re-issuing any shares of Series B Preferred Stock converted or redeemed; (iii) creating, or authorizing the creation of, or issuing or obligating the Company to issue shares of, any class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series B Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption, or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series B Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption; (iv) effecting an exchange, reclassification, or cancellation of all or a part of the Series B Preferred Stock (except pursuant to the terms of the Series B Designation); (v) effecting an exchange, or creating a right of exchange, of all or part of the shares of another class of shares into shares of Series B Preferred Stock (except with the consent of any specific holder of Series B Preferred Stock); (vi) issuing any shares of Series B Preferred Stock other than pursuant to the Purchase Agreement or as payment-in-kind shares; (vii) altering or changing the rights, preferences or privileges of the Series B Preferred Stock so as to affect adversely the shares of such series; or (viii) amending or waiving any provision of the Company's Articles of Incorporation or Bylaws relative to the Series B Preferred Stock so as to affect adversely the shares of Series B Preferred Stock in any material respect as compared to holders of other series, in each case without the prior written consent of holders of Series B Preferred Stock holding a majority of the then outstanding shares of Series B Preferred Stock.

The Series B Preferred Stock (including accrued and unpaid dividends) is convertible into shares of the Company's common stock at the holder's option at $3.10 per share (initially a one-for-one basis). If the Company's common stock trades at or above $6.20 per share for a period of 20 consecutive trading days, the Company may at such time force conversion of the Series B Preferred Stock (including accrued and unpaid dividends) into common stock of the Company.

The Series B Preferred Stock votes together with the common stock on an as-converted basis, provided that each holder's voting rights are subject to and limited by the Series B Beneficial Ownership Limitation described below.

The Company has the option to redeem the outstanding shares of Series B Preferred Stock at $3.10 per share, plus any accrued and unpaid dividends on such Series B Preferred Stock redeemed, at any time beginning on June 24, 2017, and the Company was required to redeem the Series B Preferred Stock at $3.10 per share, plus any accrued and unpaid dividends, on June 24, 2020, provided that such redemption was not required in the event the Company was contractually or legally prohibited from redeeming such preferred stock. In the event Series B Preferred Stock was not redeemed on June 24, 2020, the dividend rate increased to 10% per annum, until such time, if ever, as the Company was contractually and legally able to redeem such preferred stock. As the Company was prohibited both contractually and legally, from redeeming the Series B Preferred Stock on June 24, 2020, a redemption did not occur, the dividend rate increased to 10% per annum, and the redemption date automatically extended until the date in the future where the Company was not prohibited contractually or by applicable law, from redeeming such preferred stock, if ever.

Effective on June 25, 2021, the automatic conversion provisions of the Series B Preferred Stock were triggered, and the outstanding shares of the Company's Series B Preferred Stock automatically converted into common stock of the Company.

Series B1 Preferred Stock

The Series B1 Preferred Stock is subject to the terms and conditions and has the rights and preferences set forth in the Certificate of Designation of Vertex Energy, Inc. Establishing the Designation, Preferences, Limitations and Relative Rights of Its Series B1 Preferred Stock (the "Series B1 Designation"), which was filed with the Secretary of State of Nevada on May 12, 2016. The Series B1 Preferred Stock accrues a dividend, payable quarterly in arrears (based on calendar quarters), in the amount of 6% per annum of the original issuance price of the Series B1 Preferred Stock ($1.56 per share), provided that such dividend increased to 9% if the Consolidated Adjusted EBITDA (defined below) targets described below were not met during the periods indicated below during 2016-2017, until the earlier of (a) the date the next target is met, or (b) June 30, 2018. "Consolidated Adjusted EBITDA" means the Company's operating income, plus (i) share-based compensation expense, (ii) depreciation and amortization, (iii) goodwill impairment charges, (iv) acquisition related expenses, (v) nonrecurring restructuring charges, and (vi) other non-cash expenses or one-time items, all as calculated in accordance with United States generally accepted accounting principles, as consistently applied by the Company.

The Consolidated Adjusted EBITDA targets were as follows:

Measurement Period	Consolidated Adjusted EBITDA
For the six months ending December 31, 2016	Negative $1,000,000
For the three months ending March 31, 2017	$1,000,000
For the six months ending June 30, 2017	$3,500,000
For the nine months ending September 30, 2017	$5,500,000
For the twelve months ending December 31, 2017	$7,500,000

The Consolidated Adjusted EBITDA targets for the three months ended March 31, 2017, six months ended June 30, 2017, nine months ended September 30, 2017 and twelve months ending December 31, 2017 were not met and as a result the Series B1 Preferred Stock accrued a 9% dividend from June 30, 2017 through June 30, 2018.

The dividend is payable by the Company, at the Company's election, in registered common stock of the Company (if available) or cash, subject to the terms of the Company's senior loan documents. In the event dividends are paid in registered common stock of the Company, the number of shares payable will be calculated by dividing (a) the accrued dividend by (b) 90% of the arithmetic average of the volume weighted average price (VWAP) of the Company's common stock for the 10 trading days immediately prior to the applicable date of determination (the "May 2016 Dividend Stock Payment Price"). Notwithstanding the foregoing, in no event may the Company pay dividends in common stock unless the applicable May 2016 Dividend Stock Payment Price is above $1.52. If the Company is prohibited from paying, or chooses not to pay, the dividend in cash or is unable to pay the dividend in registered common stock, the dividend will be paid in-kind in additional shares of Series B1 Preferred Stock shares based on a value of $1.56 per share.

The Series B1 Preferred Stock includes a liquidation preference (in the amount of $1.56 per share) which is junior to the Company's Series A Preferred Stock, ranks senior to the Company's Series C Preferred Stock and ranks equally with the Series B Preferred Stock. The Series B1 Preferred Stock also ranks junior to the Company's credit facilities and other debt holders as provided in further detail in the Series B1 Designation.

The Series B1 Preferred Stock prohibits us from (i) increasing or decreasing (other than by redemption or conversion (as described in the Series B1 Designation)) the total number of authorized shares of Series B1 Preferred Stock (except to the extent required to issue payment-in-kind shares); (ii) re-issuing any shares of Series B1 Preferred Stock converted or redeemed; (iii) creating, or authorizing the creation of, or issuing or obligating the Company to issue shares of, any class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series B1 Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption, or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series B1 Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, the payment of dividends and rights of redemption; (iv) issuing, incurring or obligating the Company to issue or incur any indebtedness that is convertible into, or exchangeable for, any equity security of the Company or instruments derivative of any equity security of the Company; (v) granting any rights to require a mandatory repurchase, retirement or redemption by the Company of any of the Company's equity securities or instruments derivative of its equity securities on or prior to June 24, 2020, or issuing, incurring or obligating the Company to issue or incur, any indebtedness with a maturity date on or prior to June 24, 2020, that is convertible into, or exchangeable for, equity securities or instruments derivative of the Company's equity securities; (vi) effecting an exchange, reclassification, or cancellation of all or a part of the Series B1 Preferred Stock (except pursuant to the terms of the Series B1 Designation) (except with the consent of any specific holder of Series B1 Preferred Stock); (vii) effecting an exchange, or creating a right of exchange, of all or part of the shares of another class of shares into shares of Series B1 Preferred Stock; (viii) issuing any shares of Series B1 Preferred Stock other than pursuant to the Purchase Agreement or as payment-in-kind shares; (ix) altering or changing the rights, preferences or privileges of the Series B1 Preferred Stock so as to affect adversely the shares of such series; or (x) amending or waiving any provision of the Company's Articles of Incorporation or Bylaws relative to the Series B1 Preferred Stock so as to affect adversely the shares of Series B1 Preferred Stock in any material respect as compared to holders of other series, in each case without the prior written consent of holders of Series B1 Preferred Stock holding a majority of the then outstanding shares of Series B1 Preferred Stock.

The Series B1 Preferred Stock (including accrued and unpaid dividends) is convertible into shares of the Company's common stock at the holder's option at any time after closing on a one-for-one basis. If the Company's common stock trades at or above $3.90 per share for a period of 20 consecutive trading days at any time, the Company may at such time force conversion of the Series B1 Preferred Stock (including accrued and unpaid dividends) into common stock of the Company.

The Series B1 Preferred Stock votes together with the common stock on an as-converted basis, provided that each holder's voting rights are subject to and limited by the Series B1 Beneficial Ownership Limitation described below.

The Company has the option to redeem the outstanding shares of Series B1 Preferred Stock at $1.72 per share, plus any accrued and unpaid dividends on such Series B1 Preferred Stock redeemed, at any time beginning on June 24, 2017 (the two year anniversary of the closing of the Company's June 2015 offering of Series B Preferred Stock) and the Company was required to redeem the Series B1 Preferred Stock at $1.56 per share, plus any accrued and unpaid dividends on June 24, 2020 (the five year anniversary of the closing of the Company's June 2015 offering of Series B Preferred Stock), provided that such redemption was not required in the event the Company was contractually or legally prohibited from redeeming such preferred stock. In the event Series B Preferred Stock was not redeemed on June 24, 2020, the dividend rate increased to 10% per annum, until such time, if ever, as the Company was contractually and legally able to redeem such preferred stock. As the Company was prohibited both contractually and legally, from redeeming the Series B1 Preferred Stock on June 24, 2020, a redemption did not occur, the dividend rate increased to 10% per annum, and the redemption date automatically extended until the date in the future where the Company was not prohibited contractually or by applicable law, from redeeming such preferred stock, if ever.

Effective on June 24, 2021, the automatic conversion provisions of the Series B1 Preferred Stock were triggered, and the outstanding shares of the Company's Series B1 Preferred Stock automatically converted into common stock of the Company.

Series C Convertible Preferred Stock

The Series C Preferred Stock does not accrue a dividend, but has participation rights on an as-converted basis, to any dividends paid on the Company's common stock (other than dividends paid solely in common stock). Each Series C Preferred Stock share has a $100 face value, and a liquidation preference (in the amount of $100 per share) which is junior to the Company's other outstanding shares of preferred stock, senior credit facilities and other debt holders as provided in further detail in the designation, but senior to the common stock.

The Series C Preferred Stock is convertible into shares of the Company's common stock at the holder's option at any time at $1.00 per share (initially a 100:1 basis (subject to adjustments for stock splits and recapitalizations)). The Series C Preferred Stock votes together with the common stock on an as-converted basis, provided that each holder's voting rights are subject to and limited by the Series C Beneficial Ownership Limitation described below and provided further that notwithstanding any of the foregoing, solely for purposes of determining the voting rights, the voting rights accorded to such Series C Convertible Preferred Stock will be determined as if converted at $1.05 per share (the market value of the common stock as of the close of trading on the day prior to the original issuance date of the Series C Preferred Stock), and subject to equitable adjustment as discussed in the designation. There are no redemption rights associated with the Series C Preferred Stock.

The Series C Preferred Stock contains a provision prohibiting the conversion of the Series C Preferred Stock into common stock of the Company, if upon such conversion or exercise, as applicable, the holder thereof would beneficially own more than 4.999% of the Company's then outstanding common stock (the "Series C Beneficial Ownership Limitation"). The Series C Beneficial Ownership Limitation may be increased up and down on a per holder basis, with 61 days prior written notice from any holder, provided the Series C Beneficial Ownership Limitation may never be higher than 9.999%.

So long as any shares of Series C Preferred Stock are outstanding, we are prohibited from undertaking any of the following without first obtaining the approval of the holders of a majority of the outstanding shares of Series C Preferred Stock: (a) increasing or decreasing (other than by redemption or conversion) the total number of authorized shares of Series C Preferred Stock; (b) re-issuing any shares of Series C Preferred Stock converted; (c) creating, or authorizing the creation of, or issuing or obligating the Company to issue shares of, any class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company, or increasing the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to (and not pari passu with) the Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Company; (d) effecting an exchange, reclassification, or cancellation of all or a part of the Series C Preferred Stock (except pursuant to the terms of the designation); (e) effecting an exchange, or creating a right of exchange, of all or part of the shares of another class of shares into shares of Series C Preferred Stock (except pursuant to the terms of the designation); (f) issuing any additional shares of Series C Preferred Stock; (g) altering or changing the rights, preferences or privileges of the shares of Series C Preferred Stock so as to affect adversely the shares of such series; or (h) amending or waiving any provision of the Company's Articles of Incorporation or Bylaws relative to the Series C Preferred

Stock so as to affect adversely the shares of Series C Preferred Stock in any material respect as compared to holders of other series of shares.

Outstanding Warrants and Options

As of the date of this Report, we have outstanding options to purchase a total of 4,195,168 shares of our common stock with a weighted average exercise price of $1.73 per share and warrants to purchase an aggregate of 1,500,000 shares of common stock with an exercise price of $2.25 per share outstanding.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the period from January 1, 2022 to the filing date of this report, which have not previously been included in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

In October 2021, a holder of warrants exercised warrants to purchase 280,449 shares of our common stock with an exercise price of $1.53 per share, paying the aggregate exercise price of $429,087, and was issued 280,449 shares of common stock in connection therewith. We claim an exemption from registration pursuant to Section 4(a)(2) of the Securities Act, for the above issuance in connection with the exercise. The resale of shares of common stock issuable upon exercise of the warrant was registered under the Securities Act.

In January 2022, a holder of Series A Preferred Stock of the Company converted 1,451 of such shares of Series A Preferred Stock into 1,451 shares of common stock of the Company, on a one-for-one basis, pursuant to the terms of such Series A Preferred Stock. We claim an exemption from registration provided by Section 3(a)(9)of the Securities Act for such issuance, as the securities were exchanged by us with our existing security holder in a transaction where no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

In February 2022, a holder of Series A Preferred Stock of the Company converted 2,995 of such shares of Series A Preferred Stock into 2,995 shares of common stock of the Company, on a one-for-one basis, pursuant to the terms of such Series A Preferred Stock. We claim an exemption from registration provided by Section 3(a)(9)of the Securities Act for such issuance, as the securities were exchanged by us with our existing security holder in a transaction where no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

As of the date of this filing, there were 381,155 outstanding shares of Series A Preferred Stock, which if converted in full, could be converted into 381,155 shares of common stock.

Use of Proceeds From Sale of Registered Securities

None.

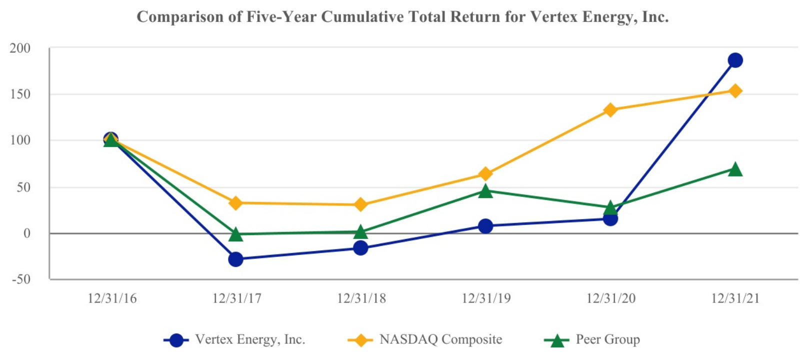
Issuer Purchases of Equity Securities

None.

Performance Graph

This performance graph shall not be deemed " soliciting materials" or to be filed with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act.

The following graph compares the cumulative 5-year total return to stockholders on our common stock, relative to the cumulative total returns of NASDAQ Composite Index and a custom peer group. We selected a custom peer group that we believe closely aligns with the breadth and size of our business. This peer group is comprised of Heritage-Crystal Clean, Perma-Fix Environmental Services, Quest Resource Holding Corp, CECO Environmental Corp. and Clean Harbors, Inc. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each NASDAQ Composite Index and member the custom peer group, at the market close on the last trading day for the fiscal year ended December 31, 2016 and its relative performance is tracked through December 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.



Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with "Cautionary Statement Regarding Forward-Looking Information," and the audited financial statements and accompanying notes included in Part II, Item 8 of this Form 10-K. This section of this Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") is provided in addition to the accompanying audited financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- **Strategy and Plan of Operations.** A summary of our strategy for growth and expansion moving forward.
- **Description of Material Financial Line Items**. a summary of the items making up our revenues, costs of revenues, and other material financial line items.
- **Highlights.** Highlights of our results of operations for the year ended December 31, 2021.
- **Results of Operations**. an analysis of our financial results comparing the twelve months ended December 31, 2021 and 2020.
- **Liquidity and Capital Resources**. An analysis of changes in our balance sheets and cash flows and discussion of our financial condition.
- **Critical Accounting Policies and Estimates**. A Summary of critical accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

Strategy and Plan of Operations

The Principal elements of our strategy include:

- *Expand Feedstock Supply Volume.* We intend to expand our feedstock supply volume by growing our collection and aggregation operations. We plan to increase the volume of feedstock we collect directly by developing new relationships with generators and working to displace incumbent collectors; increasing the number of collection personnel, vehicles, equipment, and geographical areas we serve; and acquiring collectors in new or existing territories. We intend to increase the volume of feedstock we aggregate from third-party collectors by expanding our existing relationships and developing new vendor relationships. We believe that our ability to acquire large feedstock volumes will help to cultivate new vendor relationships because collectors often prefer to work with a single, reliable customer rather than manage multiple relationships and the uncertainty of excess inventory.

- *Broaden Existing Customer Relationships and Secure New Large Accounts*. We intend to broaden our existing customer relationships by increasing sales of used motor oil and re-refined products to these accounts. In some cases, we may also seek to serve as our customers' primary or exclusive supplier. We also believe that as we increase our supply of feedstock and re-refined products that we will secure larger customer accounts that require a partner who can consistently deliver high volumes.

- *Re-Refine Higher Value End Products.* We intend to develop, lease, or acquire technologies to re-refine our feedstock supply into higher-value end products. We believe that the expansion of our facilities and our technology, and investments in additional technologies, will enable us to upgrade feedstock into end products, such as lubricating base oil, that command higher market prices than the current re-refined products we produce.

- *Pursue Selective Strategic Relationships or Acquisitions.* We plan to grow market share by consolidating feedstock supply through partnering with or acquiring collection and aggregation assets. Such acquisitions and/or partnerships could increase our revenue and provide better control over the quality and quantity of feedstock available for resale and/or upgrading as well as providing additional locations for the implementation of TCEP, if we deem such commercially reasonable. In addition, we intend to pursue further vertical integration opportunities by acquiring complementary recycling and processing technologies where we can realize synergies by leveraging our customer and vendor relationships, infrastructure, and personnel, and by eliminating duplicative overhead costs.

Description of Material Financial Line Items

Revenues

We generate revenues from three existing operating segments as follows:

BLACK OIL - Revenues for our Black Oil segment are comprised primarily of product sales from our re-refineries and feedstock sales (used motor oil) which are purchased from generators of used motor oil such as oil change shops and garages, as well as a network of local and regional suppliers. Volumes are consolidated for efficient delivery and then sold to third-party re-refiners and fuel oil blenders for the export market. In addition, through used oil re-refining, we re-refine used oil into different commodity products. Through the operations at our Marrero, Louisiana facility, we produce a Vacuum Gas Oil (VGO) product from used oil re-refining which is then sold via barge to crude refineries to be utilized as an intermediate feedstock in the refining process, as well as to the marine fuels market.

Through the operations at our Columbus, Ohio facility, the ownership of 65% of which was transferred to Tensile in connection with the Heartland SPV (discussed above under "Part I" - "Item 1. Business" - "Prior Material Acquisitions and Transactions"), effective January 1, 2020, we produce a base oil finished product which is then sold via truck or rail car to end users for blending, packaging and marketing of lubricants.

Discontinued operations of Vertex include the Black Oil Segment, also referred to as the UMO Business, Refer to Note 19, "Discontinued Operations" in Notes to Financial Statements for additional information.

REFINING AND MARKETING - The Refining and Marketing segment generates revenues relating to the sales of finished products. The Refining and Marketing segment gathers hydrocarbon streams in the form of petroleum distillates, transmix and other chemical products that have become off-specification during the transportation or refining process. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, and then processed at a third-party facility under our direction. The end products are typically three distillate petroleum streams (gasoline blendstock, pygas and fuel oil cutterstock), which are sold to major oil companies or to large petroleum trading and blending companies. The end products are delivered by barge and truck to customers. Additionally, this segment includes the wholesale distribution of gasoline, blended gasoline, and diesel for use as engine fuel to operate automobiles, trucks, locomotives, and construction equipment.

RECOVERY - The Recovery segment consists primarily of revenues generated from the sale of ferrous and non-ferrous recyclable Metal(s) products that are recovered from manufacturing and consumption. It also includes revenues generated from trading/marketing of Group III Base Oils through January 2021.

Our revenues are affected by changes in various commodity prices including crude oil, natural gas, #6 oil and metals.

Cost of Revenues

BLACK OIL - Cost of revenues for our Black Oil segment are comprised primarily of feedstock purchases from a network of providers. Other cost of revenues include processing costs, transportation costs, purchasing and receiving costs, analytical assessments, brokerage fees and commissions, and surveying and storage costs.

Discontinued operations of Vertex include the Black Oil Segment, also referred to as the UMO Business, Refer to Note 19, "Discontinued Operations" in Notes to Financial Statements for additional information.

REFINING AND MARKETING - The Refining and Marketing segment incurs cost of revenues relating to the purchase of gasoline, blended gasoline, diesel, feedstock, purchasing and receiving costs, and inspection and processing of the feedstock into gasoline blendstock, pygas and fuel oil cutter by a third party. Cost of revenues also includes broker's fees, inspection and transportation costs.

RECOVERY - The Recovery segment incurs cost of revenues relating to the purchase of ferrous and non-ferrous recyclable Metal(s) products that are recovered from manufacturing and consumption. Cost of revenues also includes broker's fees, inspection and transportation costs.

Our cost of revenues is affected by changes in various commodity indices, including crude oil, natural gas, #6 oil and metals. For example, if the price for crude oil increases, the cost of solvent additives used in the production of blended oil products, and fuel cost for transportation cost from third party providers will generally increase. Similarly, if the price of crude oil falls, these costs may also decline.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and other employee-related benefits for executive, administrative, legal, financial and information technology personnel, as well as outsourced and professional services, rent, utilities, and related expenses at our headquarters, as well as certain taxes.

Depreciation and Amortization Expenses

Our depreciation and amortization expenses are primarily related to the fixed assets and intangible assets acquired in connection with the Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), a Texas limited partnership ("Holdings"), Omega Refining, LLC's ("Omega Refining") and Warren Ohio Holdings Co., LLC, f/k/a Heartland Group Holdings, LLC ("Heartland"), Acadiana Recovery, LLC ("Acadiana"), Nickco Recycling, Inc. ("Nickco"), Ygriega Environmental Services, LLC ("Ygriega"), Specialty Environmental Services ("SES") and Crystal Energy, LLC ("Crystal") acquisitions.

Depreciation and amortization expense attributable to cost of revenues reflects the depreciation and amortization of the fixed assets at our refineries along with rolling stock at our collection branches.

Depreciation and amortization expense attributable to operating expenses reflects depreciation and amortization related to our corporate and administrative offices along with internet technology (IT) related items and intangibles.

Highlights

The continued operations of the Company primarily include the Refining and Marketing Segment and Recovery Segment. Our revenues and cost of revenues are significantly impacted by fluctuations in commodity prices; increases in commodity prices typically result in increases in revenue and cost of revenues.

Total revenues increased 146% to $116 million in 2021, compared with $47 million in 2020. Total cost of revenues (exclusive of depreciation and amortization) increased 143% to $111 million in 2021 compared with $45.5 million in 2020. The main reason for the increase in the revenue and cost of sales was the addition of the Crystal business which we only had for the second half of 2020 and have now had the operations of for the full twelve months of 2021, in addition to higher commodity prices, which impacted our feedstock pricing, and increases in volumes throughout the business, due to the increase in overall economic activity following the initial downturns in activity as a result of the COVID-19 pandemic throughout 2020. The expansion and start-up of business activity at our Myrtle Grove location also had an impact on our overall costs. Gross profit increased 340% to $4.6 million in 2021 compared with $1 million in 2020, primarily due to our increased margins, which were caused by the increase in commodity prices. Our gross profit margin increased to 3.95% in 2021 from 2.21 % in 2020.

Total revenues increased 156% to $47 million in 2020, compared with $18.4 million in 2019. Total cost of revenues (exclusive of depreciation and amortization) increased 169% to $45.5 million in 2020 compared with $17 million in 2019. The main reason for the increase was the addition of the Crystal business which we acquired in June 2020. Gross profit increased 10% to $1 million in 2020 compared with $0.9 million in 2019, while gross profit margin decreased to 2.21% in 2020 from 5.14% in 2019, primarily due to the COVID-19 pandemic and decreased commodity prices in 2020 compared with in 2019. Due to the overall market slowdown in 2020, we experienced a reduction in feedstock availability in the market and less demand for our overall services.

Total selling, general and administrative expenses increased 118% to $17.7 million in 2021 compared with $8.1 million in 2020, due to increased business development costs, consulting and legal fees, which related the Refinery Purchase Agreement and Sale Agreement, together with bad debt, which related to the litigation described in greater detail under "Item 8. Financial Statements and Supplementary Data" in Note 4 Concentrations, Significant Customers, Commitments and Contingencies".

We had loss on assets impairment of $2.1 million for the year ended December 31, 2021. This was mainly due to the assets damaged in our Myrtle Grove facility triggered by Hurricane Ida in August 2021. Refer to "Part II" -"Item 2. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 5. Fixed Assets" for detailed information.

Total selling, general and administrative expenses increased 22% to $8 million in 2020 compared with $6.7 million in 2019, mainly due to increase of selling, general and administrative expenses related to Crystal, which was acquired in June 2020, increased personnel costs and a decrease in allocation of expenses as a result of the Heartland Share Purchase and related transactions completed in January 2020, which is described in greater detail under "Item 8. Financial Statements and Supplementary Data" in Note 6 Share Purchase, Subscription Agreement and Acquisitions".

The total other expenses were $15.0 million in 2021, compared with $1.1 million of other income in 2020, mainly due to the increased derivative liabilities related to warrants granted in connection with the Series B and B1 convertible preferred stock and convertible note.

The net loss decreased 33% to $7.7 million in 2021 compared with $11.4 million in 2020, due to the net income from Black Oil Segment, which is included in discontinued operations. Net income from discontinued operations was $22.7 million in 2021, which increased $28.1 million compared to a $5.4 million loss in 2020. Discontinued operations of Vertex include the Black Oil Segment, also referred to as the UMO Business, Refer to Note 19, "Discontinued Operations" in Notes to Financial Statements for additional information.

Results of Operations

Results of Operations for the Fiscal Year Ended December 31, 2021 Compared to the Fiscal Year Ended December 31, 2020 and 2019

	Year Ended December 31,			2021 over 2020		2020 over 2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Revenues	$ 115,781,375	$ 47,019,043	$ 18,357,575	$ 68,762,332	146 %	$ 28,661,468	156 %
Cost of revenues (exclusive of depreciation and amortization)	110,720,368	45,520,114	16,952,135	65,200,254	143 %	28,567,979	169 %
Depreciation and amortization attributable to costs of revenues	486,428	458,155	461,110	28,273	6 %	(2,955)	(1)%
Gross profit	4,574,579	1,040,774	944,330	3,533,805	340 %	96,444	10 %
Selling, general and administrative expenses	17,732,690	8,117,429	6,657,178	9,615,261	118 %	1,460,251	22 %
Loss on assets impairment	2,123,703	—	—	2,123,703	100 %	—	— %
Depreciation and amortization attributable to operating expenses	107,664	71,776	—	35,888	50 %	71,776	— %
Total operating expenses	19,964,057	8,189,205	6,657,178	11,774,852	144 %	1,532,027	23 %
Loss from operations	(15,389,478)	(7,148,431)	(5,712,848)	(8,241,047)	115 %	(1,435,583)	(25)%
Other income (expense)							
Other income	4,222,000	101	920,197	4,221,899	4,180,098 %	(920,096)	(100)%
Loss on sale of assets	(64,278)	(124,515)	(74,111)	60,237	48 %	(50,404)	68 %
Gain (loss) on change in value of derivative warrant liability	(15,685,355)	1,638,804	(487,524)	(17,324,159)	(1,057)%	2,126,328	(436)%
Interest expense	(3,487,448)	(409,849)	(541,250)	(3,077,599)	751 %	131,401	(24)%
Total other income (expense)	(15,015,081)	1,104,541	(182,688)	(16,119,622)	(1,459)%	1,287,229	(705)%
Loss before income tax	(30,404,559)	(6,043,890)	(5,895,536)	(24,360,669)	(403)%	(148,354)	(3)%
Income tax benefit	—	—	—	—	— %	—	— %
Loss from continuing operations	(30,404,559)	(6,043,890)	(5,895,536)	(24,360,669)	(403)%	(148,354)	(3)%
Income (loss) from discontinued operations, net of tax	22,743,382	(5,352,285)	409,983	28,095,667	525 %	(5,762,268)	(1,405)%
Net loss	$ (7,661,177)	$ (11,396,175)	$ (5,485,553)	$ 3,734,998	33 %	$ (5,910,622)	(108)%

Quarterly Operation Results for Continued Operations

During the second quarter of 2021, the Company initiated and began executing a strategic plan to sell its UMO Business. On June 29, 2021, we entered into an Asset Purchase Agreement (the "Sale Agreement" and the transactions contemplated therein, the "Sale Transaction" or the "Sale") with Vertex Operating, Vertex LA, Vertex OH, CMT, H & H Oil, as sellers, and Safety-Kleen Systems, Inc., as purchaser ("Safety-Kleen"), dated as of June 28, 2021. On September 28, 2021, the shareholders approved the proposed sale of the Company's portfolio of used motor oil collection and recycling assets to Safety-Kleen. The Company met all of the criteria to classify the UMO Business's assets and liabilities as held for sale in the third quarter 2021. The Company has classified the assets, liabilities, and results of operations for this business as "Discontinued Operations" for all periods presented. Refer to Note 19, "Discontinued Operations" in the Notes to Financial Statements for additional information.

The continued operations primarily includes the Refining and Marketing Segment and Recovery Segment. The tables below represent the quarterly operation results for each quarter of the years ended on December 31, 2021 and 2020 for the Company as whole and each segment.

Results of Operations for the Four Quarters Ended December 31, 2021 Compared to the Four Quarters Ended December 31, 2020

	Statements of Operations by Quarter							
	Fiscal 2021				Fiscal 2020			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	$ 31,786,645	$ 28,721,725	$ 30,227,762	$ 25,045,243	$ 17,422,437	$ 15,961,311	$ 8,464,757	$ 5,170,538
Cost of revenues (exclusive of depreciation and amortization shown separately below)	31,348,645	28,521,317	28,041,703	22,808,703	16,899,340	15,324,914	8,212,629	5,083,231
Depreciation and amortization attributable to costs of revenues	127,523	130,859	115,549	112,497	127,225	115,956	108,704	106,270
Gross profit	310,477	69,549	2,070,510	2,124,043	395,872	520,441	143,424	(18,963)
Operating expenses:								
Selling, general and administrative expenses	5,620,739	5,076,215	4,177,674	2,858,062	2,197,442	1,814,676	2,000,757	2,104,554
Loss on Assets Impairment	2,123,703	—	—	—	—	—	—	—
Depreciation and amortization attributable to operating expenses	26,916	26,916	26,916	26,916	26,916	26,916	17,944	—
Total operating expenses	7,771,358	5,103,131	4,204,590	2,884,978	2,224,358	1,841,592	2,018,701	2,104,554
Income (loss) from operations	(7,460,881)	(5,033,582)	(2,134,080)	(760,935)	(1,828,486)	(1,321,151)	(1,875,277)	(2,123,517)
Other income (expense)								
Other income (expenses)	—	—	4,222,000	—	—	—	20	80
Gain(loss) on sale of assets	(62,351)	(3,351)	—	1,424	(425)	(136,433)	12,344	—
Gain (loss) on change in value of derivative liability	(4,305,233)	11,907,413	(21,507,332)	(1,780,203)	(205,566)	256,587	(110,965)	1,698,747
Interest expense	(2,884,049)	(352,588)	(138,669)	(112,142)	(117,915)	(97,157)	(80,902)	(113,874)
Total other income (expense)	(7,251,633)	11,551,474	(17,424,001)	(1,890,921)	(323,906)	22,997	(179,503)	1,584,953
Income (loss) before income taxes	(14,712,514)	6,517,892	(19,558,081)	(2,651,856)	(2,152,392)	(1,298,154)	(2,054,780)	(538,564)
Income tax benefit (expense)	—	—	—	—	—	—	—	—
Income (loss) from continued operations	(14,712,514)	6,517,892	(19,558,081)	(2,651,856)	(2,152,392)	(1,298,154)	(2,054,780)	(538,564)
Income (loss) from discontinued operations, net of tax	9,362,890	4,161,879	3,601,419	5,617,194	(790,392)	(657,016)	(6,833,692)	2,928,815
Net income (loss)	(5,349,624)	10,679,771	(15,956,662)	2,965,338	(2,942,784)	(1,955,170)	(8,888,472)	2,390,251
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest from continued operation	(303,813)	(115,132)	243,083	382,666	208,410	136,333	(69,187)	88,176
Net income attributable to non-controlling interest and redeemable non-controlling interest from discontinued operation	3,312,503	2,400,142	3,174,824	1,608,303	240,759	343,881	178,353	(486,785)
Net income (loss) attributable to Vertex Energy, Inc.	$ (8,358,314)	$ 8,394,761	$ (19,374,569)	$ 974,369	$ (3,391,953)	$ (2,435,384)	$ (8,997,638)	$ 2,788,860

	Statements of Segments Operations by Quarters							
	Fiscal 2021				Fiscal 2020			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Black Oil								
Revenues								
Oil collection services	$ 206,013	$ 193,930	$ 154,558	$ 122,986	$ 4,735	$ —	$ —	$ —
Total Revenue	206,013	193,930	154,558	122,986	4,735	—	—	—
Cost of revenues (exclusive of depreciation and amortization shown separately below)	854,830	404,325	362,241	280,378	239,966	189,946	192,195	185,756
Depreciation and amortization attributable to costs of revenues	18,419	18,420	18,181	20,382	13,254	3,985	—	—
Gross loss	$ (667,236)	$ (228,815)	$ (225,864)	$ (177,774)	$ (248,485)	$ (193,931)	$ (192,195)	$ (185,756)
Refining & Marketing								
Revenues								
Pygas	$ 2,867,337	$ 3,736,533	$ 3,861,942	$ 2,972,431	$ 1,812,088	$ 1,184,433	$ 1,172,766	$ 2,457,841
Industrial Fuel	462,528	417,096	409,522	311,693	99,396	82,644	—	52,752
Distillates [1]	22,216,874	20,418,761	19,565,228	15,989,828	11,583,231	12,234,672	5,124,562	—
Total Revenue	25,546,739	24,572,390	23,836,692	19,273,952	13,494,715	13,501,749	6,297,328	2,510,593
Cost of revenues (exclusive of depreciation and amortization shown separately below)	25,015,693	24,355,746	22,248,995	17,949,695	13,434,602	13,217,757	5,958,778	2,596,052
Depreciation and amortization attributable to costs of revenues	29,843	33,908	31,874	31,876	35,808	34,394	35,040	34,975
Gross profit (loss)	$ 501,203	$ 182,736	$ 1,555,823	$ 1,292,381	$ 24,305	$ 249,598	$ 303,510	$ (120,434)
Recovery								
Revenues								
Oil collection services	$ —	$ —	$ —	$ 3,423	$ —	$ —	$ —	$ —
Metals [2]	5,544,226	3,669,411	6,150,082	5,644,882	3,922,987	2,459,561	2,168,997	2,710,062
Other re-refinery products [3]	489,667	285,994	86,430	—	—	—	(1,568)	(50,116)
Total Revenue	6,033,893	3,955,405	6,236,512	5,648,305	3,922,987	2,459,561	2,167,429	2,659,946
Cost of revenues (exclusive of depreciation and amortization shown separately below)	5,478,122	3,761,246	5,430,467	4,578,630	3,224,772	1,917,210	2,061,656	2,301,424
Depreciation and amortization attributable to costs of revenues	79,261	78,531	65,494	60,239	78,164	77,576	73,664	71,295
Gross profit (loss)	$ 476,510	$ 115,628	$ 740,551	$ 1,009,436	$ 620,051	$ 464,775	$ 32,109	$ 287,227

[1] Distillates are finished fuel products such as gasoline and diesel fuels.

[2] Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

[3] Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

Segment Performance

Our Black Oil segment includes (i) the business operations of MG SPV, in continued operations, which started operations at the end of 2020 and (ii) corporate selling, general and administrative expenses. In our Black Oil segment MG SPV generated revenues of $0.7 million for the year ended December 31, 2021, which is derived from used oil collections. The cost of revenues increased $1.1 million to $1.9 million compared with $0.8 million in 2020, due to the increased cost of revenue and facility maintenance. During the year ended December 31, 2020, these revenues were $4,735 with cost of revenues of $0.8 million. Selling, general and administrative expenses increased $8.6 million to $13.6 million in 2021, compared to $5 million in 2020, primarily resulting from business development expense and legal expenses, which related to the Refinery Purchase Agreement and Sale Agreement. We had loss on assets impairment of $2.1 million for the year ended December 31, 2021. This was mainly due to the assets damaged in our Myrtle Grove facility triggered by Hurricane Ida in August 2021. Refer to “Part II” -“Item 2. Financial Statements and Supplementary Data” in the Notes to Consolidated Financial Statements in “Note 5. Fixed Assets” for more detailed information.

Our Black Oil segment generated minimal revenue in 2020 and 2019 with cost of revenue (exclusive of depreciation and amortization) increasing 21% to $0.8 million in 2020 compared with $0.67 million in 2019, mainly attributable to the increases in facility maintenance, personnel cost and other license and permit fees in order to get the operation ready at the end of 2020. The increase in depreciation and amortization attributable to cost of revenue is due to the addition of vehicles and equipment in 2020. Selling, general and administrative expenses increased $0.7 million to $5 million in 2020, as compared to $4.3 million in 2019, due to a decrease in allocation of expenses as a result of the Heartland Share Purchase and related transactions completed in January 2020, which is described in greater detail under “Part II”-“Item 8. Financial Statements and Supplementary Data” in the Note 6, “Share Purchase, Subscription Agreement and Acquisitions”. The increase in depreciation and amortization attributable to operating expenses is due to the current period recognition of depreciation and amortization.

The below table shows the operating results of our Black Oil segment for the years ended December 31, 2021, 2020 and 2019.

	Year Ended December 31,			2021 over 2020		2020 over 2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Black Oil							
Revenues	$ 677,487	$ 4,735	$ —	$ 672,752	14,208 %	$ 4,735	100 %
Cost of revenues (exclusive of depreciation and amortization shown separately below)	1,901,774	807,863	669,904	1,093,911	135 %	137,959	21 %
Depreciation and amortization attributable to costs of revenues	75,402	17,239	—	58,163	337 %	17,239	100 %
Gross loss	(1,299,689)	(820,367)	(669,904)	(479,322)	(58)%	(150,463)	(22)%
Selling, general and administrative expenses	13,632,330	5,036,054	4,268,707	8,596,276	171 %	767,347	18 %
Loss on Assets Impairment	2,123,703	—	—	2,123,703	100 %	—	— %
Depreciation and amortization attributable to operating expenses	107,664	71,776	—	35,888	50 %	71,776	100 %
Loss from operations	$ (17,163,386)	$ (5,928,197)	$ (4,938,611)	$ (9,111,486)	(154)%	$ (989,586)	(20)%

Our Refining segment includes the business operations of our Refining and Marketing operations, as well as the operations of Crystal. Since the acquisition of Crystal in June 2020, we operate as a wholesale distributor of motor fuels which include gasoline, blended gasoline and diesel. During the year ended December 31, 2021, our Refining and Marketing revenue increased $57.4 million to $93.2 million in 2021 compared with $35.8 million in 2020, and cost of revenues (exclusive of depreciation and amortization) increased $54.4 million to $89.6 million in 2021 compared with $35.2 million in 2020, and as a result, the gross profit margin increased to 4% in 2021 compared to 1% in 2020. The increase of revenue and gross profit is a result of having the operations of Crystal for the whole year and an increase in commodity prices.

During the year ended December 31, 2020, our Refining and Marketing revenue increased $22.8 million to $35.8 million, compared with $13 million in 2019, and cost of revenues (exclusive of depreciation and amortization) increased $24.6 million to $35.2 million, compared with $10.7 million in 2019. Revenue increase primarily is a result of Crystal's operations, which were acquired in June 2020. Selling, general and administrative expenses increased 33% to $2.5 million in 2020, compared with $1.9 million in 2019, due to an increase in selling, general and administrative expenses associated with Crystal, acquired in June 2020, and increased personnel costs.

Overall volume for the Refining and Marketing segment increased 116% during the year ended December 31, 2021, as compared to the same period in 2020. Our fuel oil cutter volumes increased 37% for the year ended December 31, 2021, compared to the same period in 2020. Our pygas volumes were down 1% for the year ended December 31, 2021, as compared to the same period in 2020. The volumes from our Crystal Energy business which we only had for half the year in 2020 and for the whole year in 2021, were up 97% for the year ended December 31, 2021, compared to the same period in 2020. We experienced a slight decrease in some of our volumes being received from third party facilities in 2021, compared to the prior 2020 period. Also during 2021, weather delays as a result of the hurricanes in the Gulf which caused some delays in operations for short periods of time.

	Year Ended December 31,			2021 over 2020		2020 over 2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Refining and Marketing							
Revenues	$ 93,229,774	$ 35,804,385	$ 12,957,767	$ 57,425,389	160 %	$ 22,846,618	176 %
Cost of revenues (exclusive of depreciation and amortization shown separately below)	89,570,129	35,207,189	10,651,069	54,362,940	154 %	24,556,120	231 %
Depreciation and amortization attributable to costs of revenues	127,501	140,217	131,210	(12,716)	(9)%	9,007	7 %
Gross profit	3,532,144	456,979	2,175,488	3,075,165	673 %	(1,718,509)	(79)%
Selling, general and administrative expenses	3,277,265	2,528,987	1,901,746	748,278	30 %	627,241	33 %
Depreciation and amortization attributable to operating expenses	—	—	—	—	— %	—	— %
Income (loss) from operations	$ 254,879	$ (2,072,008)	$ 273,742	$ 2,326,887	112 %	$ (2,345,750)	(857)%

Our Recovery segment generated revenues of $21.9 million for the year ended December 31, 2021, with cost of revenues (exclusive of depreciation and amortization) of $19.2 million. During the year ended December 31, 2020, these revenues were $11.2 million, with cost of revenues (exclusive of depreciation and amortization) of $9.5 million. Revenue increased 95% and cost of revenues (exclusive of depreciation and amortization) increased 103%, and gross profit margin was 11% in 2021 and 13% in 2020, due primarily to increased volumes of steel processed in addition to a large increase in steel values during the period.

Our Recovery segment generated revenues of $11.2 million for the year ended December 31, 2020, with cost of revenues (exclusive of depreciation and amortization) of $9.5 million. During the year ended December 31, 2019, these revenues were $5.4 million with cost of revenues (exclusive of depreciation and amortization) of $5.6 million. Revenues were up substantially as a result of increased volumes of steel processed in addition to a large increase in steel values during the period. Gross profit increased for the year ended December 31, 2020, compared to 2019, as a result of increased volumes attributable to our Recovery segment and margins related thereto, through our various facilities.

Our Recovery segment includes the business operations of Vertex Recovery Management, LLC, as well as our Group III base oil business. Vertex acted as Penthol's exclusive agent to provide marketing, sales, and logistical duties of Group III base oil from the United Arab Emirates to the United States from June 2016 to January 2021. Vertex and Penthol are currently involved in ongoing litigation described in greater detail above under "Part II" -"Item 2. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 4. Concentrations, Significant Customers, Commitments and Contingencies", under the heading "Litigation". This segment periodically participates in project work that is not ongoing, thus we expect to see fluctuations in revenue and income before income taxes from period to period.

	Year Ended December 31,			2021 over 2020		2020 over 2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Recovery							
Revenues	$ 21,874,114	$ 11,209,923	$ 5,399,808	$ 10,664,191	95 %	$ 5,810,115	108 %
Cost of revenues (exclusive of depreciation and amortization shown separately below)	19,248,465	9,505,062	5,631,162	9,743,403	103 %	3,873,900	69 %
Depreciation and amortization attributable to costs of revenues	283,525	300,699	329,900	(17,174)	(6)%	(29,201)	(9)%
Gross profit (loss)	2,342,124	1,404,162	(561,254)	937,962	673 %	1,965,416	350 %
Selling, general and administrative expenses	823,095	552,388	486,725	270,707	49 %	65,663	13 %
Depreciation and amortization attributable to operating expenses	—	—	—	—	— %	—	— %
Income (loss) from operations	$ 1,519,029	$ 851,774	$ (1,047,979)	$ 667,255	78 %	$ 1,899,753	181 %

The Company purchases product/feedstock from third-party collectors as well as internally collected product using its fleet of trucks. Our long-term goal is to collect as much of our product/feedstock as possible as this helps to improve margins and ultimately net income of the Company. The more product/feedstock we can collect with our own fleet and displace third-party purchases improves the overall profitability of the Company through cost reductions, as our internally collected product/feedstock is generally cheaper than product/feedstock we have to purchase from third-parties. In general, the more product/feedstock we are required to acquire from third-parties, the lower our margins. While the breakdown between internally sourced and third-party sourced product/feedstock has no effect on revenue (which is a function of fluctuating product spreads), it does have an effect on cost of revenues, and therefore our profit before selling, general and administrative expenses. Specifically, a higher amount of third-party sourced product/feedstock generally results in increases to costs of revenues. Inventories are also affected to a limited extent by collection and production values – the more product we collect, the greater our inventories of product/feedstock, at least until such product/feedstock is processed into end-products. The inventory levels of our end-products are determined based on supply and demand, and how quickly such products can be transported, and not typically dependent on the amount of products/feedstock we source internally or externally.

The following table sets forth the high and low spot prices during 2021 for our key benchmarks.

2021 Benchmark	High	Date	Low	Date
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	$ 2.38	October 15	$ 1.33	January 4
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	$ 2.55	October 25	$ 1.36	January 4
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	$ 75.04	October 5	$ 45.08	January 4
NYMEX Crude Oil (dollars per barrel)	$ 84.65	October 26	$ 47.62	January 4
Reported in Platt's US Marketscan (Gulf Coast)				

The following table sets forth the high and low spot prices during 2020 for our key benchmarks.

2020 Benchmark	High	Date	Low	Date
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	$ 1.95	January 3	$ 0.42	April 27
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	$ 1.75	January 3	$ 0.40	March 23
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	$ 47.34	January 29	$ 12.00	April 21
NYMEX Crude Oil (dollars per barrel)	$ 63.27	January 6	$ (37.63)	April 20
Reported in Platt's US Marketscan (Gulf Coast)				

The following table sets forth the high and low spot prices during 2019 for our key benchmarks.

2019 Benchmark	High	Date	Low	Date
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	$ 2.01	September 16	$ 1.53	January 2
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	$ 2.08	April 10	$ 1.31	January 2
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	$ 68.54	April 25	$ 32.05	November 19
NYMEX Crude Oil (dollars per barrel)	$ 66.30	April 23	$ 46.54	January 2
Reported in Platt's US Marketscan (Gulf Coast)				

We saw a steady increase in each of the benchmark commodities we track during 2021 and a steady decline in 2020 compared with 2019. During the first half of 2020, the commodity markets experienced a steady decline due to overall global economic conditions mostly related to the pandemic and the supply and demand for the products we track.

Our margins are a function of the difference between what we are able to pay for raw materials and the market prices for the range of products produced. The various petroleum products produced are typically a function of Crude Oil indices and are quoted on multiple exchanges such as the New York Mercantile Exchange ("NYMEX"). These prices are determined by a global market and can be influenced by many factors, including but not limited to supply/demand, weather, politics, and global/regional inventory levels. As such, we cannot provide any assurances regarding results of operations for any future periods, as numerous factors outside of our control affect the prices paid for raw materials and the prices (for the most part keyed to the NYMEX) that can be charged for such products. Additionally, for the near term, results of operations will be subject to further uncertainty, as the global markets and exchanges, including the NYMEX, continue to experience volatility.

As our competitors bring new technologies to the marketplace, which will likely enable them to obtain higher values for the finished products created through their technologies from purchased black oil feedstock, we anticipate that they will have to pay more for feedstock due to the additional value received from their finished product (i.e., as their margins increase, they are able to increase the prices they are willing to pay for feedstock). If we are not able to continue to refine and improve our technologies and gain efficiencies in our technologies, we could be negatively impacted by the ability of our competitors to bring new processes to market which compete with our processes, as well as their ability to outbid us for feedstock supplies. Additionally, if we are forced to pay more for feedstock, our cash flows will be negatively impacted and our margins will decrease.

Other Income and Expenses

We had interest expense of $3.5 million for the year ended December 31, 2021, which increased $3.1 million compared with 2020, mainly due to accrued interest in November and December 2021 on our $155 million of principal amount at maturity convertible notes that were issued on November 1, 2021. Interest expense in 2020 decreased $0.1 million, compared with 2019, mainly due to a greater principal balance outstanding owed on our previously outstanding credit agreement and related loans and term loans made in 2020 resulting in less interest expense incurred.

We had other income of $4.2 million for the year ended December 31, 2021. This was mainly due to the debt forgiveness of our $4.22 million Paycheck Protection Program loan (the "PPP loan") during the second quarter of 2021. Other income for the year ended December 31, 2019 of $0.9 million, included the receipt of a payment of $907,500 related to the proceeds of an insurance settlement for a fire that had occurred at the used oil re-refining plant located in Churchill County, Nevada, which we previously rented during the year ended December 31, 2019.

We had a $15.7 million loss on change in value of derivative liability for the year ended December 31, 2021, of which $11.4 million of such loss was in connection with certain warrants granted in June 2015 and May 2016 in connection with the sale of Series B and B1 preferred stock and $4.6 million was in connection with conversion options of Convertible Notes that were issued in November 2021, compared to a gain on change in the value of our derivative liability of $1.6 million in 2020 and loss on change in the value of our derivative liability of $0.5 million in 2019. This change was mainly due to the fluctuation in the market price of our common stock (and more specifically the significant increase and decrease in the market price of our common stock during the year 2021 and 2020, respectively), warrant exercises, and non-cash accounting adjustments in connection therewith. This resulted in a significant change in non-cash expense for the period, compared to the prior year's period. More detailed information is included in "Part II" -"Item 2. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 14. Preferred Stock And Temporary Equity".

	Year Ended December 31,			2021 over 2020		2020 over 2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Other income (expense)							
Other income	$ 4,222,000	$ 101	$ 920,197	$ 4,221,899	4,180,098 %	$ (920,096)	(100)%
Loss on sale of assets	(64,278)	(124,515)	(74,111)	60,237	48 %	(50,404)	68 %
Gain (loss) on change in value of derivative warrant liability	(15,685,355)	1,638,804	(487,524)	(17,624,159)	(1,075)%	2,126,328	(436)%
Interest expense	(3,487,448)	(409,849)	(541,250)	(3,077,599)	751 %	131,401	(24)%
Total other income (expense)	$ (15,015,081)	$ 1,104,541	$ (182,688)	$ (16,419,622)	(1,487)%	$ 1,287,229	(705)%

Liquidity and Capital Resources

The success of our current business operations has become more dependent on repairs, and maintenance to our facilities and our ability to make routine capital expenditures. We also must maintain relationships with feedstock suppliers and end product customers, and operate with efficient management of overhead costs. Through these relationships, we have historically been able to achieve volume discounts in the procurement of our feedstock, thereby increasing the margins of our segments' operations. The resulting operating cash flow is crucial to the viability and growth of our existing business lines.

With the pending closing of the acquisition of the Mobile Refinery, the Company has had discussions with multiple potential financing sources to compete the acquisition of the site, the expansion of the Renewable Diesel project planned thereat, as well as the day-to-day working capital facility, all of which will have a material impact on the overall Liquidity and Capital Resources of the Company going forward. See also the description of the Commitment Letter and planned Term Loan, discussed in greater detail above under "Item 1. Business" – "Recent Transactions" – "Indenture and Convertible Notes" and "Commitment Letter".

Cash flows for the fiscal year ended December 31, 2021 compared to the fiscal year ended December 31, 2020 and 2019 were as follows:

	Twelve Months Ended December 31,		
	2021	2020	2019
Beginning cash, cash equivalents, and restricted cash	$ 10,995,169	$ 4,199,825	$ 2,849,831
Net cash provided by (used in) from continuing and discontinued operations:			
Operating activities	9,682,700	(723,146)	2,473,167
Investing activities	(17,823,749)	(7,786,659)	(3,626,440)
Financing activities	133,772,819	15,305,149	2,503,267
Net increase in cash, cash equivalents, and restricted cash	125,631,770	6,795,344	1,349,994
Ending cash, cash equivalents, and restricted cash	$ 136,626,939	$ 10,995,169	$ 4,199,825

The analysis of cash flow activities below is combined for both continued and discontinued operations.

Operating activities provided net cash of $9.7 million for the year ended December 31, 2021, as compared to using cash of $0.7 million in 2020 and providing cash of $2.5 million in 2019. Our primary sources of liquidity are cash flows from our operations through the year and the availability to borrow funds under our credit and loan facilities through November 1, 2021. The primary reason for the increase in cash provided by operating activities for the year ended December 31, 2021, compared to the same period in 2020, were the fluctuation in market and commodity prices, which generated a profit from discontinued operations. The primary reasons for the decrease in cash provided by operating activities for the year ended December 31, 2020, compared to the same period in 2019, were the fluctuation in market and commodity prices due to the pandemic that generated the increase in net loss, decrease in accounts receivable and increase in accounts payable, decrease in inventory, and decrease in accrued expenses.

Investing activities used cash of $17.8 million for the year ended December 31, 2021, as compared to using cash of $7.8 million in 2020, due mainly to the purchase of fixed assets and a $13.7 million deposit and investment related to the potential Mobile Refinery acquisition. Investing activities used cash of $7.8 million in 2020, an increase of $4.2 million from cash used in investing activities of $3.6 million in 2019, due mainly to the purchase of fixed assets, offset by the acquisition of Crystal in 2020.

Financing activities provided cash of $133.8 million during the year ended December 31, 2021, as compared to providing cash of $15.3 million and $2.5 million in 2020 and 2019, respectively. Financing activities in 2021 were comprised of note proceeds of approximately $143.8 million relating to the sale of the Senior Notes in November 2021 and proceeds from exercise of options and warrants of $6.9 million, offset by approximately $15.8 million used to pay down our long-term debt. Financing activities in 2020 were comprised of note proceeds of approximately $8.2 million ($4.2 million of proceeds from our PPP loan) and contributions from the noncontrolling interest of Tensile of $21.0 million, offset by approximately $10.4 million used to pay down our long-term debt, and $3.1 million of payments on our line of credit. Financing activities for 2019 were comprised of note proceeds of approximately $2.8 million and contributions from the noncontrolling interest of Tensile of $3.2 million and proceeds from issuance of common stock and warrants to Tensile of $2.2 million, offset by approximately $4.6 million used to pay down our long-term debt, and $0.6 million of payments on our line of credit.

We had working capital of $185.0 million as of December 31, 2021, compared to working capital of $3.6 million as of December 31, 2020. The increase in working capital is mainly due to the restricted escrow account of more than $100 million in connection with the issuance of convertible notes and the entire assets held for sale of $84 million classified as current asset as of December 31, 2021. Our working capital includes the consolidated assets of certain subsidiaries which may only be used to settle the obligations of the respective subsidiaries. The consolidated liabilities of these subsidiaries are non-recourse to the general credit of our consolidated entity.

Our future operating cash flows will vary based on a number of factors, many of which are beyond our control, including commodity prices, the cost of recovered oil, and the ability to turn our inventory. Other factors that have affected and are expected to continue to affect earnings and cash flow are transportation, processing, and storage costs. Over the long term, our operating cash flows will also be impacted by our ability to effectively manage our administrative and operating costs.

We continue to remain focused on maintaining a strong balance sheet and adequate liquidity. Over the near term, we plan to reduce, defer or cancel certain planned capital expenditures and reduce our overall cost structures commensurate with our expected level of activities. We believe that our cash on hand, internally generated cash flows and availability under the Revolving Credit Agreement will be sufficient to fund our operations and service our debt in the near term.

The Company financed insurance premiums through various financial institutions bearing interest rates from 4.00% to 4.90%. All such premium finance agreements have maturities of less than one year and have a balance of $2,375,071 at December 31, 2021.

Financing Arrangements

The terms of our $155 million principal at maturity of 6.25% senior unsecured notes due 2027, which were issued on November 1, 2021, are discussed further in "Part II" -"Item 2. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 9. Financing Arrangements" - "Indenture and Convertible Notes".

The terms of our proposed $125 million first-lien senior secured term loan are discussed in greater detail above under "Item 1. Business" – "Recent Transactions" – "Commitment Letter". We continue to monitor our debt instruments and evaluate opportunities where it may be beneficial to refinance or reallocate the portfolio.

As of December 31, 2021, we were in compliance with the covenants of all of our debt agreements, and we believe we will continue to meet such covenants.

Need for additional funding

Our re-refining business will require significant capital to design and construct any new facilities. The facility infrastructure would be an additional capitalized expenditure to these process costs and would depend on the location and site specifics of the facility.

Additionally, as part of our ongoing efforts to maintain a capital structure that is closely aligned with what we believe to be the potential of our business and goals for future growth, which is subject to cyclical changes in commodity prices, we will be exploring additional sources of external liquidity. The receptiveness of the capital markets to an offering of debt or equities cannot be assured and may be negatively impacted by, among other things, debt maturities, current market conditions, and potential stockholder dilution. The sale of additional securities, if undertaken by us and if accomplished, may result in dilution to our shareholders. However, such future financing may not be available in amounts or on terms acceptable to us, or at all.

In addition to the above, we may also seek to acquire additional businesses or assets. In addition, the Company is considering selling assets if a more strategic acquisition presents itself. Finally, in the event we deem such transaction in our best interest, we may enter into a business combination or similar transaction in the future.

Consistent with our commitment to maximize value for all investors, we have previously launched an internal review of strategic alternatives for our business. These alternatives may include continuing as a public standalone organization, going private or selling certain assets to a strategic partner, subject to the review and approval of our Board of Directors.

The Mobile Acquisition is expected to close early in the second quarter of 2022.

There is currently volatile market for our common stock, and we anticipate that such market will be subject to wide fluctuations in response to several factors moving forward, including, but not limited to:

(1) actual or anticipated variations in our results of operations;

(2) the market for, and volatility in, the market for oil and gas;

(3) our ability or inability to generate new revenues; and

(4) the number of shares in our public float.

Furthermore, because our common stock is traded on The NASDAQ Capital Market, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, there could be extreme fluctuations in the price of our common stock.

We believe that our stock prices (bid, ask and closing prices) may not relate to the actual value of our company, and may not reflect the actual value of our common stock. Shareholders and potential investors in our common stock should exercise caution before making an investment in our common stock, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in our public reports, industry information, and those business valuation methods commonly used to value private companies.

Contractual Obligations

The following table has been included to assist in understanding our debt and similar obligations, excludes convertible note, as of December 31, 2021 and our ability to meet such contractual obligations:

Creditor	2022	2023	2024	2025	2026	Thereafter
AVT Equipment Lease-HH	$ 302,166	$ —	$ —	$ —	$ —	$ —
John Deere Note	38,224	39,173	16,608	—	—	—
US Small Business Administration	—	1,001	1,303	1,352	1,404	53,640
Various institutions	2,375,071	—	—	—	—	—
Totals	$ 2,715,461	$ 40,174	$ 17,911	$ 1,352	$ 1,404	$ 53,640

Our convertible note will mature on October 1, 2027, unless earlier repurchased, redeemed or converted, interest is payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022. The following table represents the interest obligation.

Interest payable	2022	2023	2024	2025	2026	Thereafter
Interest payable	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 7,272,260

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management regularly evaluates its estimates and judgments, including those related to revenue recognition, leases, variable interest entities, intangible assets, long-lived assets valuation, and legal matters. Actual results may differ from these estimates. "Note 2. Summary of Significant Accounting Policies," of the Notes to financial statements included in Part II, Item 8 of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Revenue Recognition.

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when our performance obligations under the terms of a contract with our customers are satisfied. Recognition occurs when the Company transfers control by completing the specified services at the point in time the customer benefits from the services performed or once our products are delivered. Revenue is measured as the amount of consideration we expect to receive in exchange for completing our performance obligations. Sales tax and other taxes we collect with revenue-producing activities are excluded from revenue. In the case of contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of the various goods and/or services encompassed by the contract. We do not have any material significant payment terms, as payment is generally due within 30 days after the performance obligation has been satisfactorily completed. The Company has elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that we otherwise would have recognized is one year or less. In applying the guidance in Topic 606, there were no judgments or estimates made that the Company deems significant.

The nature of the Company's contracts give rise to certain types of variable consideration. The Company estimates the amount of variable consideration to include in the estimated transaction price based on historical experience, anticipated performance and its best judgment at the time and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

From time to time, our fuel oil customers in our black oil segment may request that we store product at our facilities which they purchase from us. We recognize revenues for these “bill and hold” sales only if the following criteria have been met: (1) there is a substantive reason for the arrangement, (2) the product is segregated and identified as the customer's asset, (3) the product is ready for delivery to the customer, and (4) we cannot use the product or direct it to another customer.

Fair value of financial instruments

Under the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”), we are permitted to elect to measure financial instruments and certain other items at fair value, with the change in fair value recorded in earnings. We elected not to measure any eligible items using the fair value option. Consistent with the Fair Value Measurement Topic of the FASB ASC, we implemented guidelines relating to the disclosure of our methodology for periodic measurement of our assets and liabilities recorded at fair market value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Our Level 1 assets primarily include our cash and cash equivalents. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturities of these financial instruments.

Our Level 2 liabilities include our marked to market changes in the estimated value of our open derivative contracts held at the balance sheet date.

Our Level 3 liabilities include our marked to market changes in the estimated value of our derivative warrants issued in connection with our Series B Preferred Stock and Series B1 Preferred Stock, all of which have now been exercised or expired, and our outstanding Convertible Notes.

The Company estimates the fair values of the crude oil swaps and collars based on published forward commodity price curves for the underlying commodity as of the date of the estimate for which published forward pricing is readily available. The determination of the fair values incorporates various factors including the impact of the Company's non-performance risk and the credit standing of the counterparty involved in the Company's derivative contracts. In addition, the Company routinely monitors the creditworthiness of its counterparty.

Nonfinancial assets and liabilities measured at fair value on a nonrecurring basis include certain nonfinancial assets and liabilities as may be acquired in a business combination and thereby measured at fair value.

Impairment of long-lived assets

The Company evaluates the carrying value and recoverability of its long-lived assets when circumstances warrant such evaluation by applying the provisions of the FASB ASC regarding long-lived assets. It requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. The Company determined that $2.1 million long-lived asset impairment existed at December 31, 2021.

Derivative transactions.

All derivative instruments are recorded on the accompanying balance sheets at fair value. Derivative transactions are not designated as cash flow hedges under FASB ASC 815, Derivatives and Hedges. Accordingly, these commodity derivative contracts are marked-to-market and any changes in the estimated value of commodity derivative contracts held at the balance sheet date are recognized in the accompanying statements of operations through increases (losses) or decreases (gains) to cost of goods sold. The derivative assets or liabilities are classified as either current or noncurrent assets or liabilities based on their anticipated settlement date. The Company nets derivative assets and liabilities for counterparties where it has a legal right of offset.

The Company, in accordance with ASC 815-40-25 and ASC 815-10-15 Derivatives and Hedging and ASC 480-10-25 Liabilities-Distinguishing from Equity, convertible preferred shares are accounted for net, outside of shareholders' equity and warrants are accounted for as liabilities at their fair value during periods where they can be net cash settled in case of a change in control transaction. The warrants are accounted for as a liability at their fair value at each reporting period. The value of the derivative warrant liability will be re-measured at each reporting period with changes in fair value recorded in earnings. To derive an estimate of the fair value of these warrants, a Dynamic Black Scholes model is utilized that computes the impact of a possible change in control transaction upon the exercise of the warrant shares. This process relies upon inputs such as shares outstanding, estimated stock prices, strike price, term and volatility assumptions to dynamically adjust the payoff of the warrants in the presence of the dilution effect.

In accordance with ASC 815-40-25 and ASC 815-10-15, Derivatives and Hedging, the Convertible Notes are indexed to the Company's stock, and cash settlement requires the conversion feature to be classified as a derivative liability at fair value and to be bifurcated from the convertible notes. To derive an estimate of the fair value of these cash settlement, a Dynamic Black Scholes model is utilized which computes the derivative liability of the cash settlement. This process relies upon inputs such as our quoted stock prices, strike price and volatility assumptions to dynamically adjust the payoff of the settlement.

Preferred Stock Classification.

A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. A financial instrument issued in the form of shares is mandatorily redeemable if it embodies an unconditional obligation requiring the issuer to redeem the instrument by transferring its assets at a specified or determinable date (or dates) or upon an event certain to occur. A financial instrument that embodies a conditional obligation to redeem the instrument by transferring assets upon an event not certain to occur becomes mandatorily redeemable-and, therefore, becomes a liability-if that event occurs, the condition is resolved, or the event becomes certain to occur. The Series B Preferred Stock and Series B1 Preferred Stock required the Company to redeem such preferred stock on the fifth anniversary of the issuance of the Series B Preferred Stock and Series B1 Preferred Stock, subject to certain contractual and legal requirements. SEC reporting requirements provide that any possible redemption outside of the control of the Company requires the preferred stock to be classified outside of permanent equity. As of December 31, 2021, all Series B and B1 Preferred Stock were converted to common stock shares.

Redeemable Noncontrolling Interest

As more fully described in "Part II" -"Item 8. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 6. Share Purchase and Subscription Agreements and Acquisition", the Company is party to put/call option agreements with the holder of MG SPV's and Heartland SPV's non-controlling interests. The put options permit MG SPV's and Heartland SPV's non-controlling interest holders, at any time on or after the earlier of (a) the fifth anniversary of the applicable closing date of such issuances and (ii) the occurrence of certain triggering events (an "MG Redemption" and "Heartland Redemption", as applicable) to require MG SPV and Heartland SPV to redeem the non-controlling interest from the holder of such interest. Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. Based on this guidance, the Company has classified the MG SPV and Heartland SPV non-controlling interests between the liabilities and equity sections of the accompanying consolidated balance sheets. If an equity instrument subject to the guidance is currently redeemable, the instrument is adjusted to its maximum redemption amount at the balance sheet date. If the equity instrument subject to the guidance is not currently redeemable but it is probable that the equity instrument will become redeemable (for example, when the redemption depends solely on the passage of time), the guidance permits either of the following measurement methods: (a) accrete changes in the redemption value over the period from the date of issuance (or from the date that it becomes probable that the instrument will become redeemable, if later) to the earliest redemption date of the instrument using an appropriate methodology, or (b) recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. The amount presented in temporary equity should be no less than the initial amount reported in temporary equity for the instrument. Because the MG SPV and Heartland SPV equity instruments will become redeemable solely based on the passage of time, the Company determined that it is probable that the MG SPV and Heartland SPV equity instruments will become redeemable. The Company has elected to apply the second of the two measurement options described above. An adjustment to the carrying amount of a non-controlling interest from the application of the above guidance does not impact net loss in the consolidated financial statements. Rather, such adjustments are treated as equity transactions.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. ASU 2016-02 requires companies to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. We adopted ASU No. 2016-02, *Leases (Topic 842)* effective January 1, 2019 and elected certain practical expedients which permit us to not reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease and nonlease components for all classes of underlying assets. We also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet for all classes of underlying assets. Additional information and disclosures required by this new standard are contained in "Part II" -"Item 8. Financial Statements and Supplementary Data" in the Notes to Consolidated Financial Statements in "Note 18. Leases".

Variable Interest Entities

The Company has investments in certain legal entities in which equity investors do not have (1) sufficient equity at risk for the legal entity to finance its activities without additional subordinated financial support, (2) as a group, (the holders of the equity investment at risk), do not have either the power, through voting or similar rights, to direct the activities of the legal entity that most significantly impacts the entity's economic performance, or (3) the obligation to absorb the expected losses of the legal entity or the right to receive expected residual returns of the legal entity. These certain legal entities are referred to as "variable interest entities" or "VIEs."

The Company consolidates the results of any such entity in which it determines that it has a controlling financial interest. The Company has a "controlling financial interest" in such an entity if the Company has both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb the losses of, or right to receive benefits from, the VIE that could be potentially significant to the VIE. On a quarterly basis, the Company reassesses whether it has a controlling financial interest in any investments it has in these certain legal entities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

Our revenues and cost of revenues are affected by fluctuations in the value of energy related products. We attempt to mitigate much of the risk associated with the volatility of relevant commodity prices by using our knowledge of the market to obtain feedstock at attractive costs, by efficiently managing the logistics associated with our products, by turning our inventory over quickly, and by selling our products into markets where we believe we can achieve the greatest value.

Interest Rate Risk

We are exposed to interest rate risks primarily through borrowings under various bank facilities. Interest on these facilities is based upon variable interest rates using LIBOR or Prime as the base rate.

At December 31, 2021, the Company had no variable-rate term debt outstanding.

Commodity Price Risk

We are exposed to market risks related to the volatility of crude oil and refined oil products. Our financial results can be significantly affected by changes in these prices which are driven by global economic and market conditions. We attempt to mitigate much of the risk associated with the volatility of relevant commodity prices by using our knowledge of the market to obtain feedstock at attractive costs, by efficiently managing the logistics associated with our products, by turning our inventory over quickly, and by selling our products into markets where we believe we can achieve the greatest value.

Item 8. Financial Statements and Supplementary Data

VERTEX ENERGY, INC.
TABLE OF CONTENTS TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Vertex Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vertex Energy, Inc. and its subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated March 11, 2022, expressed an opinion that the Company had not maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Derivative Liability – See Notes 2 and 9 to the consolidated financial statements

Critical Audit Matter Description

During the year ended December 31, 2021, the Company issued $155 million in aggregate principal amount of 6.25% convertible senior notes due in 2027 (the “2027 Notes”), which, if converted, required settlement in cash at issuance and until approval was obtained from shareholders to issue more than 19.99% of the outstanding shares of common stock issuable upon conversion. The Company separated the 2027 Notes between the debt and a liability-classified embedded derivative. The carrying amount of the liability-classified embedded derivative was determined by using a Black-Scholes model. The carrying amount of the debt component was determined by subtracting the valuation of the liability-classified embedded derivative from the amount of the debt issuance. The liability-classified embedded derivative is marked-to-market on a quarterly basis through the aforementioned method.

Given that the determination of the fair value of the liability-classified component required management to make significant estimates and assumptions regarding the relevant valuation assertions, auditing the valuation of the component required a high degree of auditor judgement and an increased effort when performing audit procedures to evaluate management's judgements and conclusions on the valuation as well as the accounting assessment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value of the liability-classified embedded derivative component included the following:

- We evaluated the valuation methodology and assumptions to assess the Company's fair value of the liability-classified embedded derivative component, both at issuance date and December 31, 2021. Additionally, we:
  - Assessed the source information underlying the valuation assumptions used in the model to determine fair value at issuance date and December 31, 2021.
  - Assessed the mathematical accuracy of the valuation model at issuance date and December 31, 2021.
- We read the underlying agreements and evaluated the Company's accounting analysis underlying the accounting of the convertible senior notes, including the balance sheet classification of the transaction and the identification of any derivatives.

Valuation of Long-lived Assets - See Notes 2 and 5 to the consolidated financial statements

Critical Audit Matter Description

As discussed in Note 5 to the consolidated financial statements, the Company's facility in Myrtle Grove, Louisiana suffered damage due to a hurricane that made landfall in the area. Due to the damage, the Company evaluated the carrying amounts of its long-lived assets at the facility for potential impairment and recorded an impairment of $2.1 million for the year ended December 31, 2021.

Auditing the Company's impairment assessment was challenging, as the auditing the impairment assessment involved a higher degree of auditor judgment and effort due to the assumptions used by management.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's evaluation of impairment of long-lived assets included the following, among others:

- We obtained management's assessment of indicators of impairment of long-lived assets, evaluated the methodology used and the completeness and accuracy of the Company's listing of assets at the facility.
- We obtained the valuation assessment from management's expert that was utilized to record the impairment amount and performed procedures related to the assessment of the firm's expertise.
- We mathematically summed the value of the impaired assets to determine the appropriate amount was recorded in the financial statements.

/s/ Ham, Langston & Brezina, L.L.P.

We have served as the Company's auditor since 2017.

Houston, Texas
March 11, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Vertex Energy Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited Vertex Energy Inc.'s (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the December 31, 2021, of the Company and our report dated March 11, 2022, expressed an unqualified opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Several material weaknesses regarding management's failure to design and maintain controls have been identified and described in management's assessment. The material weaknesses related to control activities include: (i) ineffective controls related to segregation of duties to timely detect and review where individuals with access to post a journal entry may have edited or created the journal entry, (ii) ineffective controls over the completeness and accuracy of key spreadsheets and reports used in financial reporting, including revenue and accounts receivable as well as inventory, (iii) ineffective controls over certain IT general controls for information systems relevant to the preparation of financial statements, (iv) lack of documentation to support the effectiveness of controls over the period end financial reporting close process, (v) lack of documentation to support the controls over specific treasury transactions, and (vi) ineffective controls over the documentation of review relating to income tax accounting and related disclosures. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2021 financial statements, and this report does not affect our report dated March 11, 2022, on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect 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 the policies or procedures may deteriorate.

/s/ Ham, Langston & Brezina, L.L.P.

Houston, Texas
March 11, 2022

VERTEX ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 36,129,941	$ 10,895,044
Restricted cash	100,496,998	100,125
Accounts receivable, net	5,296,867	5,211,621
Inventory	3,735,878	1,458,288
Derivative commodity asset	95,980	—
Prepaid expenses and other current assets	4,279,732	2,588,887
Assets held for sale	84,116,152	9,531,423
Total current assets	234,151,548	29,785,388
Fixed assets, at cost	13,811,835	14,848,813
Less accumulated depreciation	(2,045,241)	(1,573,025)
Fixed assets, net	11,766,594	13,275,788
Finance lease right-of-use assets	—	18,100
Operating lease right-of-use assets	5,011,454	4,734,497
Intangible assets, net	358,881	466,546
Other assets	14,771,642	1,008,733
Assets held for sale, noncurrent	—	72,810,906
TOTAL ASSETS	$ 266,060,119	$ 122,099,958
LIABILITIES, TEMPORARY EQUITY AND EQUITY		
Current liabilities		
Accounts payable	$ 4,216,275	$ 3,310,992
Accrued expenses	3,617,902	1,648,964
Dividends payable	—	606,550
Finance lease-current	302,166	271,099
Operating lease-current	959,573	783,747
Current portion of long-term debt, net of unamortized finance costs	2,413,295	6,711,708
Revolving note	—	133,446
Derivative commodity liability	—	94,214
Liabilities held for sale, current	37,644,312	12,634,231
Total current liabilities	49,153,523	26,194,951
Long-term debt	114,480	5,636,957
Convertible Senior unsecured notes due 2027, net	64,015,929	—
Finance lease-non-current	—	617,679
Operating lease-non-current	4,051,881	3,950,750
Derivative liability	75,210,525	330,412
Liabilities held for sale, noncurrent	—	24,078,274
Total liabilities	192,546,338	60,809,023
COMMITMENTS AND CONTINGENCIES (Note 4)	—	—
TEMPORARY EQUITY		

See accompanying notes to the consolidated financial statements

VERTEX ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2021	December 31, 2020
Series B Preferred Stock, $0.001 par value per share; 10,000,000 shares authorized, zero and 4,102,690 shares issued and outstanding at December 31, 2021 and 2020, respectively with liquidation preference of zero and $12,718,339 at December 31, 2021 and 2020, respectively.	—	12,718,339
Series B1 Preferred Stock, $0.001 par value per share; 17,000,000 shares authorized, zero and 7,399,649 shares issued and outstanding at December 31, 2021 and 2020, respectively with liquidation preference of zero and $11,036,173 at December 31, 2021 and 2020, respectively.	—	11,036,173
Redeemable non-controlling interest	43,446,684	31,611,674
Total temporary equity	43,446,684	55,366,186
EQUITY		
Series A Convertible Preferred stock, $0.001 par value; 5,000,000 shares authorized and 385,601 and 419,859 shares issued and outstanding at December 31, 2021 and 2020, respectively, with a liquidation preference of $574,546 and $625,590 at December 31, 2021 and December 31, 2020, respectively.	386	420
Series C Convertible Preferred stock, $0.001 par value per share; 44,000 shares designated; zero shares issued and outstanding at December 31, 2021 and 2020.	—	—
Common stock, $0.001 par value per share; 750,000,000 shares authorized; 63,287,965 and 45,554,841 issued and outstanding at December 31, 2021 and 2020, respectively.	63,288	45,555
Additional paid-in capital	138,620,254	94,569,674
Accumulated deficit	(110,614,035)	(90,008,778)
Total Vertex Energy, Inc. stockholders' equity	28,069,893	4,606,871
Non-controlling interest	1,997,204	1,317,878
Total equity	30,067,097	5,924,749
TOTAL LIABILITIES, TEMPORARY EQUITY AND EQUITY	$ 266,060,119	$ 122,099,958

See accompanying notes to the consolidated financial statements

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

	2021	2020	2019
Revenues	$ 115,781,375	$ 47,019,043	$ 18,357,575
Cost of revenues (exclusive of depreciation and amortization shown separately below)	110,720,368	45,520,114	16,952,135
Depreciation and amortization attributable to costs of revenues	486,428	458,155	461,110
Gross profit	4,574,579	1,040,774	944,330
Operating expenses:			
Selling, general and administrative expenses	17,732,690	8,117,429	6,657,178
Loss on assets impairment	2,123,703	—	—
Depreciation and amortization attributable to operating expenses	107,664	71,776	—
Total operating expenses	19,964,057	8,189,205	6,657,178
Loss from operations	(15,389,478)	(7,148,431)	(5,712,848)
Other income (expense):			
Other income	4,222,000	101	920,197
Loss on sale of assets	(64,278)	(124,515)	(74,111)
Gain (loss) on change in value of derivative warrant liability	(15,685,355)	1,638,804	(487,524)
Interest expense	(3,487,448)	(409,849)	(541,250)
Total other income (expense)	(15,015,081)	1,104,541	(182,688)
Loss from continuing operations before income tax	(30,404,559)	(6,043,890)	(5,895,536)
Income tax benefit	—	—	—
Loss from continuing operations	(30,404,559)	(6,043,890)	(5,895,536)
Income (loss) from discontinued operations, net of tax	22,743,382	(5,352,285)	409,983
Net loss	(7,661,177)	(11,396,175)	(5,485,553)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest from continuing operations	206,804	363,732	(436,974)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest from discontinued operations	10,495,772	276,208	—
Net loss attributable to Vertex Energy, Inc.	(18,363,753)	(12,036,115)	(5,048,579)
Accretion of redeemable noncontrolling interest to redemption value	(1,992,360)	(15,135,242)	(2,279,371)
Accretion of discount on Series B and B-1 Preferred Stock	(507,282)	(1,687,850)	(2,489,722)
Dividends on Series B and B-1 Preferred Stock	258,138	(1,903,057)	(1,627,956)
Net loss available to shareholders from continuing operations	(32,852,867)	(25,133,771)	(11,855,611)
Net income (loss) available to shareholders from discontinued operations, net of tax	12,247,610	(5,628,493)	409,983
Net loss available to common stockholders	$ (20,605,257)	$ (30,762,264)	$ (11,445,628)
Basic income (loss) per common share			
Continuing operations	$ (0.58)	$ (0.55)	$ (0.29)
Discontinued operations, net of tax	0.22	(0.12)	0.01
Basic loss per common share	$ (0.36)	$ (0.67)	$ (0.28)
Diluted income (loss) per common share			

See accompanying notes to the consolidated financial statements

Continuing operations	$ (0.58)	$ (0.55)	$ (0.29)
Discontinued operations, net of tax	0.22	(0.12)	0.01
Diluted loss per common share	$ (0.36)	$ (0.67)	$ (0.28)
Shares used in computing loss per share			
Basic	56,302,716	45,509,470	40,988,946
Diluted	56,302,716	45,509,470	40,988,946

See accompanying notes to the consolidated financial statements

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDING DECEMBER 31, 2021, 2020 AND 2019

	Common Stock		Series A Preferred		Series C Preferred		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Equity
	Shares	$0.001 Par	Shares	$0.001 Par	Shares	$0.001 Par				
Balance on December 31, 2018	40,174,821	$ 40,175	419,859	$ 420	—	$ —	$ 75,131,122	$ (47,800,886)	$ 1,438,213	28,809,044
Distribution to noncontrolling	—	—	—	—	—	—	—	—	(285,534)	(285,534)
Dividends on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(1,627,956)	—	(1,627,956)
Accretion of discount on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(2,489,722)	—	(2,489,722)
Share based compensation expense	—	—	—	—	—	—	642,840	—	—	642,840
Exercise of options to common	78,425	79	—	—	—	—	6,996	—	—	7,075
Adjustment of carrying amount of noncontrolling interest	—	—	—	—	—	—	970,809	—	—	970,809
Conversion of Series B1 Preferred stock to common	1,642,317	1,642	—	—	—	—	2,560,373	—	—	2,562,015
Adjustment of redeemable noncontrolling interest to redemption value	—	—	—	—	—	—	—	(2,279,371)	—	(2,279,371)
Issue of common stock and warrants	1,500,000	1,500	—	—	—	—	2,215,211	—	—	2,216,711
Net loss	—	—	—	—	—	—	—	(5,048,579)	(436,974)	(5,485,553)
Less: amount attributable to redeemable non-controlling interest	—	—	—	—	—	—	—	—	61,668	61,668
Balance on December 31, 2019	43,395,563	43,396	419,859	420	—	—	81,527,351	(59,246,514)	777,373	23,102,026
Dividends on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(1,903,057)	—	(1,903,057)
Accretion of discount on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(1,687,850)	—	(1,687,850)
Conversion of B1 Preferred Stock to common	2,159,278	2,159	—	—	—	—	3,366,315	—	—	3,368,474
Share based compensation expense	—	—	—	—	—	—	656,111	—	—	656,111
Purchase of shares of consolidated subsidiary	—	—	—	—	—	—	(71,171)	—	—	(71,171)
Adjustment of redeemable noncontrolling interest to redemption value	—	—	—	—	—	—	—	(15,135,242)	—	(15,135,242)
Adjustment of carrying amount of noncontrolling interest	—	—	—	—	—	—	9,091,068	—	—	9,091,068
Net loss	—	—	—	—	—	—	—	(12,036,115)	639,940	(11,396,175)
Less: amount attributable to redeemable non-controlling interest	—	—	—	—	—	—	—	—	(99,435)	(99,435)
Balance on December 31, 2020	45,554,841	45,555	419,859	420	—	—	94,569,674	(90,008,778)	1,317,878	5,924,749

See accompanying notes to the consolidated financial statements

Dividends on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(372,183)	—	(372,183)
Accretion of discount on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(507,282)	—	(507,282)
Conversion of B1 Preferred Stock to common stock	7,722,084	7,722	—	—	—	—	12,038,719	—	—	12,046,441
Exercise of B1 warrants	3,092,912	3,093	—	—	—	—	16,402,725	—	—	16,405,818
Exercise of options	1,799,590	1,800	—	—	—	—	2,187,891	—	—	2,189,691
Share based compensation expense	—	—	—	—	—	—	862,564	—	—	862,564
Conversion of Series A Preferred stock to common stock	34,258	34	(34,258)	(34)	—	—	—	—	—	—
Conversion of Series B Preferred Stock to common stock	5,084,280	5,084	—	—	—	—	12,558,681	630,321	—	13,194,086
Contribution from noncontrolling interest	—	—	—	—	—	—	—	—	(11,231)	(11,231)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(169,368)	(169,368)
Adjustment of redeemable noncontrolling interest to redemption value	—	—	—	—	—	—	—	(1,992,360)	—	(1,992,360)
Net loss	—	—	—	—	—	—	—	(18,363,753)	10,702,576	(7,661,177)
Less: amount attributable to redeemable non-controlling interest	—	—	—	—	—	—	—	—	(9,842,651)	(9,842,651)
Balance on December 31, 2021	63,287,965	$ 63,288	385,601	$ 386	—	$ —	$ 138,620,254	$ (110,614,035)	$ 1,997,204	$ 30,067,097

See accompanying notes to the consolidated financial statements

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2021, 2020 AND 2019

	2021	2020	2019
Cash flows from operating activities			
Net loss	$ (7,661,177)	$ (11,396,175)	$ (5,485,553)
Net income (loss) from discontinued operations, net of tax	22,743,382	(5,352,285)	409,983
Net loss from continuing operations	(30,404,559)	(6,043,890)	(5,895,536)
Adjustments to reconcile net loss from continuing operations to cash used in operating activities:			
Stock-based compensation expense	862,564	656,111	642,840
Depreciation and amortization	594,092	529,931	461,110
Provision (recovery) for bad debt	646,910	12,176	(267,876)
Loss (Gain) on commodity derivative contracts	2,257,592	(3,476,593)	2,458,359
Gain on forgiveness of debt	(4,222,000)	—	—
Net cash settlement on commodity derivatives	(2,436,055)	4,253,198	(2,841,052)
Loss on sale of assets	64,278	124,515	74,111
Loss on assets impairment	2,123,703	—	—
Amortization of debt discount and deferred costs	1,231,492	47,826	573,908
Loss (Gain) on change in value of derivative warrant liability	15,685,355	(1,638,804)	487,524
Reduction in contingent consideration	—	—	(15,564)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(677,786)	(1,384,179)	243,947
Inventory	(2,245,732)	389,010	567,800
Prepaid expenses	(1,702,576)	(19,276)	(422,289)
Accounts payable	835,914	1,651,015	(166,121)
Accrued expenses	1,967,172	(407,150)	470,252
Other assets	(100,000)	(644,060)	(222,995)
Net cash used in operating activities from continuing operations	(15,519,636)	(5,950,170)	(3,851,582)
Cash flows from investing activities			
Internally developed software	—	(49,229)	(489,093)
Deposit for refinery purchase and related costs	(13,662,910)	—	—
Proceeds from the sale of assets	75,168	74,965	232,020
Acquisition of business, net of cash	2,058	(1,822,690)	—
Purchase of fixed assets	(1,144,787)	(937,276)	(214,945)
Net cash used in investing activities from continuing operations	(14,730,471)	(2,734,230)	(472,018)
Cash flows from financing activities			
Line of credit payments, net	(133,446)	(3,142,784)	(568,406)
Proceeds received from exercise options and warrants	6,921,846	—	7,075
Proceeds received from issuance of common stock options and warrants	—	—	2,216,711
Contribution received from shareholder	2,260	—	—
Distribution to non-controlling interest	(169,368)	—	(285,534)
Contribution received from redeemable noncontrolling interest	—	21,000,000	3,150,000
Payments on finance leases	(586,612)	(226,431)	(79,790)
Payment of debt issuance costs	—	—	—
Proceeds from issuance of notes payable	143,830,975	8,217,195	2,809,139
Payments made on notes payable	(15,835,707)	(10,366,701)	(4,660,120)
Net cash provided by financing activities from continuing operations	134,029,948	15,481,279	2,589,075

See accompanying notes to the consolidated financial statements

Discontinued operations:			
Net cash provided by operating activities	25,202,336	5,227,024	6,324,749
Net cash used in investing activities	(3,093,278)	(5,052,429)	(3,154,422)
Net cash used in financing activities	(257,129)	(176,130)	(85,808)
Net cash provided by (used in) discontinued operations	21,851,929	(1,535)	3,084,519
Net change in cash and cash equivalents and restricted cash	125,631,770	6,795,344	1,349,994
Cash and cash equivalents and restricted cash at beginning of the year	10,995,169	4,199,825	2,849,831
Cash and cash equivalents and restricted cash at end of year	$ 136,626,939	$ 10,995,169	$ 4,199,825
SUPPLEMENTAL INFORMATION			
Cash paid for interest	$ 2,273,304	$ 1,050,741	$ 2,505,852
Cash paid for income taxes	$ —	$ —	$ —
NON-CASH INVESTING AND FINANCING TRANSACTIONS			
Conversion of Series B and B1 Preferred Stock into common stock	$ 24,610,207	$ 3,368,474	$ 2,562,015
Dividends on Series B and B-1 Preferred Stock	$ (258,138)	$ 1,903,057	$ 1,627,956
Initial adjustment of carrying amount of redeemable noncontrolling interest	$ —	$ 9,091,068	$ 970,809
Accretion of discount on Series B and B-1 Preferred Stock	$ 507,282	$ 1,687,850	$ 2,489,722
Accretion of redeemable noncontrolling interest to redemption value	$ 1,992,360	$ 15,135,242	$ 2,279,371
Equipment acquired under leases standard	$ —	$ 1,017,638	$ 621,000

See accompanying notes to the consolidated financial statements

VERTEX ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Vertex Energy, Inc. and subsidiaries ("Vertex Energy" or the "Company"), provides a range of services designed to aggregate, process and recycle industrial and commercial waste systems. Vertex Energy currently provides these services in 15 states, primarily in the Gulf Coast and Central Midwest Region of the United States.

UMO Business Sale

On June 29, 2021, Vertex Energy entered into an Asset Purchase Agreement (the "Sale Agreement") with Vertex Energy Operating, LLC, Vertex's wholly-owned subsidiary ("Vertex Operating") and Vertex Refining LA, LLC ("Vertex LA") (wholly-owned by Vertex Operating), Vertex Refining OH, LLC ("Vertex OH") (wholly-owned by HPRM, LLC, of which Vertex Energy owns a 35% interest), Cedar Marine Terminals, L.P. ("CMT") (indirectly wholly-owned), and H & H Oil, L.P. ("H&H") (indirectly wholly-owned)(collectively, the "Vertex Entities", and together, Vertex Energy, Vertex Operating and the Vertex Entities, the "Seller Parties"), as sellers, and Safety-Kleen Systems, Inc., as purchaser ("Safety-Kleen").

Pursuant to the Sale Agreement, Safety-Kleen agreed to acquire the Company's Marrero used oil refinery in Louisiana (currently owned by Vertex LA, which entity is indirectly wholly-owned); the Company's Columbus, Ohio, Heartland used oil refinery in Ohio (currently owned by Vertex OH, of which we indirectly own a 35% interest and will acquire the remaining 65% interest prior to closing); our H&H and Heartland used motor oil ("UMO") collections business; our oil filters and absorbent materials recycling facility in East Texas; and the rights CMT holds to a lease on the Cedar Marine terminal in Baytown, Texas, including the sale of the operations conducted at the various properties subject to the Sale Agreement, which primarily consist of (1) operating our Marrero, Louisiana and Columbus, Ohio re-refineries and the Cedar Marine terminal, and in connection therewith, acquiring used lubricating oils from commercial and retail establishments and re-refining such oils into processed oils and other products for the distribution, supply and sale to end-customers, (2) collecting and processing used motor oil, oil filters, and related automotive waste streams and (3) the provision of related products and support services (collectively, the "UMO Business" and the assets and operations associated therewith, the "Purchased Assets").

During the third quarter of 2021, the Company classified the UMO business as held for sale based on management's intention and shareholders' approval to sell this business. On January 25, 2022, the Company entered into a mutual agreement with Safety-Kleen to terminate the Sale Agreement given the considerable time and resources required to continue support efforts associated with multiple requests from U.S. Federal Trade Commission. However, the Company is still exploring opportunities to sell the UMO business. The Company's historical financial statements have been revised to present the operating results of the UMO business as discontinued operations. The results of operations of this business are presented as "Income (loss) from discontinued operations" in the statement of operations and the related cash flows of this business have been reclassified to discontinued operations for all periods presented. The assets and liabilities of the UMO business have been reclassified to "Assets held for sale" and "Liabilities held for sale", respectively, in the consolidated balance sheet for all periods presented.

Uses and Sources of Liquidity

The Company's primary need for liquidity is to fund working capital requirements of the Company's businesses, business acquisitions, capital expenditures and for general corporate purposes, including debt repayment. The Company has incurred operating losses for the past several years, and accordingly, the Company has taken a number of actions to continue to support its operations and meet its obligations. As fully disclosed below under "May 2021 Purchase Agreement", Vertex has entered into a definitive agreement to acquire a refinery (the "Mobile Refinery") located in Mobile, Alabama from Equilon Enterprises LLC d/b/a Shell Oil Products US, Shell Oil Company and Shell Chemical LP, subsidiaries of Shell plc. The Company believes it is probable that the Mobile Refinery acquisition will generate additional liquidity.

We had working capital of $185.0 million as of December 31, 2021, compared to working capital of $3.6 million as of December 31, 2020. The increase in working capital is mainly due to the restricted escrow account of more than $100 million in connection with the issuance of convertible notes and the entire assets held for sale of $84 million classified as current asset during the year ended December 31, 2021. Our working capital includes the consolidated assets of certain subsidiaries which may only be used to settle the obligations of the respective subsidiaries. The consolidated liabilities of these subsidiaries are non-recourse to the general credit of our consolidated entity.

COMPANY OPERATIONS

Vertex Energy's operations are primarily focused on recycling industrial waste streams and off-specification commercial chemical products. The waste streams are purchased from an established network of local and regional collectors and generators. The Company manages the transport, storage and delivery of the aggregated feedstock and product streams to end users. Vertex Energy's three principal segments are comprised of Black Oil, Refining and Marketing, and Recovery.

Black Oil

Through its Black Oil segment, which has been operational since 2001, Vertex Energy aggregates and sells used motor oil. The Company has a network of approximately 50 suppliers that collect used oil from businesses such as oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries, and petrochemical manufacturing operations. The Company procures the used oil from collectors and manages the logistics of transport, storage and delivery to its customers. Typically, the used oil is sold in bulk to ensure the efficient delivery by truck, rail, or barge. In many cases, there are contractual procurement and sale agreements with the suppliers and customers, respectively. The Company believes these contracts are beneficial to all parties involved because they help ensure a minimum volume is procured from collectors, a minimum volume is sold to the customers, and the Company is insulated from inventory risk by a spread between the costs to acquire used oil and the revenues received from the sale and delivery of used oil. In addition, the Company operates its own re-refining operations at the Cedar Marine Terminal, in Baytown, Texas, which uses the Company's proprietary Thermal Chemical Extraction Process ("TCEP") technology to re-refine the used oil into marine fuel cutterstock (when such use makes economic sense) and a higher-value feedstock for further processing. The finished product can then be sold by barge as a fuel oil cutterstock and a feedstock component for major refineries. Through the operations at our Marrero, Louisiana facility, we produce a Vacuum Gas Oil (VGO) product from used oil re-refining which is then sold via barge to end users to utilize in a refining process or a fuel oil blend. Through the operations at our Columbus, Ohio facility, the ownership of 65% of which was transferred to Tensile Capital Partners Master Fund LP, an investment fund based in San Francisco, California ("Tensile") in connection with the Heartland SPV (discussed below under "Note 6. Share Purchase, Subscription Agreements and Acquisition" - "Heartland Share Purchase and Subscription Agreement"), effective January 1, 2020, we produce a base oil finished product which is then sold via truck or rail car to end users for blending, packaging and marketing of lubricants.

Discontinued operations of Vertex include the Black Oil Segment, also referred to as the UMO Business, Refer to Note 19, "Discontinued Operations" for additional information.

Refining and Marketing

Through its Refining and Marketing segment, which has been operational since 2004, Vertex Energy aggregates used motor oil, petroleum distillates, transmix and other off-specification chemical products. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers. The Company has a toll-based processing agreement in place with Monument Chemical Port Arthur, LLC (formerly with KMTEX) ("Monument Chemical") to re-refine these feedstock streams, under the Company's direction, into various end products. Monument Chemical uses industry standard processing technologies to re-refine the feedstock into pygas, gasoline blendstock and marine fuel cutterstock. The Company sells the re-refined products directly to end customers or to processing facilities for further refinement. In addition, we are distributing refined motor fuels such as gasoline, blended gasoline products and diesel used as engine fuels, to third party customers who typically resell these products to retailers and end consumers.

Recovery

Through its Recovery segment, Vertex Energy aggregates and sells ferrous and non-ferrous recyclable metal products that are recovered from manufacturing and consumption. It also includes trading/marketing of Group III Base Oils through January 2021.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, entities controlled by the Company through a greater than 50% voting interest and certain variable interest entities ("VIE") for which the Company is the primary beneficiary. All intercompany transactions have been eliminated. For consolidated entities where the Company owns or is exposed to less than 100% of the economics, the Company records net income (loss) attributable to noncontrolling interests in the consolidated statements of operations equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties.

The Company assesses whether it is the primary beneficiary of a VIE at the inception of the arrangement and at each reporting date. This assessment is based on the Company's power to direct the activities of the VIE that most significantly impact the VIE's economic performance and its obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The following is a description of the Company's consolidated wholly-owned subsidiaries and consolidated VIEs:

- Cedar Marine Terminals, L.P. ("CMT") operates a 19-acre bulk liquid storage facility on the Houston Ship Channel. The terminal serves as a truck-in, barge-out facility and provides throughput terminal operations. CMT is also the site of the TCEP.

- Crossroad Carriers, L.P. ("Crossroad") is a common carrier that provides transportation and logistical services for liquid petroleum products, as well as other hazardous materials and product streams.

- Vertex Recovery, L.P. ("Vertex Recovery") is a generator solutions company for the recycling and collection of used oil and oil-related residual materials from large regional and national customers throughout the U.S. It facilitates its services through a network of independent recyclers and franchise collectors.

- H&H Oil, L.P. ("H&H Oil") collects and recycles used oil and residual materials from customers based in Austin, Baytown, Dallas, San Antonio and Corpus Christi, Texas.

- Vertex Refining, LA, LLC which owned a used oil re-refinery based in Marrero, Louisiana and also has assets in Belle Chasse, Louisiana, prior to the consummation of the MG Share Purchase in July 2019, as discussed below under "Note 6. Share Purchase, Subscription Agreements, and Acquisition" - "Myrtle Grove Share Purchase and Subscription Agreement.

- Vertex Refining, NV, LLC ("Vertex Refining") is a base oil marketing and distribution company with customers throughout the United States.

- Vertex Recovery Management, LLC is currently buying and preparing ferrous and non-ferrous scrap intended for large haul barge sales.

- Vertex Refining, OH, LLC collects and re-refines used oil and residual materials from customers throughout the Midwest. Refinery operations are based in Columbus, Ohio with collection branches located in Norwalk, Ohio, Zanesville, Ohio, Ravenswood, West Virginia, and Mt. Sterling, Kentucky. Effective January 1, 2020, the ownership of 65% of the assets of Vertex OH, LLC were transferred to Tensile in connection with the Heartland SPV transaction (discussed below under "Note 6. Share Purchase, Subscription Agreements, and Acquisition" - "Heartland Share Purchase and Subscription Agreement").

- HPRM LLC ("Heartland SPV"), a Delaware Limited Liability Company. Heartland SPV is currently owned 35% by Vertex Operating and 65% by Tensile-Heartland.

- Vertex Refining Myrtle Grove LLC ("MG SPV"), is a special purpose entity formed to hold the Belle Chasse, Louisiana, re-refining complex, which entity is 85% owned by Vertex Operating.

- Crystal Energy, LLC ("Crystal") purchases, stores, sells, and distributes refined motor fuels. These activities include the wholesale distribution of gasoline, blended gasoline, and diesel for use as engine fuel to operate automobiles, trucks, locomotives, and construction equipment.

- Vertex Energy Operating, LLC ("Vertex Operating"), is a holding company for various of the subsidiaries described above.

- Leverage Lubricant, LLC ("Leverage"), is in the business of wholesale specialty blending of lubricants and warehousing and distribution of petroleum based products and related services, which entity is 51% owned by Vertex Operating.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the same such amounts shown in the consolidated statements of cash flows.

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 36,129,941	$ 10,895,044
Restricted cash	100,496,998	100,125
Cash and cash equivalents and restricted cash as shown in the consolidated statements of cash flows	$ 136,626,939	$ 10,995,169

The Company has placed $100,000 of restricted cash in a money market account, to serve as collateral for payment of a credit card, and $100,396,873 of restricted cash in an escrow account in connection with the issuance of the convertible notes.

Accounts Receivable

Accounts receivable represents amounts due from customers. Accounts receivable are recorded at invoiced amounts, net of reserves and allowances, do not bear interest and are not collateralized. The Company uses its best estimate to determine the required allowance for doubtful accounts based on a variety of factors, including the length of time receivables are past due, economic trends and conditions affecting its customer base, significant one-time events and historical write-off experience. Specific provisions are recorded for individual receivables when we become aware of a customer's inability to meet its financial obligations. The Company reviews the adequacy of its reserves and allowances quarterly.

Receivable balances greater than 90 days past due are individually reviewed for collectability and if deemed uncollectible, are charged off against the allowance accounts after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance was $999,683 and $352,775 at December 31, 2021 and 2020, respectively.

Inventory

Inventories of products consist of feedstocks and refined petroleum products and are reported at the lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. The Company reviews its inventory commodities whenever events or circumstances indicate that the value may not be recoverable.

Fixed Assets

Fixed assets are stated at historical costs. Depreciation of fixed assets placed in operations is provided using the straight-line method over the estimated useful lives of the assets. The policy of the Company is to charge amounts for major maintenance and repairs to expenses, and to capitalize expenditures for major replacements and betterments.

Internal-Use Software

The Company incurs costs related to internal-use software and cloud computing implementation costs, including purchased software and internally-developed software. Costs incurred in the planning and evaluation stage of internally-developed software and cloud computing development are expensed as incurred. Certain costs incurred and accumulated during the application development stage are capitalized and included within intangibles, net on the consolidated balance sheets. Amortization of internal-use software is recognized on a straight-line basis over the estimated useful life of the assets.

Cloud Computing Costs

The Company has non-cancellable cloud computing hosting arrangements for which it incurs implementation costs. Costs incurred in the planning and evaluation stage of the cloud computing hosting arrangement are expensed as incurred. Costs incurred during the application development stage related to implementation of the hosting arrangement are capitalized and included within prepaid expenses on the consolidated balance sheets. Amortization of implementation costs is recognized on a straight-line basis over the term of the associated hosting arrangement for each module or component of the related hosting arrangement when it is ready for its intended use. Amortization costs are presented in selling, general and administrative expense on the consolidated statements of operations.

Asset Retirement Obligations

The Company records a liability, which is referred to as an asset retirement obligation, at fair value for the estimated cost to retire a tangible long-lived asset at the time the Company incurs that liability, which is generally when the asset is purchased, constructed, or leased. The Company records the liability when it has a legal obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the liability can be made. If a reasonable estimate cannot be made at the time the liability is incurred, the Company records the liability when sufficient information is available to estimate the liability’s fair value.

Intangible Assets

Intangible assets are amortized over their estimated useful lives. Amortizable intangible assets are reviewed at least annually to determine whether events and circumstances warrant a revision to the remaining period of amortization or an impairment.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting. The results of operations for the acquired entities are included in the Company’s consolidated financial results from their associated acquisition dates. The Company allocates the purchase price of acquisitions to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. A portion of the purchase price for certain of our acquisitions is contingent upon the realization of certain operating results. The fair values assigned to identifiable intangible assets acquired and contingent consideration were determined by third party specialists engaged by the Company on a case-by-case basis. The excess of the purchase price over the fair value of the identified assets and liabilities is recorded as goodwill. If the fair value of the identified assets and liabilities exceeds the purchase price, a bargain purchase is recognized and included in income from continuing operations.

Fair Value of Financial Instruments

Under the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC), the Company is permitted to elect to measure financial instruments and certain other items at fair value, with the change in fair value recorded in earnings. The Company has elected not to measure any eligible items using the fair value option. Consistent with the Fair Value Measurement Topic of the FASB ASC, the Company implemented guidelines relating to the disclosure of its methodology for periodic measurement of our assets and liabilities recorded at fair market value.
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Our Level 1 assets primarily include our cash and cash equivalents. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturities of these financial instruments.

Our Level 2 liabilities include our marked to market changes in the estimated value of our open derivative contracts held at the balance sheet date. The Company estimates the fair values of the crude oil swaps and collars based on published forward commodity price curves for the underlying commodity as of the date of the estimate for which published forward pricing is readily available. The determination of the fair values above incorporates various factors including the impact of the Company's non-performance risk and the credit standing of the counterparty involved in the Company's derivative contracts. In addition, the Company routinely monitors the creditworthiness of its counterparty.

Our Level 3 liabilities include our marked to market changes in the estimated value of our derivative warrants issued in connection with our Series B Preferred Stock and Series B1 Preferred Stock, all of which have expired as of December 31, 2021, and convertible notes which were sold in November 2021.

Nonfinancial assets and liabilities measured at fair value on a nonrecurring basis include certain nonfinancial assets and liabilities as may be acquired in a business combination and thereby measured initially at fair value.

Debt Issuance Costs

The Company follows the accounting guidance of ASC 835-30, Interest-Imputation of Interest, which requires that debt issuance costs related to a recognized debt liability be reported on the Consolidated Balance Sheet as a direct reduction from the carrying amount of that debt liability.

Revenue Recognition

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when our performance obligations under the terms of a contract with our customers are satisfied. Recognition occurs when the Company transfers control by completing the specified services at the point in time the customer benefits from the services performed or once our products are delivered. Revenue is measured as the amount of consideration we expect to receive in exchange for completing our performance obligations. Sales tax and other taxes we collect with revenue-producing activities are excluded from revenue. In the case of contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of the various goods and/or services encompassed by the contract. We do not have any material significant payment terms, as payment is generally due within 30 days after the performance obligation has been satisfactorily completed. The Company has elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that we otherwise would have recognized is one year or less. In applying the guidance in Topic 606, there were no judgments or estimates made that the Company deems significant.

The nature of the Company's contracts give rise to certain types of variable consideration. The Company estimates the amount of variable consideration to include in the estimated transaction price based on historical experience, anticipated performance and its best judgment at the time and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

From time to time, our fuel oil customers in our black oil segment may request that we store product at our facilities which they purchase from us. We recognize revenues for these “bill and hold” sales only if the following criteria have been met: (1) there is a substantive reason for the arrangement, (2) the product is segregated and identified as the customer's asset, (3) the product is ready for delivery to the customer, and (4) we cannot use the product or direct it to another customer.

Reclassification of Prior Year Presentation

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on the reported results of operations, stockholders' equity or cash flows. The Company reclassified $461,110 of depreciation and amortization from operating expenses to a component of cost of revenues in the accompanying 2019 consolidated statement of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results could differ from these estimates. Any effects on the business, financial position or results of operations from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Significant items subject to estimates and assumptions include the carrying amount and useful lives of property and equipment and intangible assets, impairment assessments, share-based compensation expense, and valuation allowances for accounts receivable, inventories, deferred tax assets, derivative liabilities, and redemption value of noncontrolling interest.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. ASU 2016-02 requires companies to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company adopted ASU No. 2016-02, *Leases (Topic 842)* effective January 1, 2019 and elected certain practical expedients which permit us to not reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease and nonlease components for all classes of underlying assets. We also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet for all classes of underlying assets. Additional information and disclosures required by this new standard are contained in "Note 18. Leases".

Impairment of Long-Lived Assets

The Company evaluates the carrying value and recoverability of its long-lived assets when circumstances warrant such evaluation by applying the provisions of the FASB ASC regarding long-lived assets. It requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. During August 2021, Hurricane Ida made landfall in southeast Louisiana, approximately 30 miles directly south and west of the Myrtle Grove facility, which resulted in the entire 42 acre Myrtle Grove site to be covered with 4-6 feet of storm surge. The Company determined that the hurricane triggered the uncertainty around the recoverability of some Construction-In-Progress assets and impaired these assets at December 31, 2021. There was no asset impairment determined at December 31, 2020. Refer to "Note 5. Fixed Assets" for detailed information.

Income Taxes

The Company accounts for income taxes in accordance with the FASB ASC Topic 740. The Company records a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income, and other matters in making this assessment.

As part of the process of preparing its consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process requires the Company to estimate its actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment of items, such as deferred revenue, compensation and benefits expense and depreciation. These temporary differences result in deferred tax assets and liabilities, which are included within the Company’s consolidated balance sheet. Significant management judgment is required in determining the Company’s provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized and, when necessary, valuation allowances are established. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the level of historical taxable income, scheduled reversals of deferred taxes, projected future taxable income and tax planning strategies that can be implemented by the Company in making this assessment. If actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company may need to adjust its valuation allowance, which could materially impact the Company’s consolidated financial position and results of operations.

Tax contingencies can involve complex issues and may require an extended period of time to resolve. Changes in the level of annual pre-tax income can affect the Company’s overall effective tax rate. Until all net operating losses are utilized, there is no impact on the effective tax rate. Furthermore, the Company’s interpretation of complex tax laws may impact its recognition and measurement of current and deferred income taxes.

The Company recognizes and measures a tax benefit from uncertain tax positions when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company recognizes a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate or future recognition of an unrecognized benefit. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of operations. Accrued interest and penalties are included within deferred taxes, unrecognized tax benefits and other long-term liabilities line in the consolidated balance sheet.

Derivative Transactions

All derivative instruments are recorded on the accompanying balance sheets at fair value. Commodity derivative transactions are not designated as cash flow hedges under FASB ASC 815, Derivatives and Hedges. Accordingly, these commodity derivative contracts are marked-to-market and any changes in the estimated value of commodity derivative contracts held at the balance sheet date are recognized in the accompanying statements of operations as increases (losses) or decreases (gains) in cost of revenues. The derivative assets or liabilities are classified as either current or noncurrent assets or liabilities based on their anticipated settlement date. The Company nets derivative assets and liabilities for counterparties where it has a legal right of offset.

In accordance with ASC 815-40-25 and ASC 815-10-15, Derivatives and Hedging and ASC 480-10-25, Liabilities-Distinguishing from Equity, convertible preferred shares are accounted for net, outside of shareholders' equity and warrants are accounted for as liabilities at their fair value during periods where they can be net cash settled in case of a change in control transaction. The warrants are accounted for as a liability at their fair value at each reporting period. The value of the derivative warrant liability will be re-measured at each reporting period with changes in fair value recorded in earnings. To derive an estimate of the fair value of these warrants, a Dynamic Black Scholes model is utilized which computes the impact of a possible change in control transaction upon the exercise of the warrant shares. This process relies upon inputs such as shares outstanding, our quoted stock prices, strike price and volatility assumptions to dynamically adjust the payoff of the warrants in the presence of the dilution effect.

In accordance with ASC 815-40-25 and ASC 815-10-15, Derivatives and Hedging, the convertible notes are indexed to the Company's common stock, and cash settlement requires the conversion feature to be classified as a derivative liability at fair value and to be bifurcated from the convertible notes. To derive an estimate of the fair value of this cash settlement, a Dynamic Black Scholes model is utilized which computes the derivative liability of the cash settlement. This process relies upon inputs such as our quoted stock prices, strike price and volatility assumptions to dynamically adjust the payoff of the settlement.

Preferred Stock Classification

A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. A financial instrument issued in the form of shares is mandatorily redeemable if it embodies an unconditional obligation requiring the issuer to redeem the instrument by transferring its assets at a specified or determinable date (or dates) or upon an event certain to occur. A financial instrument that embodies a conditional obligation to redeem the instrument by transferring assets upon an event not certain to occur becomes mandatory redeemable-and, therefore, becomes a liability-if that event occurs, the condition is resolved, or the event becomes certain to occur. The Series B Preferred Stock and Series B1 Preferred Stock required the Company to redeem such preferred stock on the fifth anniversary of the issuance of the Series B Preferred Stock and Series B1 Preferred Stock if the redemption would not be subject to the existing restrictions under the Company's senior credit agreement and if the Company was not prohibited from completing such redemption under Nevada law. SEC reporting requirements provide that any possible redemption outside of the control of the Company requires the preferred stock to be classified outside of permanent equity.

Stock Based Compensation

The Company accounts for stock-based expense and activity in accordance with FASB ASC Topic 718, which establishes accounting for equity instruments exchanged for services. Under this topic, stock-based compensation costs are measured at the grant date, based on the calculated fair value of the award, and are recognized as an expense over both the employee and non-employee’s requisite service period, generally the vesting period of the equity grant.

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, expected option term, expected volatility of the stock over the option's expected term, risk-free interest rate over the option's expected term, and the expected annual dividend yield. The Company believes that the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the stock options granted.

Earnings Per Share

Basic earnings per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the periods presented. The calculation of basic earnings per share for the years ended December 31, 2021, 2020 and 2019, respectively, includes the weighted average of common shares outstanding. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted average number of common and common equivalent shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity, such as convertible preferred stock, stock options, warrants or convertible securities.

Redeemable Noncontrolling Interest

As more fully described in "Note 6. Share Purchase, Subscription Agreements and acquisitions", the Company is party to put/call option agreements with the holder of MG SPV's and Heartland SPV's non-controlling interests. The put options permit MG SPV's and Heartland SPV's non-controlling interest holders, at any time on or after the earlier of (a) the fifth anniversary of the applicable closing date of such issuances and (ii) the occurrence of certain triggering events (an "MG Redemption" and "Heartland Redemption", as applicable) to require MG SPV and Heartland SPV to redeem the non-controlling interest from the holder of such interest. Applicable accounting guidance requires an equity instrument that is redeemable for cash or other assets to be classified outside of permanent equity if it is redeemable (a) at a fixed or determinable price on a fixed or determinable date, (b) at the option of the holder, or (c) upon the occurrence of an event that is not solely within the control of the issuer. Based on this guidance, the Company has classified the MG SPV and Heartland SPV non-controlling interests between the liabilities and equity sections of the accompanying consolidated balance sheets. If an equity instrument subject to the guidance is currently redeemable, the instrument is adjusted to its maximum redemption amount at the balance sheet date. If the equity instrument subject to the guidance is not currently redeemable but it is probable that the equity instrument will become redeemable (for example, when the redemption depends solely on the passage of time), the guidance permits either of the following measurement methods: (a) accrete changes in the redemption value over the period from the date of issuance (or from the date that it becomes probable that the instrument will become redeemable, if later) to the earliest redemption date of the instrument using an appropriate methodology, or (b) recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. The amount presented in temporary equity should be no less than the initial amount reported in temporary equity for the instrument. Because the MG SPV and Heartland SPV equity instruments will become redeemable solely based on the passage of time, the Company determined that it is probable that the MG SPV and Heartland SPV equity instruments will become redeemable. The Company has elected to apply the second of the two measurement options described above. An adjustment to the carrying amount of a non-controlling interest from the application of the above guidance does not impact net loss in the consolidated financial statements. Rather, such adjustments are treated as equity transactions and adjustment to net loss in determining net loss available to common stockholders for the purpose of calculating earnings per share.

Variable Interest Entities

The Company determines whether each business entity in which it has equity interests, debt, or other investments constitutes a variable interest entity ("VIE") based on consideration of the following criteria: (i) the entity lacks sufficient equity at-risk to finance its activities without additional subordinated financial support, or (ii) equity holders, as a group, lack the characteristics of a controlling financial instrument.

If an entity is determined to be a VIE, the Company then determines whether to consolidate the entity as the primary beneficiary. The primary beneficiary has both (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the entity.

Assets and Liabilities Held for Sale

The Company classifies disposal groups as held for sale in the period in which all of the following criteria are met: (1) management, having the authority to approve the action, commits to a plan to sell the disposal group; (2) the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; (3) an active program to locate a buyer or buyers and other actions required to complete the plan to sell the disposal group have been initiated; (4) the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale, within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; (5) the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A disposal group that is classified as held for sale is initially measured at the lower of its carrying amount or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. No loss was recognized during the periods presented.

Subsequent changes in the fair value of a disposal group less any costs to sell are reported as an adjustment to the carrying amount of the disposal group, as long as the new carrying amount does not exceed the carrying amount of the asset at the time it was initially classified as held for sale. Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group for all periods presented in the line items assets held for sale and liabilities held for sale, respectively, in the consolidated balance sheets.

Discontinued Operations

The results of operations of a component of the Company that can be clearly distinguished, operationally and for financial reporting purposes, that either has been disposed of or is classified as held for sale is reported in discontinued operations, if the disposal represents a strategic shift that has, or will have, a major effect on the Company's operations and financial results.

Recently adopted accounting pronouncements

In August 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity to simplify the accounting for convertible debt and other equity-linked instruments. The new guidance simplifies the accounting for convertible instruments by eliminating the cash conversion and beneficial conversion feature models used to separately account for embedded conversion features as a component of equity. Instead, the entity will account for the convertible debt or convertible preferred stock securities as a single unit of account, unless the conversion feature requires bifurcation and recognition as derivatives. Additionally, the guidance requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of potential share settlement for instruments that may be settled in cash or shares. The Company adopted this new guidance as of January 1, 2022.

On January 20, 2022, the Company reclassified the full balance of the derivative liability to additional paid in capital upon obtaining shareholder approval which resulted in the conversion option no longer being a derivative.

NOTE 3. REVENUES

Disaggregation of Revenue

The following table presents our revenues disaggregated by source:

	Year ended December 31, 2021			
	Black Oil	Refining & Marketing	Recovery	Total
Sources of Revenue				
Pygas	$ —	$ 13,438,244	$ —	$ 13,438,244
Industrial fuel	—	1,600,839	—	1,600,839
Distillates	—	78,190,691	—	78,190,691
Oil collection services	677,487	—	3,423	680,910
Metals	—	—	21,008,600	21,008,600
Other re-refinery products	—	—	862,091	862,091
Total revenues	$ 677,487	$ 93,229,774	$ 21,874,114	$ 115,781,375

	Year ended December 31, 2020			
	Black Oil	Refining & Marketing	Recovery	Total
Sources of Revenue				
Pygas	$ —	$ 6,627,128	$ —	$ 6,627,128
Industrial fuel	—	234,792	—	234,792
Distillates	—	28,942,465	—	28,942,465
Oil collection services	4,735	—	—	4,735
Metals	—	—	11,261,607	11,261,607
Other re-refinery products	—	—	(51,684)	(51,684)
Total revenues	$ 4,735	$ 35,804,385	$ 11,209,923	$ 47,019,043

	Year ended December 31, 2019			
	Black Oil	Refining & Marketing	Recovery	Total
Sources of Revenue				
Pygas	$ —	$ 10,873,699	$ —	$ 10,873,699
Industrial fuel	—	2,029,371	—	2,029,371
Distillates	—	54,697	—	54,697
Metals	—	—	5,324,453	5,324,453
Other re-refinery products	—	—	75,355	75,355
Total revenues	$ —	$ 12,957,767	$ 5,399,808	$ 18,357,575

NOTE 4. CONCENTRATIONS, SIGNIFICANT CUSTOMERS, COMMITMENTS AND CONTINGENCIES

The Company has concentrated credit risk for cash by maintaining deposits in one bank. These balances are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time during the years ended December 31, 2021 and 2020, the Company's cash balances exceeded the federally insured limits. No losses have been incurred relating to this concentration.

For the years ended December 31, 2021, 2020, and 2019, the Company's revenues and receivables were comprised of the following customer concentrations:

	2021		2020		2019	
	% of Revenues	% of Receivables	% of Revenues	% of Receivables	% of Revenues	% of Receivables
Customer 1	22%	13%	21%	13%	—%	—%
Customer 2	16%	11%	13%	8%	—%	—%
Customer 3	13%	18%	7%	8%	8%	3%
Customer 4	12%	18%	13%	14%	59%	28%
Customer 5	7%	3%	6%	3%	—%	—%

At December 31, 2021, 2020 and 2019, and for the years then ended, the Company's segment revenues were comprised of the following customer concentrations:

	% of Revenue by Segment 2021			% of Revenue by Segment 2020			% of Revenue by Segment 2019		
	Black Oil	Refining	Recovery	Black Oil	Refining	Recovery	Black Oil	Refining	Recovery
Customer 1	— %	27 %	— %	— %	28 %	— %	— %	— %	— %
Customer 2	— %	20 %	— %	— %	17 %	— %	— %	— %	— %
Customer 3	— %	— %	67 %	— %	— %	31 %	— %	— %	27 %
Customer 4	— %	14 %	— %	— %	18 %	— %	— %	84 %	— %
Customer 5	— %	8 %	— %	— %	8 %	— %	— %	— %	— %

As of and for the year ended December 31, 2021, the Company had one vendor which accounted for 64% of total purchases and 60% of total payables. One vendor represented 50% of total purchases and 69% payables as of and for the year ended December 31, 2020. As of and for the year ended December 31, 2019, the Company had three vendors which accounted for 25%, 22% and 21% of total purchases and 16%, 52% and 26% of total payables, respectively.

The Company's revenue, profitability and future rate of growth are substantially dependent on prevailing prices for petroleum-based products. Historically, the energy markets have been very volatile, and there can be no assurance that these prices will not be subject to wide fluctuations in the future. A substantial or extended decline in such prices could have a material adverse effect on the Company's financial position, results of operations, cash flows, and access to capital and on the quantities of petroleum-based products that the Company can economically produce.

Business commitment:

On June 5, 2016, the Company and Penthol LLC reached an agreement for the Company to act as Penthol's exclusive agent to market and promote Group III base oil from the United Arab Emirates to the United States. The Company also agreed to provide logistical support. The start-up date was July 25, 2016, with a 5-year term through 2021. Over the Company's objection, Penthol terminated the Agreement effective January 19, 2021. The Company and Penthol are currently involved in litigation involving such termination and related matters as described below.

Litigation:

The Company, in its normal course of business, is involved in various other claims and legal action. In the opinion of management, the outcome of these claims and actions will not have a material adverse impact upon the financial position of the Company. We are currently party to the following material litigation proceedings:

Vertex Refining LA, LLC ("Vertex Refining LA"), the wholly-owned subsidiary of Vertex Operating was named as a defendant, along with numerous other parties, in five lawsuits filed on or about February 12, 2016, in the Second Parish Court for the Parish of Jefferson, State of Louisiana, Case No. 121749, by Russell Doucet et. al., Case No. 121750, by Kendra Cannon et. al., Case No. 121751, by Lashawn Jones et. al., Case No. 121752, by Joan Strauss et. al. and Case No. 121753, by Donna Allen et. al. The suits relate to alleged noxious and harmful emissions from our facility located in Marrero, Louisiana. The suits seek damages for physical and emotional injuries, pain and suffering, medical expenses and deprivation of the use and enjoyment of plaintiffs' homes. We intend to vigorously defend ourselves and oppose the relief sought in the complaints, provided that at this stage of the litigation, the Company has no basis for determining whether there is any likelihood of material loss associated with the claims and/or the potential and/or the outcome of the litigation.

On November 17, 2020, Vertex filed a lawsuit against Penthol LLC ("Penthol") in the 61st Judicial District Court of Harris County, Texas, Cause No. 2020-65269, for breach of contract and simultaneously sought a Temporary Restraining Order and Temporary Injunction enjoining Penthol from, among other things, circumventing Vertex in violation of the terms of the June 5, 2016 Sales Representative and Marketing Agreement entered into between Vertex Operating and Penthol (the "Penthol Agreement"). Vertex seeks permanent injunctive relief, damages, attorney's fees, costs of court, and all other relief to which it may be entitled. On February 26, 2021, Penthol filed its second amended answer and counterclaims, alleging that Vertex improperly terminated the Penthol Agreement and that Vertex tortiously interfered with Penthol's prospective and existing business relationships. Vertex denies these allegations and is vigorously defending them. This case is pending but is currently set for trial in July 2022.

On February 8, 2021, Penthol filed a complaint against Vertex Operating in the United States District Court for the Southern District of Texas; Civil Action No. 4:21-CV-416 (the "Complaint"). Penthol's Complaint sought damages from Vertex Operating for alleged violations of the Sherman Act, breach of contract, business disparagement, and misappropriation of trade secrets under the Defend Trade Secrets Act and Texas Uniform Trade Secrets Act. On August 12, 2021, United States District Judge Andrew S. Hanen dismissed Penthol's Sherman Act claim. Penthol's remaining claims are pending. Penthol is seeking a declaration that Vertex has materially breached the agreement; an injunction that prohibits Vertex from using Penthol's alleged trade secrets and requires Vertex to return any of Penthol's alleged trade secrets; awards of actual, consequential and exemplary damages, attorneys' fees and costs of court; and other relief to which it may be entitled.

Vertex denies Penthol's allegations in the Complaint. Vertex contends Penthol's claims are completely without merit, and that Penthol's termination of the Penthol Agreement was wrongful and resulted in damages to Vertex that it is seeking to recover in the Harris County lawsuit. Further, Vertex contends that Penthol's termination of the Penthol Agreement constitutes a breach by Penthol under the express terms of the Penthol Agreement, and that Vertex remains entitled to payment of the amounts due Vertex under the Penthol Agreement for unpaid commissions and unpaid performance incentives. Vertex disputes Penthol's allegations of wrongdoing and intends to vigorously defend itself in this matter.

We cannot predict the impact (if any) that any of the matters described above may have on our business, results of operations, financial position, or cash flows. Because of the inherent uncertainties of such matters, including the early stage and lack of specific damage claims in the Penthol matter, we cannot estimate the range of possible losses from them (except as otherwise indicated).

Related Parties

The Company has a Related Party Transaction committee including at least two independent directors who review and pre-approve all related party transactions.

From time to time, the Company consults with a related party law firm. During the years ended December 31, 2021, 2020 and 2019, we paid $742,447, $62,185, and $100,683 respectively, to such law firm for services rendered, which included the review and the drafting of documentation in connection with the Refinery Purchase Agreement (discussed below).

May 2021 Purchase Agreement

On May 26, 2021, Vertex Operating, entered into a Sale and Purchase Agreement (the "Refinery Purchase Agreement") with Equilon Enterprises LLC d/b/a Shell Oil Products US, Shell Oil Company and Shell Chemical LP, subsidiaries of Shell plc ("Shell"), to purchase the Shell's Mobile, Alabama refinery, certain real property associated therewith, and related assets, including all inventory at the refinery as of closing and certain equipment, rolling stock, and other personal property associated with the Mobile refinery (collectively, the "Mobile Refinery" and the "Mobile Acquisition"). The Mobile Refinery is located on an 800+ acre site in the city and county of Mobile, Alabama. The 91,000 barrel-per-day nameplate capacity Mobile Refinery is capable of sourcing a flexible mix of cost-advantaged light-sweet domestic and international feedstocks. Approximately 70% of the refinery's current annual production is distillate, gasoline and jet fuel, with the remainder being vacuum gas oil, liquefied petroleum gas (LPG) and other products. The facility distributes its finished product across the southeastern United States through a high-capacity truck rack, together with deep and shallow water distribution points capable of supplying waterborne vessels.

In addition to refining assets, the Mobile Acquisition will include the acquisition by the Company of approximately 3.2 million barrels of inventory and product storage, logistics and distribution assets, together with more than 800+ acres of developed and undeveloped land.

The initial base purchase price for the assets is $75 million. In addition, we will also pay for the hydrocarbon inventory located at the Mobile Refinery, as valued at closing, and the purchase price is subject to other customary purchase price adjustments and reimbursement for certain capital expenditures, resulting in an expected total purchase price of approximately $86.7 million.

In connection with Vertex Operating's execution of the Refinery Purchase Agreement, and as a required term and condition thereof, Vertex Operating provided Shell a promissory note in the amount of $10 million (the "Deposit Note"). Pursuant to the terms of the Refinery Purchase Agreement, the terms of such agreement (other than exclusivity through December 31, 2021, or such earlier date that the Refinery Purchase Agreement is terminated), were not legally binding on Shell until such time as Vertex Operating funds the Deposit Note in cash (which note has been paid in full to date). The Deposit Note did not accrue interest unless or until an event of default occurred under such note, at which time interest was to accrue at 12% per annum until paid. The entire balance of the Deposit Note was due upon the earlier of (i) 45 calendar days following the date of the Deposit Note (i.e., July 10, 2021); and (ii) five calendar days following the closing of any transaction between Vertex Operating and any third party, which Deposit Note was paid in full prior to such applicable due date. This deposit is recorded in other assets in the consolidated balance sheet at December 31, 2021.

In the event of the closing of the transactions contemplated by the Refinery Purchase Agreement, the funded portion of the Deposit Note, and any interest thereon (the "Deposit") is credited against the purchase price due to the Shell. In the event the Refinery Purchase Agreement is terminated, the Deposit is non-refundable except as more particularly described in the Refinery Purchase Agreement, which provides that in some circumstances the Company may receive a complete refund of the Deposit or must pay a portion of (or in some cases all) the costs for the Swapkit (defined below) and/or the audit of the Shell's operations, to the extent requested by the Company.

The Refinery Purchase Agreement is subject to termination prior to closing under certain circumstances, and may be terminated: at any time prior to the closing date by the mutual consent of the parties; by Vertex Operating or Shell in the event the closing has not occurred by May 26, 2022 (the "Refinery Purchase Outside Date", subject to extensions as discussed in the Purchase and Sale Agreement), in the event such failure to close is not a result of Vertex Operating's or Shell's breach of the agreement, respectively, or the failure to obtain any government consent; or by Vertex Operating or Shell, if the other party has breached any representation, warranty or covenant set forth in the agreement, subject to certain cases to the right to cure such breach, or required regulatory approvals have not been received as of the Refinery Purchase Outside Date.

The Refinery Purchase Agreement provides that if all conditions to closing are satisfied other than government approvals and required permits and registrations, then the Refinery Purchase Outside Date is extended to such date as the parties mutually agree; provided, however, in the event the parties do not mutually agree, then the Refinery Purchase Outside Date is automatically extended to May 26, 2023.

The Refinery Purchase Agreement contemplates the Company and the Shell entering into various supply and offtake agreements at closing.

The Mobile Acquisition is expected to close early in the second quarter of 2022, subject to satisfaction of customary closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the absence of legal impediments prohibiting the Mobile Acquisition, receipt of regulatory approvals and required consents, absence of a material adverse effect and the Company raising sufficient cash to pay such aggregate purchase price. The Company anticipates financing the transaction through the recent sale of convertible notes (see "Note 9. Financing Arrangements") and the entry into a Term debt facility. The Company has not entered into any definitive lending agreements regarding such debt fundings to date, and such debt funding may not be available on favorable terms, if at all. The Company may also generate cash through asset divestitures. The conditions to the closing of the Mobile Acquisition may not be met, and such closing may not ultimately occur on the terms set forth in the Refinery Purchase Agreement, if at all.

Upon completion of the transaction and provided that Vertex's fundraising initiatives are successful, Vertex plans to complete an $85 million capital project designed to modify the Mobile Refinery's hydrocracking unit to produce renewable diesel fuel on a standalone basis, with funds raised through the sale of the November 2021 convertible notes (see "Note 9. Financing Arrangements"). In connection with the entry into the Refinery Purchase Agreement, Vertex Operating and the Seller entered into a Swapkit Purchase Agreement (the "Swapkit Agreement"). Pursuant to the agreement, Vertex Operating agreed to fund a technology solution comprising the ecosystem required for the Company to run the Mobile Refinery after closing.

Safety-Kleen Sale Agreement

On June 29, 2021, we entered into an Asset Purchase Agreement (the "Sale Agreement" and the transactions contemplated therein, the "Sale Transaction" or the "Sale") with Vertex Operating, Vertex LA, Vertex OH, CMT, and H&H, as sellers, and Safety-Kleen, dated as of June 28, 2021.

Pursuant to the Sale Agreement, Safety-Kleen agreed to acquire the Company's Marrero used oil refinery in Louisiana (currently owned by Vertex LA); our Heartland used oil refinery in Ohio (currently owned by Vertex OH); our H&H and Heartland UMO collections business; our oil filters and absorbent materials recycling facility in East Texas; and the rights CMT holds to a lease on the Cedar Marine terminal in Baytown, Texas ("UMO Business").

The initial base purchase price for the assets is $140 million, which is subject to customary adjustments to account for working capital, taxes and assumed liabilities.

The Sale Agreement is subject to termination prior to closing under certain circumstances, and may be terminated: at any time prior to the closing date by the mutual consent of the parties; by Safety-Kleen in the event the closing has not occurred by December 31, 2021 (the "Sale Agreement Outside Date", subject to certain extensions as discussed in the Sale Agreement), in the event such failure to close is not a result of Safety-Kleen's breach of the agreement, provided that if the failure to close is the result of the failure to obtain certain government consents or the failure of the Company to obtain the required shareholder approval for the transaction, either party may extend the Sale Agreement Outside Date for up to an additional 90 days; by the Company or Safety-Kleen, if the other party has breached the agreement, subject to certain cases to the right to cure such breach; by the Company if it becomes apparent that the closing of the Sale Agreement will not occur due to certain reasons, including if any of Safety-Kleen's required conditions to closing conditions will not be fulfilled by the Sale Agreement Outside Date, unless such failure is the result of the Company. In the event that the Sale Agreement is terminated as a result of the failure of the Company's shareholders to approve the transaction, we are required to reimburse all of Safety-Kleen's out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources, experts and consultants) incurred in connection with the authorization, preparation, negotiation, execution and performance of the Sale Agreement and the transactions contemplated therein (the "Reimbursement").

If Safety-Kleen terminates the Sale Agreement for certain reasons, including in certain cases due to a breach of the agreement by the Company in the event the Company solicits other competing transactions or takes other similar actions; because the Company considers a competing transaction and the shareholders of the Company fail to approve the Sale Agreement; or the Company's board of directors refuses to complete the transaction due to a competing transaction, then we are required to pay Safety-Kleen a break-fee of $3,000,000, less amounts paid as Reimbursement (the "Break-Fee"), which will be the sole remedy of Safety-Kleen in such situation.

On January 24, 2022, each of the Company and its subsidiaries party to the Sale Agreement and Safety-Kleen entered into an Asset Purchase Termination Agreement (the "Termination Agreement") pursuant to which the Sale Agreement was terminated. Pursuant to the terms of the Termination Agreement, the Company agreed to pay a termination fee to Safety-Kleen of $3,000,000. Immediately upon receipt of such termination fee, which the Company paid simultaneously with the execution of the Termination Agreement, the Sale Agreement was terminated and is of no further force or effect, and with no further liability to any party thereunder, other than certain confidentiality obligations of the parties and ongoing liability for any willful or intentional breach of, or non-compliance with, the Sale Agreement.

Vertex is exploring additional sale opportunities for the UMO business.

NOTE 5. FIXED ASSETS, NET

Fixed assets consist of the following:

	Useful Life (in years)	December 31, 2021	December 31, 2020
Equipment	7-20	$ 2,060,572	$ 1,473,470
Furniture and fixtures	7	39,887	39,887
Leasehold improvements	15	113,415	103,619
Office equipment	5	917,894	929,188
Vehicles	5	372,697	372,697
Construction in progress		10,307,370	11,929,952
Total fixed assets		13,811,835	14,848,813
Less accumulated depreciation		(2,045,241)	(1,573,025)
Net fixed assets		$ 11,766,594	$ 13,275,788

Depreciation expense was $482,808, $453,811 and $461,110 for the years ended December 31, 2021, 2020 and 2019, respectively for the continued operations.

Construction in progress is related to refining equipment at our various facilities. During August 2021, Hurricane Ida made landfall in southeast Louisiana, approximately 30 miles directly south and west of the Myrtle Grove facility, which resulted in the entire 42 acre Myrtle Grove site to be covered with 4-6 feet of storm surge and thus damages of assets and equipment. The Company reviewed the inspection report and related information from insurance companies and a third party engineer, and determined that there is no 100% certainty around the recoverability of some Construction-In-Progress assets such as fire heaters and pumps and instrumentation. The original values of identical or similar assets are used to determine the impairment amount. The Company recorded $2.1 million of loss on assets impairment within other operating expenses on the Consolidated Statements of Operations in the fourth quarter of 2021, of which the entire amount is related to our Black Oil segment.

Asset Retirement Obligations:

The Company has asset retirement obligations with respect to certain of its refinery assets due to various legal obligations to clean and/or dispose of various component parts of each refinery at the time they are retired. However, these component parts can be used for extended and indeterminate periods of time as long as they are properly maintained and/or upgraded. It is the Company's practice and current intent to maintain its refinery assets and continue making improvements to those assets based on technological advances. As a result, the Company believes that its refinery assets have indeterminate lives for purposes of estimating asset retirement obligations because dates, or ranges of dates, upon which the Company would retire refinery assets cannot reasonably be estimated. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery, the Company estimates the cost of performing the retirement activities and records a liability for the fair value of that cost using established present value techniques.

NOTE 6. SHARE PURCHASE, SUBSCRIPTION AGREEMENTS, AND ACQUISITION

Myrtle Grove Share Purchase and Subscription Agreement

Amounts received by MG SPV from its direct sale of Class B Units to Tensile-Myrtle Grove Acquisition Corporation ("Tensile-MG"), an affiliate of Tensile Capital Partners Master Fund LP, an investment fund based in San Francisco, California ("Tensile") may only be used for additional investments in the Company's former Belle Chasse, Louisiana, re-refining complex (the "MG Refinery") or for day-to-day operations at the MG Refinery. At December 31, 2021, $30,000 reported as cash and cash equivalents on the balance sheet is restricted to MG Refinery investments or operating expenses.

The Class B Unit holders may force MG SPV to redeem the outstanding Class B Units at any time on or after the earlier of (a) the fifth anniversary of July 26, 2019 (the "MG Closing Date") and (ii) the occurrence of a Triggering Event (defined below)(an "MG Redemption"). The cash purchase price for such redeemed Class B Units is the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party agreed to in writing by a majority of the holders seeking an MG Redemption and Vertex Operating (provided that Vertex Operating still owns Class A Units on such date) and (z) the original per-unit price for such Class B Units plus any unpaid Class B preference. The preference is defined as the greater of (A) the aggregate unpaid "Class B Yield" (equal to an annual return of 22.5% per annum) and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class B Unit holders. MG SPV did not pay the preferential yield during the year ended December 31, 2021. "Triggering Events" mean (a) any dissolution, winding up or liquidation of the Company, (b) any sale, lease, license or disposition of any material assets of the Company, (c) any transaction or series of related transactions (whether by merger, exchange, contribution, recapitalization, consolidation, reorganization, combination or otherwise) involving the Company, the result of which is that the holders of the voting securities of the relevant entity as of the Closing Date are no longer the beneficial owners, in the aggregate, after giving effect to such transaction or series of transactions, directly or indirectly, of more than fifty percent (50%) of the voting power of the outstanding voting securities of the entity, subject to certain other requirements set forth in the MG Company Agreement, (d) the failure to consummate the Heartland Closing (defined below) by June 30, 2020 (a "Failure to Close"), provided that such Heartland Closing was consummated by June 30, 2020, (e) the failure of the Company to operate MG SPV in good faith with appropriate resources, or (f) the material failure of the Company and its affiliates to comply with the terms of the contribution agreement, whereby the Company contributed assets and operations to MG SPV. No triggering events occurred during the year ended December 31, 2021.

Myrtle Grove Redeemable Noncontrolling Interest

As a result of the Share Purchase and Subscription Agreement (the "MG Share Purchase"), Tensile, through Tensile-Myrtle Grove Acquisition Corporation, acquired an approximate 15.58% ownership interest in Vertex Refining Myrtle Grove LLC, a Delaware limited liability company, which entity was formed as a special purpose vehicle in connection with the transactions. This is considered a redeemable noncontrolling equity interest, as it is redeemable in the future and not solely within our control.

After initial recognition, in accordance with ASC 480-10-S99-3A, the Company applied a two-step approach to measure noncontrolling interests associated with MG SPV at the balance sheet date. First, the Company applied the measurement guidance in ASC 810-10 by attributing a portion of the subsidiary's net loss of $653,121 to the noncontrolling interest. Second, the Company applied the subsequent measurement guidance in ASC 480-10-S99-3A, which indicates that the noncontrolling interest's carrying amount is the higher of (1) the cumulative amount that would result from applying the measurement guidance in ASC 810-10 in the first step or (2) the redemption value. Pursuant to ASC 480-10-S99-3A, for a security that is probable of becoming redeemable in the future, the Company adjusted the carrying amount of the redeemable noncontrolling interests to what would be the redemption value assuming the security was redeemable at the balance sheet date. This adjustment of $1,992,360 increased the carrying amount of redeemable noncontrolling interests to the redemption value as of December 31, 2021, of $6,812,080. Adjustments to the carrying amount of redeemable noncontrolling interests to redemption value are reflected in accumulated deficit.

The table below presents the reconciliation of changes in redeemable noncontrolling interest during the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Beginning balance	$ 5,472,841	$ 4,396,894	$ —
Capital contribution from non-controlling interest	—	—	3,150,000
Initial adjustment of carrying amount of non-controlling interest	—	—	(970,809)
Net loss attributable to redeemable non-controlling interest	(653,121)	(176,774)	(61,668)
Change in ownership	—	71,171	—
Accretion of non-controlling interest to redemption value	1,992,360	1,181,550	2,279,371
Ending balance	$ 6,812,080	$ 5,472,841	$ 4,396,894

Concurrently with the closing of the Heartland Share Purchase Agreement described below, and pursuant to the terms of the Heartland Share Purchase, the Company, through Vertex Operating, purchased 1,000 newly issued Class A Units from MG SPV at a cost of $1,000 per unit ($1 million in aggregate). As a result of this transaction, MG SPV is owned 85.00% by Vertex Operating and 15.00% by Tensile-MG.

Heartland Share Purchase and Subscription Agreement

On January 17, 2020 (the "Heartland Closing Date"), Vertex Operating, Tensile-Heartland Acquisition Corporation ("Tensile-Heartland"), an affiliate of Tensile, and solely for the purposes of a separate guaranty (defined below), the Company, and HPRM LLC, a Delaware limited liability company, which entity was formed as a special purpose vehicle in connection with the transactions, described in greater detail below ("Heartland SPV"), entered into a Share Purchase and Subscription Agreement (the "Heartland Share Purchase").

Prior to entering into the Heartland Share Purchase, the Company transferred 100% of the ownership of Vertex Refining OH, LLC, its indirect wholly-owned subsidiary ("Vertex OH") to Heartland SPV in consideration for 13,500 Class A Units, 13,500 Class A-1 Preferred Units and 11,300 Class B Units of Heartland SPV and immediately thereafter contributed 248 Class B Units to the Company's wholly-owned subsidiary, Vertex Splitter Corporation, a Delaware corporation ("Vertex Splitter"), as a contribution to capital.

Vertex OH owned the Company's Columbus, Ohio, Heartland facility, which produces a base oil product that is sold to lubricant packagers and distributors.

Pursuant to the Heartland Share Purchase, Vertex Operating sold Tensile-Heartland the 13,500 Class A Units and 13,500 Class A-1 Preferred Units of Heartland SPV in consideration for $13.5 million. Also, on the Heartland Closing Date, Tensile-Heartland purchased 7,500 Class A Units and 7,500 Class A-1 Units in consideration for $7.5 million (less the expenses of Tensile-Heartland in connection with the transaction) directly from Heartland SPV.

The Heartland Share Purchase provides Tensile-Heartland an option, exercisable at its election, at any time, subject to the terms of the Heartland Share Purchase, to purchase up to an additional 7,000 Class A-2 Preferred Units at a cost of $1,000 per Class A-2 Preferred Unit from Heartland SPV.

The Heartland SPV is currently owned 35% by Vertex Operating and 65% by Tensile-Heartland. Heartland SPV is managed by a five-member Board of Managers, of which three members are appointed by Tensile-Heartland and two are appointed by the Company. The Class A Units held by Tensile-Heartland are convertible into Class B Units as provided in the Limited Liability Company Agreement of Heartland SPV (the "Heartland Company Agreement"), based on a conversion price (initially one-for-one) which may be reduced from time to time if new Units of Heartland SPV are issued and will automatically convert into Series B Units upon certain events described in the Heartland Company Agreement.

The Class A-1 and A-2 Preferred Units ("Class A Preferred Units"), which are 100% owned by Tensile-Heartland, accrue a 22.5% per annum preferred return subject to terms of the Heartland Company Agreement (the "Class A Yield").

Additionally, the Class A Unit holders (common and preferred) may force Heartland SPV to redeem the outstanding Class A Units at any time on or after the earlier of (a) the fifth anniversary of the Heartland Closing Date and (ii) the occurrence of a Heartland Triggering Event (defined below)(a "Heartland Redemption"). The cash purchase price for such redeemed Class A Unit will be the greater of (y) the fair market value of such units (without discount for illiquidity, minority status or otherwise) as determined by a qualified third party agreed to in writing by a majority of the holders seeking Heartland Redemption and Vertex Operating (provided that Vertex Operating still owns Class B Units on such date) and (z) the original per-unit price for such Class A Units plus any unpaid Class A preference. The Class A preference is defined as the greater of (A) the aggregate unpaid Class A yield and (B) an amount equal to fifty percent (50%) of the aggregate capital invested by the Class A Unit holders through such Heartland Redemption date. "Heartland Triggering Events" include (a) any termination of an Administrative Services Agreement entered into with Tensile, pursuant to its terms and/or any material breach by us of the environmental remediation and indemnity agreement entered into with Tensile, (b) any dissolution, winding up or liquidation of the Company, (c) any sale, lease, license or disposition of any material assets of the Company, or (d) any transaction or series of related transactions (whether by merger, exchange, contribution, recapitalization, consolidation, reorganization, combination or otherwise) involving the Company, the result of which is that the holders of the voting securities of the relevant entity as of the Heartland Closing Date are no longer the beneficial owners, in the aggregate, after giving effect to such transaction or series of transactions, directly or indirectly, of more than fifty percent (50%) of the voting power of the outstanding voting securities of the entity, subject to certain other requirements set forth in the Heartland Company Agreement.

In the event that Heartland SPV fails to redeem such Class A Units within 180 days after a redemption is triggered, the Class A Yield is increased to 25% until such time as such redemption is completed (with such increase being effective back to the original date of a notice of redemption). In addition, in such event, the Class A Unit holders may cause Heartland SPV to initiate a process intended to result in a sale of Heartland SPV.

Distributions of available cash of Heartland SPV pursuant to the Heartland Company Agreement (including pursuant to liquidations of Heartland SPV), subject to certain exceptions set forth therein, are to be made (a) first, to the holders of the Class A Preferred Units, in an amount equal to the Class A preference; (b) second, the Class A Preferred Unit holders, together as a separate and distinct class, are entitled to receive an amount equal to the aggregate Heartland Invested Capital; (c) third, the Class B Unitholders (other than Class B Unitholders which received Class B Units upon conversion of Class A Preferred Units), together as a separate and distinct class, are entitled to receive all or a portion of any distribution equal to the sum of all distributions made under sections (a) and (b) above; and (d) fourth, to the holders of Units who are eligible to receive such distributions in proportion to the number of Units held by such holders.

Heartland Variable interest entity

The Company has assessed the Heartland SPV under the variable interest guidance in ASC 810. The Company determined that the Class A Units are not at risk due to a 22.5% preferred return and a redemption provision that, if elected, would require Heartland SPV to repurchase the Class A Units at their original cost plus the preferred return. The Company further determined that as a minority shareholder, holding only 35% of the voting rights, the Company does not have the ability to direct the activities of Heartland SPV that most significantly impact the entity's performance. Based on this assessment, the Company concluded that Heartland SPV is a variable interest entity.

In assessing if the Company is the primary beneficiary of Heartland SPV, the Company determined that certain provisions of the Heartland Company Agreement prohibiting the transfer of its Class B Units result in the Class A Unit holders being related parties under the de facto agents criteria in ASC 810. The Company and the Class A Unit holders, as a group, have the power to direct the significant activities of Heartland SPV and the obligations to absorb the losses and the right to receive the benefits that could potentially be significant to Heartland SPV. The Company concluded that substantially all of the activities of Heartland SPV are conducted on its behalf, and not on behalf of the Class A Unit holders, the decision maker, thus the Company is the primary beneficiary and required to consolidate Heartland SPV in accordance with ASC 810.

The Company's consolidated financial statements include the assets, liabilities and results of operations of Heartland SPV for which the Company is the primary beneficiary. The other equity holders' interests are reflected in net loss attributable to noncontrolling interests and redeemable noncontrolling interest in the consolidated statements of income and redeemable noncontrolling interests in the consolidated balance sheets.

The following table summarizes the carrying amounts of Heartland SPV's assets and liabilities included in the Company's consolidated balance sheets at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 13,322,507	$ 7,890,886
Accounts receivable, net	7,078,559	3,591,468
Inventory	1,654,706	629,667
Prepaid expense and other current assets	9,298,734	926,203
Total current assets	31,354,506	13,038,224
Fixed assets, net	6,184,531	6,549,139
Finance lease right-of-use assets	436,039	1,031,353
Operating lease right-of-use assets	—	299,758
Intangible assets, net	813,713	1,064,624
Other assets	106,643	108,643
Total assets	$ 38,895,432	$ 22,091,741
Accounts payable	$ 2,051,721	$ 1,753,160
Accrued expenses	1,658,427	307,340
Finance lease liability-current	295,935	346,029
Operating lease liability-current	175,121	251,037
Total current liabilities	4,181,204	2,657,566
Finance lease liability-long term	—	643,446
Operating lease liability-long term	—	48,721
Total liabilities	$ 4,181,204	$ 3,349,733

The assets of Heartland SPV may only be used to settle the obligations of Heartland SPV, and may not be used for other consolidated entities. The liabilities of Heartland SPV are non-recourse to the general credit of the Company's other consolidated entities.

Heartland Redeemable Noncontrolling Interest

As a result of the Heartland Share Purchase (as defined and discussed above), Tensile, through Tensile-Heartland, acquired an approximate 65.00% ownership interest in Heartland SPV, a Delaware limited liability company, which entity was formed as a special purpose vehicle in connection with the transactions. This is considered a redeemable noncontrolling equity interest, as it is redeemable in the future and not solely within our control.

The initial carrying amount that is recognized in temporary equity for redeemable noncontrolling interests is the initial carrying amount determined in accordance with the accounting requirements for noncontrolling interests in ASC 810-10. In accordance with ASC 810-10-45-23, changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. Therefore, the Company recognized no gain or loss in consolidated net income and the carrying amount of the noncontrolling interest was adjusted to reflect the change in our ownership interest of the subsidiary. The difference of $9,091,068 between the fair value of the consideration received of $21,000,000 and the carrying amount of the noncontrolling interest determined in accordance with ASC 810-10 of $11,908,932, was recognized in additional paid in capital.

After initial recognition, in accordance with ASC 480-10-S99-3A, the Company applied a two-step approach to measure noncontrolling interests associated with Heartland SPV at the balance sheet date. First, the Company applied the measurement guidance in ASC 810-10 by attributing a portion of the subsidiary's net income of $10,495,771 to the noncontrolling interest. Second, the Company applied the subsequent measurement guidance in ASC 480-10-S99-3A, which indicates that the noncontrolling interest's carrying amount is the higher of (1) the cumulative amount that would result from applying the measurement guidance in ASC 810-10 in the first step or (2) the redemption value. At December 31, 2021, the cumulative amount resulting from the application of the measurement guidance in ASC 810-10 exceeded the redemption value of $4,099,435.

The table below presents the reconciliation of changes in redeemable noncontrolling interest relating to Heartland SPV for the years ended December 31, 2021 and 2020.

	December 31, 2021	December 31, 2020
Beginning balance	$ 26,138,833	$ —
Initial carrying amount of non-controlling interest	—	11,908,932
Net income attributable to redeemable non-controlling interest	10,495,771	276,209
Accretion of non-controlling interest to redemption value	—	13,953,692
Ending balance	$ 36,634,604	$ 26,138,833

The amount of accretion of redeemable noncontrolling interest to redemption value of $1,992,360 and $15,135,242 for 2021 and 2020, respectively, presented as an adjustment to net income attributable to Vertex Energy, Inc., to arrive at net income available to common shareholders on the consolidated statements of operations which represent the MG SPV and Heartland SPV accretion of redeemable noncontrolling interest to redemption value combined for the years ended December 2021 and 2020 respectively.

Tensile Transactions

On July 1, 2021, the Operating Agreement of MG SPV was amended to provide that from the date of such agreement until December 31, 2021, the Company (through Vertex Operating), is required to fund the working capital requirements of MG SPV, which advances are initially characterized as debt, but that Tensile MG may convert such debt into additional Class A Units of MG SPV (after December 31, 2021), at $1,000 per unit (the "MG SPV Amendment").

On July 1, 2021, Heartland SPV loaned Vertex Operating $7,000,000, which was evidenced by a Promissory Note (the "Heartland Note"). The Heartland Note accrues interest at the applicable federal rate of interest from time to time, increasing to 12% upon an event of default. Amounts borrowed under the Heartland Note are due on June 30, 2022 or within five (5) days of the closing of the Sale Agreement described below (whichever is earlier), and may be prepaid at any time without penalty. In the event the Heartland Note is not paid on or before the applicable due date, we agreed to use our best efforts to raise the funds necessary to repay the note as soon as possible.

Crystal Energy, LLC

On June 1, 2020, the Company entered into and closed a Member Interest Purchase Agreement with Crystal Energy, LLC ("Crystal") pursuant to which the Company agreed to buy all of the outstanding membership interests of Crystal for aggregate cash consideration of $1,822,690. This resulted in the recognition of $1,939,364 in accounts receivable, $976,512 in inventory, $14,484 in other current assets, and $1,107,670 in current liabilities. Upon the closing of the acquisition, Crystal became a wholly-owned subsidiary of the Company. The acquisition was accounted for as a business combination.

Crystal is an Alabama limited liability company that was organized on September 7, 2016, for the purpose of purchasing, storing, selling, and distributing refined motor fuels. These activities include the wholesale distribution of gasoline, blended gasoline, and diesel for use as engine fuel to operate automobiles, trucks, locomotives, and construction equipment. Crystal markets its products to third-party customers, and customers will typically resell these products to retailers, end use consumers, and others. These assets are used in our Refining segment.

The following table presents results of operations of Crystal as of December 31, 2021 and unaudited results of operations as of December 31, 2020 and 2019, as if the acquisition had occurred as of January 1, 2019. This information has been compiled from current and historical financial statements.

	2021	2020	2019
Revenue	$ 78,190,691	$ 86,452,097	$ 261,668,500
Net income (loss)	313,789	(690,004)	(5,724,176)

NOTE 7. INTANGIBLE ASSETS, NET

Components of intangible assets (subject to amortization) consist of the following items:

		December 31, 2021			December 31, 2020		
	Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internally-developed software	3-5	$ 538,322	$ 179,440	$ 358,882	$ 538,322	$ 71,776	$ 466,546

Intangible assets are amortized on a straight-line basis. We continually evaluate the amortization period and carrying basis of intangible assets to determine whether subsequent events and circumstances warrant a revised estimated useful life or reduction in value.

Total amortization expense of intangibles was $107,664, $71,776 and $0 for the years ended December 31, 2021, 2020 and 2019, respectively.

Estimated future amortization expense is as follows:

2022	$ 107,664
2023	107,664
2024	107,664
2025	35,890
2026	—
Thereafter	—
	$ 358,882

NOTE 8. ACCOUNTS RECEIVABLE

Accounts receivable, net, consists of the following at December 31:

	2021	2020
Accounts receivable trade	$ 6,296,550	$ 5,564,396
Allowance for doubtful accounts	(999,683)	(352,775)
Accounts receivable trade, net	$ 5,296,867	$ 5,211,621

NOTE 9. FINANCING ARRANGEMENTS

Credit and Guaranty Agreement and Revolving Credit Facility with Encina Business Credit, LLC

Effective February 1, 2017, the Company entered into a Credit Agreement (as amended to date, the "EBC Credit Agreement") with Encina Business Credit, LLC as agent (the "Agent" or "EBC") and Encina Business Credit SPV, LLC and CrowdOut Capital LLC as lenders thereunder (the "EBC Lenders"). Pursuant to the EBC Credit Agreement, and the terms thereof, the EBC Lenders agreed to loan us up to $20 million, provided that the amount outstanding under the EBC Credit Agreement at any time cannot exceed 50% of the value of the Company's operating plant facilities and related machinery and equipment.

Amounts borrowed under the EBC Credit Agreement bear interest at 12%, 13% or 14% per annum, based on the ratio of (a) (i) consolidated EBITDA for such applicable period minus (ii) capital expenditures made during such period, minus (iii) the aggregate amount of income taxes paid in cash during such period (but not less than zero) to (b) the sum of (i) debt service charges plus (ii) the aggregate amount of all dividend or other distributions paid on capital stock in cash for the most recently completed 12 month period (which ratio falls into one of the three following tiers: less than 1 to 1; from 1 to 1 to less than 1.45 to 1; or equal to or greater than 1.45 to 1, which together with the value below, determines which interest rate is applicable) and average availability under the Revolving Credit Agreement (which falls into two tiers: less than $2.5 million and greater than or equal to $2.5 million, which together with the calculation above, determines which interest rate is applicable), as described in greater detail in the EBC Credit Agreement (increasing by 2% per annum upon the occurrence of an event of default). Interest on amounts borrowed under the EBC Credit Agreement is payable by us in arrears, on the first business day of each month, beginning on the first business day of the first full month following the closing, together with required $75,000 monthly principal repayments. We also have the right to make voluntary repayments of the amount owed under the EBC Credit Agreement in amounts equal to or greater than $100,000, from time to time.

Amounts borrowed under the Revolving Credit Agreement bear interest, subject to the terms of the Revolving Credit Agreement, at the one month LIBOR interest rate then in effect, subject to a floor of 0.25%, plus an additional 6.50% per annum (increasing by 2% per annum upon the occurrence of an event of default), provided that under certain circumstances amounts borrowed bear interest at the higher of (a) the "prime rate"; (b) the Federal Funds Rate, plus 0.50%; and (c) the LIBOR Rate for a one month interest period, plus 1.00%. Interest on amounts borrowed under the Revolving Credit Agreement is payable by us in arrears, on the first business day of each month, beginning on the first business day of the first full month following the closing. Borrowings under a revolving credit agreement that contain a subjective acceleration clause and also require a borrower to maintain a lockbox with the lender (whereby lockbox receipts may be applied to reduce the amount outstanding under the revolving credit agreement) are considered short-term obligations. As a result, the debt was classified as a current liability at December 31, 2020.

On January 18, 2021, the Company, Vertex Operating and EBC as agent for the lenders named therein, and such lenders, entered into a Sixth Amendment to Credit Agreement (the "6th Amendments"), which amended the EBC Credit Agreement to permit availability at any time to be less than (a) $1,000,000 at any time during the period commencing on December 31, 2020 through and including March 31, 2021 and (b) $2,000,000 at any time from and after April 1, 2021.

On May 26, 2021, the Company, Vertex Operating and EBC as agent for the lenders named therein, and such lenders, entered into a Seventh Amendment to Credit Agreement and a Seventh Amendment to ABL Credit Agreement (collectively, the "7th Amendments"), which amended the EBC Credit Agreement and Revolving Credit Agreement, to allow the Company to enter into the Refinery Purchase Agreement, subject to the Company agreeing to not use any funds from the Revolving Credit Agreement towards such Refinery Purchase Agreement or to pay amounts in connection with a $10 million deposit note in connection with such Refinery Purchase Agreement.

On July 1, 2021, the Company and Vertex Operating entered into an Eighth Amendment to Credit Agreement with EBC (the "8th Amendment"), which amendment amended the EBC Credit Agreement. Pursuant to the 8th Amendment, Encina Business Credit SPV, LLC agreed to loan the Company $5 million under the terms of the EBC Credit Agreement (the "Term Loan"), under the stipulation that the Company use such loaned funds solely to paydown amounts owed under the $10 million deposit note payable in connection with the entry into the Refinery Purchase Agreement (the "Deposit Note"). The $5 million Term Loan bears interest at the variable-rate of LIBOR plus 6.5% per year, or to the extent that LIBOR is not available, the highest of the prime rate and the Federal Funds Rate plus 0.50%, in each case, plus 6%. We are required to repay the Term Loan in monthly installments of 1/48th of the amount borrowed, each month that the Term Loan is outstanding, with a final balloon payment due at maturity. The Term Loan is subject to customary events of defaults and other covenants set forth in the EBC Credit Agreement. The Term Loan is secured by EBC's security interests over substantially all of our assets.

On November 1, 2021, the Company repaid in full the amounts owed to the EBC Lenders.

Loan Agreements

On May 4, 2020, the Company applied for a loan from Texas Citizens Bank in the principal amount of $4.22 million, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020. On May 5, 2020, the Company received the loan funds. The Note is unsecured, matures on April 28, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing in February 2021, following an initial deferral period as specified under the PPP. Under the terms of the CARES Act, PPP loan recipients can apply for, and the U.S. Small Business Administration ("SBA"), which administers the CARES Act, can grant forgiveness of, all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, including payroll costs, mortgage interest, rent or utility costs and meet other requirements regarding, among other things, the maintenance of employment and compensation levels. The Company used the PPP Loan proceeds for qualifying expenses and applied for forgiveness of the PPP Loan in accordance with the terms of the CARES Act. On June 22, 2021, the Company received a notification from the Lender that the SBA approved the Company's PPP Loan forgiveness application for the entire PPP Loan balance of $4.222 million and accrued interest and that the remaining PPP Loan balance is zero. The forgiveness of the PPP Loan was recognized during the quarter ending June 30, 2021, and is included in other income in the accompanying consolidated statement of operations.

On May 27, 2020, the Company entered into a loan contract security agreement with John Deere to finance the purchase of $152,643 of equipment. The Note matures on June 27, 2024, and bears interest at a rate of 2.45% per annum, payable monthly commencing on June 27, 2020. The payment of the note is secured by the equipment purchased.

On July 18, 2020, Leverage Lubricants LLC, which Vertex Energy Operating, LLC holds 51% interest, entered into a SBA loan in the amount of $58,700. The loan matures on July 18, 2050 and bears interest at the rate of 3.75% per annum.

Insurance Premiums

The Company financed insurance premiums through various financial institutions bearing interest at rates ranging from 4.00% to 4.90%. All such premium finance agreements have maturities of less than one year and have a balance of $2,375,071 at December 31, 2021 and $1,183,543 at December 31, 2020.

Finance Leases

On May 22, 2020, the Company entered into one finance lease. Payments are $15,078 per month for three years and the amount of the finance lease obligation is $302,166 and $450,564 at December 31, 2021 and December 31, 2020, respectively.

During April and May 2019, the Company obtained five finance leases. Payments are approximately $ 11,710 per month for five years and the amount of the finance lease is $0 and $436,411 at December 31, 2021 and December 31, 2020, respectively.

On March 1, 2018, the Company obtained one finance lease. Payments are $908 per month for three years and the amount of the finance lease obligation is $0 and $1,804 at December 31, 2021 and December 31, 2020, respectively

The Company's outstanding debt as of December 31, 2021 and December 31, 2020 is summarized as follows:

Creditor	Loan Type	Origination Date	Maturity Date	Loan Amount	Balance on December 31, 2021	Balance on December 31, 2020
Encina Business Credit, LLC	Term Loan	February 1, 2017	February 1, 2022	$ 20,000,000	$ —	$ 5,433,000
Encina Business Credit SPV, LLC	Revolving Note	February 1, 2017	February 1, 2022	$ 10,000,000	—	133,446
Encina Business Credit, LLC	Capex Loan	August 7, 2020	February 1, 2022	$ 2,000,000	—	1,378,819
AVT Equipment Lease-HH	Finance Lease	May 22, 2020	May 22, 2023	$ 551,609	302,166	450,564
John Deere Note	Note	May 27, 2020	June 27, 2024	$ 152,643	94,005	131,303
Texas Citizens Bank	PPP Loan	May 5, 2020	April 28, 2022	$ 4,222,000	—	4,222,000
Wells Fargo Equipment Lease-VRM LA	Finance Lease	March, 2018	March, 2021	$ 30,408	—	1,804
Wells Fargo Equipment Lease-Ohio	Finance Lease	April-May, 2019	April-May, 2024	$ 621,000	—	436,411
US Small Business Administration	SBA Loan	July 18, 2020	July 18, 2050	$ 58,700	58,700	—
Various institutions	Insurance premiums financed	Various	< 1 year	$ 5,178,117	2,375,071	1,183,543
Total					$ 2,829,942	$ 13,370,890

Future maturities of debt are summarized as follows:

Creditor	2022	2023	2024	2025	2026	Thereafter
AVT Equipment Lease-HH	$ 302,166	$ —	$ —	$ —	$ —	$ —
John Deere Note	38,224	39,173	16,608	—	—	—
US Small Business Administration	—	1,001	1,303	1,352	1,404	53,640
Various institutions	2,375,071	—	—	—	—	—
Totals	$ 2,715,461	$ 40,174	$ 17,911	$ 1,352	$ 1,404	$ 53,640

Indenture and Convertible Notes

On November 1, 2021, we issued $155.0 million aggregate principal amount at maturity of our 6.25% Convertible Senior Notes due 2027 (the "Convertible Notes") pursuant to an Indenture (the "Indenture"), dated November 1, 2021, between the Company and U.S. Bank National Association, as trustee (the "Trustee"), in a private offering (the "Note Offering") to persons reasonably believed to be "qualified institutional buyers" and/or to "accredited investors" in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, pursuant to Securities Purchase Agreements. The issue price is 90% of the face amount of each note. Interest payments of the Notes are paid semiannually on April 1 and October 1 of each year, beginning on April 1, 2022. As of December 31, 2021 a total of $1,592,466 of interest was accrued on our outstanding Convertible Notes.

A total of seventy-five percent (75%) of the net proceeds from the offering were placed into an escrow account to be released to the Company, upon the satisfaction of certain conditions, including the satisfaction or waiver of all of the conditions precedent to the Company's obligation to consummate the Mobile Acquisition (collectively, the "Escrow Release Conditions"). If the Mobile Acquisition is not consummated on or prior to April 1, 2022, if the Company has not certified to the escrow agent that all conditions precedent to the Company's obligations to consummate the Mobile Acquisition have been satisfied, or if the Company notifies the trustee and the escrow agent in writing that the agreement relating to the purchase of the Mobile Refinery has been terminated, the Convertible Notes will be subject to a special mandatory redemption equal to 100% of the accreted principal amount of the Convertible Notes, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date, plus interest that would have accrued on the Convertible Notes from the special mandatory redemption date to, and including, the date that is nine (9) months after the special mandatory redemption date. If the Escrow Release Conditions have been satisfied or waived, the Company can request that the escrowed funds be released to the Company.

Prior to July 1, 2027, the Convertible Notes will be convertible at the option of the holders of the Convertible Notes only upon the satisfaction of certain conditions and during certain periods, and thereafter, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Cash settlement of principal amount in connection with conversions – Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, provided that until such time as the Company's stockholders have approved the issuance of more than 19.99% of our common stock issuable upon conversion of the Convertible Notes in accordance with the rules of The Nasdaq Capital Market (which shareholder approval was received on January 20, 2022), the Company is required to elect "cash settlement" for all conversions of the Convertible Notes. Because the settlement provision requires cash settlement the conversion feature is classified as a derivative liability at fair value. To derive an estimate of the fair value of this cash settlement, a Dynamic Black Scholes model is utilized which computes the derivative liability of the cash settlement. This process relies upon inputs such as our quoted stock prices, strike price and volatility assumptions to adjust the payoff of the settlement. The dynamic Black-Scholes inputs used were: expected dividend rate of 0%, expected volatility of 80%, risk free interest rate of 1.0%, and expected term of 6 years.

Optional Redemption – Prior to October 6, 2024, the Convertible Notes will not be redeemable at the Company's option. On a redemption date occurring on or after October 6, 2024 and on or before the 30 scheduled trading day before the maturity date, the Company may redeem for cash all or part of the Convertible Notes (subject to certain restrictions), at its option, if the last reported sale price of our Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides a notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the redemption notice date at a redemption price equal to 100% of the accreted principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No "sinking fund" is provided for the Convertible Notes, which means that we are not required to redeem or retire the Convertible Notes periodically.

Initially, a maximum of 36,214,960 shares of common stock may be issued upon conversion of the Convertible Notes, based on the initial maximum conversion rate of 233.6449 shares of the Company's common stock per $1,000 principal amount of Convertible Notes, which is subject to customary and other adjustments described in the Indenture.

The components of convertible note are presented as follows:

	December 31, 2021
Principal Amounts	$ 155,000,000
Original issue discount and issuance costs	(21,247,142)
Derivative liability-conversion feature	(70,868,421)
Accretion of debt discount	1,131,492
Net Carrying Amount	$ 64,015,929

The following is an analysis of changes in the derivative liability issued with the Convertible Notes:

Level Three Roll-Forward	December 31, 2021
Derivative liabilities at issue date	$ 70,868,421
Change of fair value	4,342,104
Derivative liabilities as of December 31, 2021	$ 75,210,525

Our convertible notes will mature on October 1, 2027, unless earlier repurchased, redeemed or converted, interest is payable semiannually in arrears on April 1 and October 1 of each year, beginning on April 1, 2022. The following table represents the future interest payment.

Interest payable	2022	2023	2024	2025	2026	Thereafter
Interest payable	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 9,687,500	$ 7,272,260

NOTE 10. INCOME TAXES

The components of income tax (benefit) expense for the years ended December 31, 2021, 2020 and 2019 are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Current federal tax (expense)/benefit	$ —	$ (69,000)	$ (69,000)
Deferred federal tax (expense)/benefit	—	69,000	69,000
Total federal tax (expense)/benefit	$ —	$ —	$ —

Reconciliation between the amount determined by applying the U.S. federal income tax rate of 21% to pretax income from continuing operations and income tax expense presented in the accompanying consolidated statements of operations was as follows for the years ended December 31, 2021, 2020, and 2019:

	December 31, 2021	December 31, 2020	December 31, 2019
Statutory tax on book income	$ (3,856,000)	$ (2,393,000)	$ (1,152,000)
Permanent differences	(574,000)	7,000	139,000
Change in derivative liability	2,382,000	(344,000)	102,000
Tensile transaction gain	—	1,745,000	210,000
Change in valuation allowance	6,570,000	904,000	1,344,000
PPP Loan Forgiveness	(887,000)	—	—
Non-Controlling Interest	(2,247,000)	—	—
State Income Tax Expense	(1,388,000)	—	
Prior year return true up	—	81,000	(643,000)
Income tax expense (benefit)	$ —	$ —	$ —

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 are presented below:

	December 31, 2021	December 31, 2020
Deferred tax assets:		
State net operating loss carry forwards	$ 1,206,000	$ —
Accrued bonus and stock-based compensation	339,000	403,000
Basis of intangible assets	1,611,000	1,406,000
Bad debt reserve	329,000	120,000
Contribution carryover	60,000	41,000
Acquisition costs	884,000	—
Derivative liability - convertible note	18,884,000	—
Interest expense carryforward	926,000	—
Net operating loss carry forwards	18,609,000	15,168,000
Less valuation allowance	(20,927,000)	(14,357,000)
Total deferred tax assets	$ 21,921,000	$ 2,781,000

	December 31, 2021	December 31, 2020
Deferred tax liabilities:		
Basis of fixed assets	$ (2,772,000)	$ (2,163,000)
Discount on convertible note	(17,576,000)	—
Partnership income	(1,573,000)	(618,000)
Total deferred tax liabilities	$ (21,921,000)	$ (2,781,000)
Net deferred tax assets	$ —	$ —

The Company provides a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Based on this evaluation, as of December 31, 2021 and 2020, valuation allowances of approximately $20,927,000 and $14,357,000, respectively, has been recorded to reduce net deferred tax assets to an amount that management believes is more than likely not to be realized.

The Company is subject to examination by Federal and State tax authorities for fiscal years 2018 through 2021, except for utilization of net operating losses.

At December 31, 2021, the Company had federal net operating loss carry-forwards ("NOLs") of approximately $88.6 million acquired as part of the April 2009 merger between World Waste Technologies, Inc. and the Company's wholly-owned subsidiary Vertex Merger Sub, LLC and subsequent operating losses incurred by the Company. IRC Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its tax attributes against future U.S. taxable income in the event of a change in ownership. The net operating loss carry-forwards at December 31, 2021 reflect a reduction of approximately $30.5 million as a result of an ownership change triggering event in May 2016, as defined under IRC Section 382. The net operating loss carryforward will begin to expire in 2026. Those arising in tax years after 2017 will never expire.

NOTE 11. STOCK BASED COMPENSATION

The stock based compensation cost that has been charged against income by the Company was $862,564, $656,111 and $642,840 for the years ended December 31, 2021, 2020 and 2019, respectively, for options awarded by the Company.

Stock option activity for the years ended December 31, 2021, 2020 and 2019 is summarized as follows:

OPTIONS ISSUED FOR COMPENSATION:	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)		Grant Date Fair Value
Outstanding at December 31, 2018	3,460,750	$	2.05	3.50	$	3,469,298
Options granted	1,150,000	$	1.40	8.76	$	1,148,662
Options exercised	(112,500)	$	0.46	—	$	(41,789)
Options cancelled/forfeited/expired	(80,000)	$	0.46	—	$	(28,800)
Outstanding at December 31, 2019	4,418,250		1.95	6.25		4,547,371
Vested at December 31, 2019	2,383,625	$	2.50	4.84	$	2,625,779
Exercisable at December 31, 2019	2,383,625		3	4.84		2,625,779
Outstanding at December 31, 2019	4,418,250	$	1.95	6.25	$	4,547,371
Options granted	686,038		0.81	7.51		355,404
Options exercised	—		—	—		—
Options cancelled/forfeited/expired	—		—	—		—
Outstanding at December 31, 2020	5,104,288	$	1.80	5.55	$	4,902,775
Vested at December 31, 2020	3,096,000	$	2.14	4.46	$	3,110,775
Exercisable at December 31, 2020	3,096,000	$	2.14	4.46	$	3,110,775
Outstanding at December 31, 2020	5,104,288	$	1.80	5.55	$	4,902,775
Options granted	1,321,240		1.93	9.00		2,066,590
Options exercised	(2,041,610)		1.50	—		(2,140,138)
Options cancelled/forfeited/expired	(188,750)		1.40	—		(147,478)
Outstanding at December 31, 2021	4,195,168	$	1.73	6.37	$	4,681,749
Vested at December 31, 2021	1,716,400	$	1.98	3.94	$	1,707,422
Exercisable at December 31, 2021	1,716,400	$	1.98	3.94	$	1,707,422

On May 14, 2021, the Board of Directors granted 21 employees, 1 officer/director (Benjamin P. Cowart, the Company's Chief Executive Officer), and 5 board members options to purchase an aggregate of 924,720, 96,520 and 300,000 shares of common stock, respectively, at an exercise price of $1.92, $2.12, and $1.92 per share, respectively, with a ten year, five year, and ten year term, respectively (subject to continued employment/directorship), vesting at the rate of 1/4th of such options per year on the first 4 anniversaries of the grant date, under our 2019 Equity Incentive Plan, in consideration for services rendered and to be rendered to the Company. The grant date fair value is $2,066,590 which amount is being amortized at the rate of $18,223 per month.

On June 19, 2020, the Board of Directors approved the grant to three employees and one officer/director (Benjamin P. Cowart, the Company's Chief Executive Officer) of options to purchase an aggregate of 416,885 and 269,153 shares of common stock, respectively, at an exercise price of $0.78 and $0.86 per share, respectively, with a ten year and five year term, respectively (subject to continued employment/directorship), vesting at the rate of 1/4th of such options per year on the first four anniversaries of the grant date, under our 2019 Stock Incentive Plan, as amended, in consideration for services rendered and to be rendered to the Company. The grant date fair value is $355,404 which amount is being amortized at the rate of $7,404 per month starting in July 2020.

On October 9, 2019, the Board of Directors granted one employee options to purchase an aggregate of 75,000 shares of common stock at an exercise price of $1.13 per share with a 5-year term (subject to continued employment), vesting at the rate of 1/4th of such options per year on the first 4 anniversaries of the grant date, under our 2013 Stock Incentive Plan, as amended, in consideration for services rendered and to be rendered to the Company. The grant date fair value is $65,293 which amount is being amortized at the rate of $1,360 per month.

On October 29, 2019, the Board of Directors granted the same employee above options to purchase an aggregate of 125,000 shares of common stock at an exercise price of $1.00 per share with a 5-year term (subject to continued employment), vesting at the rate of 1/4th of such options per year on the first 4 anniversaries of the grant date, under our 2019 Equity Incentive Plan, in consideration for services rendered and to be rendered to the Company. The grant date fair value is $93,471 which amount is being amortized at the rate of $1,947 per month.

On May 20, 2019, the Board of Directors granted 12 employees, 1 officer/director (Benjamin P. Cowart, the Company's Chief Executive Officer), and 5 board members options to purchase an aggregate of 487,000, 163,000 and 300,000 shares of common stock, respectively, at an exercise price of $1.45, $1.60, and $1.45 per share, respectively, with a ten year, five year, and ten year term, respectively (subject to continued employment/directorship), vesting at the rate of 1/4th of such options per year on the first 4 anniversaries of the grant date, under our 2013 Stock Incentive Plan, as amended, in consideration for services rendered and to be rendered to the Company. The grant date fair value is $989,898 which amount is being amortized at the rate of $20,623 per month.

As of December 31, 2021, there was $2,346,598 of total unrecognized compensation cost. This cost is expected to be recognized over a weighted average period of 2 years.

A summary of the Company's stock warrant activity and related information for the years ended December 31, 2021, 2020 and 2019 is as follows:

WARRANTS ISSUED AND OTHER THAN SERIES B AND B1 PREFERRED STOCK:	Warrants		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)		Grant Date Fair Value
Outstanding at December 31, 2018	219,868	$	3.01	0.93	$	140,249
Warrants granted	1,500,000	$	2.25	9.70	$	1,496,372
Warrants exercised	—	$	—	0.00	$	—
Warrants canceled/forfeited/expired	(219,868)	$	3.01	0.00	$	(140,249)
Warrants at December 31, 2019	1,500,000	$	3.01	0.93	$	1,496,372
Vested at December 31, 2019	—	$	—	0.00	$	—
Exercisable at December 31, 2019	—	$	—	0.00	$	—
Outstanding at December 31, 2019	1,500,000	$	3.01	0.93	$	1,496,372
Warrants granted	—		—	0.00		—
Warrants exercised	—		—	—		—
Warrants canceled/forfeited/expired	—		—	—		—
Warrants at December 31, 2020	1,500,000	$	2.25	8.70	$	1,496,372
Vested at December 31, 2020	—	$	—	0.00	$	—
Exercisable at December 31, 2020	—	$	—	0.00	$	—
Outstanding at December 31, 2020	1,500,000	$	2.25	8.70	$	1,496,372
Warrants granted	—		—	—		—
Warrants exercised	—		—	0.00		—
Warrants canceled/forfeited/expired	—		—	—		—
Warrants at December 31, 2021	1,500,000	$	2.25	7.70	$	1,496,372
Vested at December 31, 2021	—	$	—	0.00	$	—
Exercisable at December 31, 2021	—	$	—	0.00	$	—

See "Note 14. Preferred Stock and Temporary Equity" for a description of the warrants that were granted in conjunction with our Series B and B1 Preferred stock.

NOTE 12. EARNINGS PER SHARE

Basic earnings per share includes no dilution and is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the periods presented. The calculation of basic earnings per share for the years ended December 31, 2021, 2020 and 2019, respectively, includes the weighted average of common shares outstanding. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity, such as convertible preferred stock, stock options, warrants or convertible securities. Due to their anti-dilutive effect, the calculation of diluted earnings per share for the years ended December 31, 2021, 2020, 2019, excludes: 1) options to purchase 4,195,168, 5,104,288 and 4,418,250 shares, respectively, of common stock, 2) warrants to purchase 0, 4,600,921 and 8,633,188 shares, respectively, of common stock, 3) Series B Preferred Stock which is convertible into 0, 4,102,690 and 3,826,055 shares, respectively, of common stock, 4) Series B1 Preferred Stock which is convertible into 0, 7,399,649 and 9,028,085 shares, respectively, of common stock, 5) Series A Preferred Stock which is convertible into 385,601, 419,859 and 419,859 shares of common stock, respectively, and 6) 36,214,960 shares of common stock which may be issued upon conversion of the Convertible Notes, based on the initial maximum conversion rate of 233.6449 shares of the Company's common stock per $1,000 principal amount of Convertible Notes.

NOTE 13. COMMON STOCK

The total number of authorized shares of the Company's common stock is 750,000,000 shares, $0.001 par value per share. As of December 31, 2021 and December 31, 2020, there were 63,287,965 and 45,554,841, respectively, shares of common stock issued and outstanding.

Each share of the Company's common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by the Company's board of directors. No holder of any shares of the Company's common stock has a preemptive right to subscribe for any of the Company's securities, nor are any shares of the Company's common stock subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of the Company and after payment of creditors and preferred shareholders of the Company, if any, the assets of the Company will be divided pro rata on a share-for-share basis among the holders of the Company's common stock. Each share of the Company's common stock is entitled to one vote. Shares of the Company's common stock do not possess any cumulative voting rights.

During the year ended December 31, 2021, the Company issued 12,840,622 shares of common stock in connection with the conversion and exchange of Series B1 and Series B Preferred Stock. In addition, the Company issued 1,799,590 shares of common stock in connection with the exercise of options. Also, the Company issued 3,092,912 shares of common stock in connection with the exercise of warrants.

During the year ended December 31, 2020, the Company issued 2,159,278 shares of common stock in connection with the conversion of Series B1 Preferred Stock, pursuant to the terms of such securities.

During the year ended December 31, 2019, the Company issued 1,642,317 shares of common stock in connection with the conversion of Series B1 Preferred Stock, pursuant to the terms of such securities. In addition, the Company issued 1,500,000 shares of common stock pursuant to the provisions of a subscription agreement entered into with Tensile. Also, the Company issued 12,500 shares of common stock in connection with the cashless exercise of options. Finally, the Company issued 65,925 shares of common stock in connection with the exercise of options for cash.

NOTE 14. PREFERRED STOCK AND TEMPORARY EQUITY

The total number of authorized shares of the Company's preferred stock is 50,000,000 shares, $0.001 par value per share. The total number of designated shares of the Company's Series A Preferred Stock is 5,000,000 ("Series A Preferred"). The total number of designated shares of the Company's Series B Preferred Stock is 10,000,000. The total number of designated shares of the Company's Series B1 Preferred Stock is 17,000,000. As of December 31, 2021 and December 31, 2020, there were 385,601 and 419,859 shares of Series A Preferred Stock issued and outstanding. As of December 31, 2021 and December 31, 2020, there were 0 and 4,102,690 Series B Preferred shares issued and outstanding, respectively. As of December 31, 2021 and December 31, 2020, there were 0 and 7,399,649 shares of Series B1 Preferred Stock issued and outstanding, respectively. There were no shares of Series C Preferred Stock issued or outstanding as of December 31, 2020 or 2019.

Series A Preferred

Holders of outstanding shares of Series A Preferred are entitled to receive dividends, when, as, and if declared by our Board of Directors. No dividends or similar distributions may be made on shares of capital stock or securities junior to our Series A Preferred until dividends in the same amount per share on our Series A Preferred have been declared and paid. In connection with a liquidation, winding-up, dissolution or sale of the Company, each share of our Series A Preferred is entitled to receive $1.49 prior to similar liquidation payments due on shares of our common stock or any other class of securities junior to the Series A Preferred. Shares of Series A Preferred are not entitled to participate with the holders of our common stock with respect to the distribution of any remaining assets of the Company.

Each share of Series A Preferred is entitled to that number of votes equal to the number of whole shares of common stock into which it is convertible. Generally, holders of our common stock and Series A Preferred vote together as a single class.

Shares of Series A Preferred automatically convert into shares of our common stock on the earliest to occur of the following:

- The affirmative vote or written consent of the holders of a majority of the then-outstanding shares of Series A Preferred;

- If the closing market price of our common stock averages at least $15.00 per share over a period of 20 consecutive trading days and the daily trading volume averages at least 7,500 shares over such period;

- If we consummate an underwritten public offering of our securities at a price per share not less than $10.00 and for a total gross offering amount of at least $10 million; or
- If a sale of the Company occurs resulting in proceeds to the holders of Series A Preferred of a per share amount of at least $10.00.

Each share of Series A Preferred converts into one share of common stock, subject to adjustment.

Series B Preferred Stock and Temporary Equity

Dividends on our Series B Preferred Stock accrue at an annual rate of 6% of the original issue price of the preferred stock ($3.10 per share), subject to increase under certain circumstances, and are payable on a quarterly basis. The dividends are payable by the Company, at the Company's election, in registered common stock of the Company (if available) or cash. In the event dividends are paid in registered common stock of the Company, the number of shares payable will be calculated by dividing (a) the accrued dividend by (b) 90% of the arithmetic average of the volume weighted average price (VWAP) of the Company's common stock for the 10 trading days immediately prior to the applicable date of determination (the "June 2015 Dividend Stock Payment Price"). Notwithstanding the foregoing, in no event may the Company pay dividends in common stock unless the applicable June 2015 Dividend Stock Payment Price is above $2.91. If the Company is prohibited from paying or chooses not to pay, the dividend in cash (due to contractual senior credit agreements or other restrictions) or is unable to pay the dividend in registered common stock, the dividend can be paid in kind in Series B Preferred Stock shares at $3.10 per share.

The Series B Preferred Stock includes a liquidation preference (in the amount of $3.10 per share) which is junior to the Company's previously outstanding shares of preferred stock, senior credit facilities and other debt holders as provided in further detail in the designation and senior to the Series C Preferred Stock and pari passu with the Series B1 Preferred Stock.

The Series B Preferred Stock (including accrued and unpaid dividends) is convertible into shares of the Company's common stock at the holder's option at $3.10 per share (initially a one-for-one basis). If the Company's common stock trades at or above $6.20 per share for a period of 20 consecutive trading days, the Company may at such time force conversion of the Series B Preferred Stock (including accrued and unpaid dividends) into common stock of the Company.

The Series B Preferred Stock votes together with the common stock on an as-converted basis, provided that each holder's voting rights are subject to and limited by the Series B Beneficial Ownership Limitation described below.

The Company has the option to redeem the outstanding shares of Series B Preferred Stock at $3.10 per share, plus any accrued and unpaid dividends on such Series B Preferred Stock redeemed, at any time beginning on June 24, 2017, and the Company is required to redeem the Series B Preferred Stock at $3.10 per share, plus any accrued and unpaid dividends, on June 24, 2020. Notwithstanding either of the foregoing, the Series B Preferred Stock may not be redeemed unless and until amounts outstanding under the Company's senior credit facility have been paid in full and such redemption is legal under Nevada law.

The Series B Preferred Stock contains a provision prohibiting the conversion of such Series B Preferred Stock into common stock of the Company, if upon such conversion, the holder thereof would beneficially own more than 9.999% of the Company's then outstanding common stock (the "Series B Beneficial Ownership Limitation"). The Series B Beneficial Ownership Limitation does not apply to forced conversions undertaken by the Company pursuant to the terms of the designation (summarized above).

The Warrants issued in connection with the Series B Preferred Stock (Series B Warrants) were initially valued using the dynamic Black Scholes Merton formula pricing model that computes the impact of share dilution upon the exercise of the warrant shares at approximately $7,028,067. In accordance with ASC 815-40-25 and ASC 815-10-15 Derivatives and Hedging and ASC 480-10-25 Liabilities-Distinguishing Liabilities from Equity, the convertible preferred shares are accounted for net outside of stockholders' equity with the Warrants accounted for as liabilities at their fair value. The initial value assigned to the derivative warrant liability was recognized through a corresponding discount to the Series B Preferred Stock. The value of the derivative warrant liability will be re-measured at each reporting period with changes in fair value recorded in earnings. The initial valuation of the warrants resulted in a beneficial conversion feature on the convertible preferred stock of $5,737,796. The amounts related to the warrant discount and beneficial conversion feature will be accreted over the term as a deemed dividend.

The following table represents the activity related to the Series B Preferred Stock, classified as Temporary Equity on the accompanying Consolidated Balance Sheet, during the years ended December 31, 2021, 2020 and 2019:

		2021		2020		2019
Balance at beginning of period	$	12,718,339	$	11,006,406	$	8,900,208
Less: conversions of shares to common		(8,446,837)		—		—
Less: exchanges of shares to common		(4,747,250)		—		—
Plus: discount accretion		—		854,364		1,420,391
Plus: dividends in kind		475,748		857,569		685,807
Balance at end of period	$	—	$	12,718,339	$	11,006,406

The Series B1 Warrants were revalued at December 31, 2020 using the Dynamic Black Scholes model that computes the impact of a possible change in control transaction upon the exercise of the warrant shares at $330,412. The dynamic Black-Scholes inputs used were: expected dividend rate of 0%, expected volatility of 65%-100%, risk free interest rate of 0.10%, and expected term of 1 year. As of December 31, 2021, the Series B1 Warrants were fully exercised or expired, and the value is $0. The Series B Warrants expired pursuant to their terms on December 24, 2020, and the Series B1 Warrants expired pursuant to their terms on November 13, 2021.

As of December 31, 2021 and December 31, 2020, respectively, a total of $0 and $317,970 of dividends were accrued on our outstanding Series B Preferred Stock.

Series B1 Preferred Stock and Temporary Equity

Dividends on our Series B1 Preferred Stock accrue at an annual rate of 6% of the original issue price of the preferred stock ($1.56 per share), subject to increases under certain circumstances, and are payable on a quarterly basis. The dividends are payable by the Company, at the Company's election, in registered common stock of the Company (if available) or cash. In the event dividends are paid in registered common stock of the Company, the number of shares payable will be calculated by dividing (a) the accrued dividend by (b) 90% of the arithmetic average of the volume weighted average price (VWAP) of the Company's common stock for the 10 trading days immediately prior to the applicable date of determination (the "May 2016 Dividend Stock Payment Price"). Notwithstanding the foregoing, in no event may the Company pay dividends in common stock unless the applicable May 2016 Dividend Stock Payment Price is above $1.52. If the Company is prohibited from paying, or chooses not to pay, the dividend in cash (due to contractual senior credit agreements or other restrictions) or is unable to pay the dividend in registered common stock, the dividend can be paid in kind in Series B1 Preferred Stock shares at $1.56 per share.

The Series B1 Preferred Stock include a liquidation preference (in the amount of $1.56 per share) which is junior to the Company's previously outstanding shares of preferred stock, except the Series B Preferred Stock, which it is pari passu with, senior credit facilities and other debt holders as provided in further detail in the designation and senior to the Series C Preferred Stock.

The Series B1 Preferred Stock (including accrued and unpaid dividends) is convertible into shares of the Company's common stock at the holder's option at $1.56 per share (initially a one-for-one basis). If the Company's common stock trades at or above $3.90 per share for a period of 20 consecutive trading days, after certain triggering events occur, the Company may at such time force conversion of the Series B1 Preferred Stock (including accrued and unpaid dividends) into common stock of the Company.

The Series B1 Preferred Stock votes together with the common stock on an as-converted basis, provided that each holder's voting rights are subject to and limited by the Series B1 Beneficial Ownership Limitation described below.

The Company has the option to redeem the outstanding shares of Series B1 Preferred Stock at $1.72 per share, plus any accrued and unpaid dividends on such Series B1 Preferred Stock redeemed, at any time beginning on June 24, 2017, and the Company is required to redeem the Series B Preferred Stock at $1.56 per share, plus any accrued and unpaid dividends, on June 24, 2020. Notwithstanding either of the foregoing, the Series B1 Preferred Stock may not be redeemed unless and until amounts outstanding under the Company's senior credit facility have been paid in full and such redemption is legal under Nevada law.

The Series B1 Preferred Stock and May 2016 Warrants (defined below) contain provisions prohibiting the conversion of such Series B1 Preferred Stock into common stock of the Company, if upon such conversion, the holder thereof would beneficially own more than 9.999% (4.999% for certain holders) of the Company's then outstanding common stock (the "Series B1

Beneficial Ownership Limitation”). The Series B1 Beneficial Ownership Limitation does not apply to forced conversions undertaken by the Company pursuant to the terms of the Designation (summarized above).

The Warrants issued in connection with the Series B1 Preferred Stock offering (Series B1 Warrants) were initially valued using the Dynamic Black Scholes Merton formula pricing model that computes the impact of share dilution upon the exercise of the May 2016 Warrant shares at approximately $2,867,264. In accordance with ASC 815-40-25 and ASC 815-10-15 Derivatives and Hedging and ASC 480-10-25 Liabilities-Distinguishing Liabilities from Equity, the convertible Series B1 Preferred Stock shares are accounted for net outside of stockholders’ equity at $0 with the May 2016 Warrants accounted for as liabilities at their fair value. The initial value assigned to the derivative warrant liability was recognized through a corresponding discount to the Series B1 Preferred Stock. The value of the derivative warrant liability will be re-measured at each reporting period with changes in fair value recorded in earnings. This initial valuation of the warrants resulted in a beneficial conversion feature on the convertible preferred stock of approximately $2,371,106. The amounts related to the warrant discount and beneficial conversion feature will be accreted over the term as a deemed dividend.

The following table represents the activity related to the Series B1 Preferred Stock, classified as Temporary Equity on the accompanying Consolidated Balance Sheet, for the year ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Balance at beginning of period	$ 11,036,173	$ 12,743,047	$ 13,279,755
Less: conversions of shares to common	(12,046,441)	(3,368,474)	(2,562,015)
Plus: discount accretion	507,282	833,486	1,069,331
Plus: dividends in kind	502,986	828,114	955,976
Balance at end of period	$ —	$ 11,036,173	$ 12,743,047

For the years ending December 31, 2021 and December 31, 2020, respectively, a total of $0 and $288,580 of dividends were accrued on our outstanding Series B1 Preferred Stock.

The following is an analysis of changes in the derivative liability of the warrants issued with the Series B1 Preferred Stock:

Level Three Roll-Forward	**Year Ended December 31,**	
	2021	2020
Balance at beginning of period	$ 330,412	$ 1,969,216
Value of warrants exercised	(11,673,663)	—
Change in fair value of warrants	11,343,251	(1,638,804)
Balance at end of period	$ —	$ 330,412

NOTE 15. COMMODITY DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments to manage its exposure to fluctuations in the underlying commodity prices of its inventory. The Company's management sets and implements hedging policies, including volumes, types of instruments and counterparties, to support oil prices at targeted levels and manage its exposure to fluctuating prices.

The Company’s derivative instruments consist of option and futures arrangements for oil. For option and futures arrangements, the Company receives the difference positive or negative between an agreed-upon strike price and the market price.

The mark-to-market effects of these contracts as of December 31, 2021 and December 31, 2020 , are summarized in the following table. The notional amount is equal to the total net volumetric derivative position during the period indicated. The fair value of the crude oil options and future agreements is based on the difference between the strike price and the New York Mercantile Exchange and Brent Complex futures price for the applicable trading months.

December 31, 2021				
Contract Type	Contract Period	Weighted Average Trade Price (Barrels)	Remaining Volume (Barrels)	Fair Value
Option	Dec. 2021- Mar. 2022	$ 3.18	18,000	$ 136,440
Futures	Dec. 2021- Mar. 2022	$ 31.59	20,000	$ 71,000
Futures	Dec. 2021- Mar. 2022	$ 32.48	50,000	$ (111,460)

December 31, 2020				
Contract Type	Contract Period	Weighted Average Trade Price (Barrels)	Remaining Volume (Barrels)	Fair Value
Futures	Dec. 2020- Mar. 2021	$ 62.33	55,000	$ (94,214)

The carrying values of the Company's derivatives positions and their locations on the consolidated balance sheets as of December 31, 2021 and 2020 are presented in the table below.

Balance Sheet Classification	Contract Type	2021	2020
	Crude oil options	$ 136,440	$ —
	Crude oil futures	(40,460)	(94,214)
Derivative commodity asset (liability)		$ 95,980	$ (94,214)

For the years ended December 31, 2021, 2020 and 2019, we recognized a $2,257,592 loss, $3,476,593 gain and $2,458,359 loss, respectively, on commodity derivative contracts on the consolidated statements of operations as part of our costs of revenues.

NOTE 16. JOINT VENTURES

Vertex Recovery Management LA, LLC

On May 25, 2016, Vertex Recovery Management, LLC, our wholly-owned subsidiary ("VRM") and Industrial Pipe, Inc. ("Industrial Pipe"), formed a joint venture Louisiana limited liability company, Vertex Recovery Management LA, LLC ("VRMLA"). VRM owns 51% and Industrial Pipe owns 49% of VRMLA. VRMLA is currently buying and preparing ferrous and non-ferrous scrap intended for large haul barge sales. We consolidated 100% of VRMLA's net income of $1,919,410, $1,103,071 and $765,931, respectively for the years ended December 31, 2021, 2020 and 2019, respectively, and then deducted the 49% or $940,511, $540,505 and $375,306, respectively, of income attributable to the non-controlling interest back to the Company's "Net income attributable to Vertex Energy, Inc." in the Consolidated Statement of Operations.

Leverage Lubricants, LLC

On May 1, 2021, Vertex Energy Operating, LLC obtained a 51% membership interest in Leverage Lubricants, LLC. Leverage Lubricants is in the business of wholesale specialty blending of lubricants and warehousing and distribution of petroleum based products and related services. We consolidated 100% of Leverage's net loss of $164,461 for the year ended December 31, 2021, and then added the 49% or $80,586 of loss attributable to the non-controlling interest back to the Company's "Net income attributable to Vertex Energy, Inc." in the Consolidated Statement of Operations.

NOTE 17. SEGMENT REPORTING

The Company's reportable segments include the (1) Black Oil, (2) Refining and Marketing, and (3) Recovery segments.

(1) The Black Oil segment consists primary of the sale of (a) petroleum products which include base oil and industrial fuels—which consist of used motor oils, cutterstock and fuel oil generated by our facilities; (b) oil collection services—which consist of used oil sales, burner fuel sales, antifreeze sales and service charges; (c) the sale of other re-refinery products including asphalt, condensate, recovered products, and used motor oil; (d) transportation revenues; and (e) the sale of VGO (vacuum gas oil)/marine fuel.

(2) The Refining and Marketing segment consists primarily of the sale of pygas; industrial fuels, which are produced at a third-party facility; and distillates

(3) The Recovery segment consists primarily of revenues generated from the sale of ferrous and non-ferrous recyclable Metal(s) products that are recovered from manufacturing and consumption. It also includes revenues generated from trading/marketing of Group III Base Oils.

We also disaggregate our revenue by product category for each of our segments, as we believe such disaggregation helps depict how our revenue and cash flows are affected by economic factors.

Segment information for the years ended December 31, 2021, 2020 and 2019 are as follows:

YEAR ENDED DECEMBER 31, 2021

	Black Oil	Refining and Marketing	Recovery	Total
Revenues:				
Base oil	$ —	$ —	$ —	$ —
Pygas	—	13,438,244	—	13,438,244
Industrial fuel	—	1,600,839	—	1,600,839
Distillates [1]	—	78,190,691	—	78,190,691
Oil collection services	677,487	—	3,423	680,910
Metals [2]	—	—	21,008,600	21,008,600
Other re-refinery products [3]	—	—	862,091	862,091
VGO/Marine fuel sales	—	—	—	—
Total revenues	677,487	93,229,774	21,874,114	115,781,375
Cost of revenues (exclusive of depreciation and amortization shown separately below)	1,901,774	89,570,129	19,248,465	110,720,368
Depreciation and amortization attributable to costs of revenues	75,402	127,501	283,525	486,428
Gross profit (loss)	(1,299,689)	3,532,144	2,342,124	4,574,579
Selling, general and administrative expenses	13,632,330	3,277,265	823,095	17,732,690
Loss on Assets Impairment	2,123,703	—	—	2,123,703
Depreciation and amortization attributable to operating expenses	107,664	—	—	107,664
Income (loss) from operations	$ (17,163,386)	$ 254,879	$ 1,519,029	$ (15,389,478)
Total assets	$ 171,493,256	$ 5,639,420	$ 4,811,290	$ 181,943,966

YEAR ENDED DECEMBER 31, 2020

	Black Oil	Refining and Marketing	Recovery	Total
Revenues:				
Base oil	$ —	$ —	$ —	$ —
Pygas	—	6,627,128	—	6,627,128
Industrial fuel	—	234,792	—	234,792
Distillates [1]	—	28,942,465	—	28,942,465
Oil collection services	4,735	—	—	4,735
Metals [2]	—	—	11,261,607	11,261,607
Other re-refinery products [3]	—	—	(51,684)	(51,684)
VGO/Marine fuel sales	—	—	—	—
Total revenues	4,735	35,804,385	11,209,923	47,019,043
Cost of revenues (exclusive of depreciation and amortization shown separately below)	807,863	35,207,189	9,505,062	45,520,114
Depreciation and amortization attributable to costs of revenues	17,239	140,217	300,699	458,155
Gross profit (loss)	(820,367)	456,979	1,404,162	1,040,774
Selling, general and administrative expenses	5,036,054	2,528,987	552,388	8,117,429
Depreciation and amortization attributable to operating expenses	71,776	—	—	71,776
Income (loss) from operations	$ (5,928,197)	$ (2,072,008)	$ 851,774	$ (7,148,431)
Total assets	$ 32,691,626	$ 3,545,843	$ 3,520,159	$ 39,757,628

YEAR ENDED DECEMBER 31, 2019	Black Oil	Refining and Marketing	Recovery	Total
Revenues:				
Base oil	$ —	$ —	$ —	$ —
Pygas	—	10,873,699	—	10,873,699
Industrial fuel	—	2,029,371	—	2,029,371
Distillates [(1)]	—	54,697	—	54,697
Oil collection services	—	—	—	—
Metals [(2)]	—	—	5,324,453	5,324,453
Other re-refinery products [(3)]	—	—	75,355	75,355
VGO/Marine fuel sales	—	—	—	—
Total revenues	—	12,957,767	5,399,808	18,357,575
Cost of revenues (exclusive of depreciation and amortization shown separately below)	669,904	10,651,069	5,631,162	16,952,135
Depreciation and amortization attributable to costs of revenues	—	131,210	329,900	461,110
Gross profit (loss)	(669,904)	2,175,488	(561,254)	944,330
Selling, general and administrative expenses	4,268,707	1,901,746	486,725	6,657,178
Depreciation and amortization attributable to operating expenses	—	—	—	—
Income (loss) from operations	$ (4,938,611)	$ 273,742	$ (1,047,979)	$ (5,712,848)
Total assets	$ 25,743,559	$ 1,101,470	$ 2,952,528	$ 29,797,557

[(1)] Distillates are finished fuel products such as gasoline and diesel fuels.

[(2)] Metals consist of recoverable ferrous and non-ferrous recyclable metals from manufacturing and consumption. Scrap metal can be recovered from pipes, barges, boats, building supplies, surplus equipment, tanks, and other items consisting of metal composition. These materials are segregated, processed, cut-up and sent back to a steel mill for re-purposing.

[(3)] Other re-refinery products include the sales of asphalt, condensate, recovered products, and other petroleum products.

NOTE 18. LEASES

Finance Leases

Finance leases are included in finance lease right-of-use lease assets and finance lease liability current and long-term liabilities on the audited consolidated balance sheets. The associated amortization expense of continued operations for the years ended December 31, 2021 2020 and 2019 were $3,620, $4,344 and $4,344, respectively, and are included in depreciation and amortization on the audited consolidated statements of operations. The associated interest expense for the years ended December 31, 2021, 2020 and 2019, were $50,093, $51,618 and $22,477, respectively, and are included in interest expense on the audited consolidated statements of operations for the year ended December 31, 2021. Please see "Note 9. Financing Arrangements" for more details.

Operating Leases

Operating leases are included in operating lease right-of-use lease assets, and operating current and long-term lease liabilities on the consolidated balance sheets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense for equipment is included in cost of revenues and other rents are included in selling, general and administrative expense on the consolidated statements of operations and are reported net of lease income. Lease income is not material to the results of operations for the years ended December 31, 2021 and 2020. Total operating lease expenses for the years ended December 31, 2021, 2020 and 2019, was $860,000, $800,000 and $902,712, respectively.

Cash Flows

During the years ended December 31, 2021, 2020 and 2019, cash paid for amounts included in operating lease liabilities was $1.3 million, $1.3 million and $0.9 million, respectively, and is included in operating cash flows. Cash paid for amounts included in finance lease was $586,612, $226,431 and $79,790 during the years ended December 31, 2021, 2020 and 2019, respectively, and is included in financing cash flows.

Maturities of our lease liabilities for all operating leases are as follows as of December 31, 2021:

	Facilities	Equipment	Plant	Total
Year 1	$ 250,849	$ 7,500	$ 701,224	$ 959,573
Year 2	186,794	7,500	701,224	895,518
Year 3	74,312	7,500	701,224	783,036
Year 4	19,200	2,500	701,224	722,924
Year 5	1,600	—	701,224	702,824
Thereafter	—	—	3,681,426	3,681,426
Total lease payments	532,755	25,000	7,187,546	7,745,301
Less: interest	(51,518)	(2,279)	(2,680,053)	(2,733,850)
Present value of lease liabilities	$ 481,237	$ 22,721	$ 4,507,493	$ 5,011,451

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2021:

Remaining lease term and discount rate:	December 31, 2021
Weighted average remaining lease terms (years)	
Lease facilities	2.80
Lease equipment	5.00
Lease plant	10.80
Weighted average discount rate	
Lease facilities	8.00 %
Lease equipment	8.00 %
Lease plant	9.37 %

Significant Judgments

Significant judgments include the discount rates applied, the expected lease terms, lease renewal options and residual value guarantees. There are several leases with renewal options or purchase options. Using the practical expedient, the Company utilized existing lease classifications as of December 31, 2021 and 2020.

The purchase options are not expected to have a material impact on the lease obligation. There are several facility and plant leases which have lease renewal options from one to twenty years.

The largest facility lease has an initial term through 2032. That lease does not have an extension option. For the two plant leases both have multiple 5-year extension options for a total of 20 years. Two extension options have been included in the lease right to use asset and lease obligation at January 1, 2019.

The Company will reassess the lease terms and purchase options when there is a significant change in circumstances or when the Company elects to exercise an option that had previously been determined that it was not reasonably certain to do so.

NOTE 19. DISCONTINUED OPERATIONS

During the second quarter of 2021, the Company initiated and began executing a strategic plan to sell its UMO Business. An investment banking advisory services firm was engaged and actively marketed this segment. On September 28, 2021, the shareholders approved the proposed sale of its portfolio of used motor oil collection and recycling assets to Safety-Kleen.

The Company met all of the criteria to classify the UMO Business's assets and liabilities as held for sale in the third quarter 2021. The Company has classified the assets, liabilities, and results of operations for this business as "Discontinued Operations" for all periods presented.

Disposal of the UMO Business represented a strategic shift that will have a major effect on the Company's operations and financial results.

On June 29, 2021, the Company announced that it had entered into a definitive agreement to sell its portfolio of used motor oil collection and recycling assets (the UMO business) to Safety-Kleen, a subsidiary of Clean Harbors, Inc. ("Clean Harbors") for total cash consideration of $140 million, subject to working capital and other adjustments, and subject to certain closing conditions, including regulatory approvals and a shareholder vote. After retiring term debt, together with the payment of transaction-related fees and financial obligations, total net cash proceeds from the transaction to Vertex were expected to be approximately $90 million.

The following summarized financial information has been segregated from continuing operations and reported as Discontinued Operations for the years ended December 31, 2021, 2020 and 2019.

	For The Year Ended December 31		
	2021	2020	2019
Revenues	$ 149,704,184	88,009,445	$ 145,007,990
Cost of revenues (exclusive of depreciation shown separately below)	100,010,253	68,245,895	117,824,979
Depreciation and amortization attributable to costs of revenues	5,122,435	4,632,197	4,895,166
Gross profit	44,571,496	15,131,353	22,287,845
Operating expenses:			
Selling, general and administrative expenses (exclusive of acquisition related expenses)	19,600,523	18,026,835	17,525,229
Depreciation and amortization expense attributable to operating expenses	1,823,812	1,823,812	1,823,812
Total Operating expenses	21,424,335	19,850,647	19,349,041
Income (loss) from operations	23,147,161	(4,719,294)	2,938,804
Other income (expense)			
Other income (expense)	—	—	—
Interest expense	(403,779)	(632,991)	(2,528,821)
Total other income (expense)	(403,779)	(632,991)	(2,528,821)
Income (loss) before income tax	22,743,382	(5,352,285)	409,983
Income tax benefit (expense)	—	—	—
Income (loss) from discontinued operations, net of tax	$ 22,743,382	$ (5,352,285)	$ 409,983

The assets and liabilities held for sale on the Consolidated Balance Sheets as of December 31, 2021 and 2020 are as follows.

	December 31, 2021	December 31, 2020
ASSETS		
Accounts receivable, net	$ 9,583,488	$ 5,927,312
Inventory	5,547,704	2,981,551
Prepaid expenses	449,522	622,560
Total current assets	15,580,714	9,531,423
Property and equipment, at cost	63,836,354	60,928,739
Less accumulated depreciation	(32,044,584)	(27,764,011)
Property and equipment, net	31,791,770	33,164,728
Finance lease right-of-use assets	812,974	1,518,611
Operating lease right-of use assets	28,260,318	28,581,379
Intangible assets, net	7,107,083	8,930,895
Other assets	563,293	615,293
Total noncurrent assets	68,535,438	72,810,906
Assets held for sale	$ 84,116,152	$ 82,342,329
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 7,764,209	$ 7,173,919
Accrued expenses	1,323,850	404,142
Finance lease liability-current	295,935	225,132
Operating lease liability-current	28,260,318	4,831,038
Total current liabilities	37,644,312	12,634,231
Finance lease liability-noncurrent	—	327,933
Operating lease liability-noncurrent	—	23,750,341
Total noncurrent liabilities	—	24,078,274
Liabilities held for sale	$ 37,644,312	$ 36,712,505

The Board of Directors considered a number of factors before deciding to enter into the Sale Agreement, including, among other factors, the price to be paid by Safety-Kleen for the UMO Business, the scope of the sale process with respect to the UMO Business that led to entering into the Sale Agreement, the future business prospects of the UMO Business, including the costs to remain competitive and grow, the opinion of H.C. Wainwright & Co., LLC that the terms were fair, from a financial point of view, the planned acquisition of the Mobile Refinery, and the planned change in business focus associated therewith, and the terms and conditions of the Sale Agreement.

The Company met all of the criteria to classify the UMO Business's assets and liabilities as held for sale in the third quarter 2021. The Company has classified the assets, liabilities, and results of operations for this business as "Discontinued Operations" for all periods presented.
Disposal of the UMO business represented a strategic shift that would have a major effect on the Company's operations and financial results.

On January 25, 2022, the Company entered into a mutual agreement with Safety-Kleen to terminate the Sale Agreement given the considerable time and resources required to continue support efforts associated with multiple requests from U.S. Federal Trade Commission. However, the Company is continuing to explore opportunities for sale of the UMO Business.

NOTE 20. SUBSEQUENT EVENTS

Voluntary Termination of Sales Agreement with Safety-Kleen

In September of 2021, the U.S. Federal Trade Commission (FTC) submitted a second request for additional review, prompting a prolonged period of costly support efforts on both the part of Vertex Energy and Safety-Kleen relating to FTC approval for the Sale Transaction. Given the considerable time and resources required to continue these support efforts, the Company determined that it was no longer in the Company's best interest to pursue the transaction further.

On January 25, 2022, the Company entered into a mutual agreement with Safety-Kleen to terminate the Sale Agreement. In connection with the termination agreement, the Company paid Safety-Kleen a break-up fee of $3 million.

Vertex is exploring opportunities for the UMO business with other sale agreements.

Conversions of Series A Preferred Stock

On January 10, 2022, one holder of our Series A Preferred Stock converted 1,451 shares of Series A Preferred Stock into 1,451 shares of common stock, pursuant to the terms of such Series A Preferred Stock.

On February 14, 2022, one holder of our Series A Preferred Stock converted 2,995 shares of Series A Preferred Stock into 2,995 shares of common stock, pursuant to the terms of such Series A Preferred Stock.

Option Exercises

On January 25, 2022, the Company issued 60,000 shares of common stock in connection with the cash exercise of options to purchase 60,000 shares of common stock, which shares were registered on a Form S-8 Registration Statement.

Commitment Letter and Escrow Agreement

On February 17, 2022, the Company and the Company's wholly-owned subsidiary, Vertex Refining Alabama LLC, a Delaware limited liability company entered into a commitment letter with a syndicate of lenders in respect of a three-year, $125 million first-lien senior secured term loan facility (the "Term Loan"). The closing date and the funding of the Term Loan are subject to the closing of Vertex's planned acquisition of the Mobile refinery, in addition to various conditions precedent, as set forth in more detail in the Commitment Letter.

On March 2, 2022, (1) the Company, (2) Vertex Refining, (3) the Lenders and (4) Cantor Fitzgerald Securities (the "Escrow Agent"), entered into an Escrow Agreement (the "Escrow Agreement"). Pursuant to the Escrow Agreement, on March 2, 2022 each of the Lenders deposited their pro rata portion of the $125 million loan amount, less certain upfront fees, into an escrow account. Such funds will be released to (i) Vertex Refining if the Credit Agreement is entered into by April 1, 2022, and certain other conditions precedent are satisfied by that date or (ii) the Lenders if (a) the Credit Agreement is not entered into by such date and the other conditions precedent are not satisfied, (b) the Acquisition (as defined below) is consummated without use of the loan amount under the Credit Agreement or if the Lenders become aware of a breach under the exclusivity provision of the Commitment Letter, (c) the termination of the Refinery Purchase Agreement in accordance with its terms prior to the closing date of the Credit Agreement, or (d) the date upon which Vertex Refining breaches its obligations under the Commitment Letter or otherwise fails to comply with the terms and conditions of the Commitment Letter (unless such breach or failure is cured within two business days following Vertex Refining's receipt of notice of such breach or failure). The Escrow Agreement includes customary indemnification obligations of Vertex Refining and the Company and certain limited indemnification obligations of the Lenders. The Company is required to pay a 'ticking fee' equal to 10.5% per annum on the gross aggregate amount of escrow account proceeds, beginning on March 2, 2022, which was the date funds were deposited, into the escrow account.

Master Offtake Agreement

On February 14, 2022, Vertex Refining Alabama LLC ("Vertex Refining"), a wholly-owned subsidiary of the Company, entered into a Master Offtake Agreement dated February 4, 2022 (the "Offtake Agreement") with Idemitsu Apollo Renewable Corp. ("Idemitsu"). Pursuant to the Offtake Agreement, Vertex Refining agreed to sell Idemitsu renewable diesel which is planned to be produced by the Mobile Refinery, subject to completion of the acquisition of the Mobile Refinery and a planned capital project thereat. Following phase 1 of the planned modifications of the Mobile Refinery, it is expected to produce 10,000 barrels of renewable diesel and following phase 2, 14,000 barrels of renewable diesel. "Phase 1" means the first stage of conversion of the hydrocracker unit to renewable diesel production and "phase 2" means the second stage of the conversion of the hydrocracker conversion which will be complete after the new hydrogen plant is operating at ratable hydrogen supply. During the term of the Offtake Agreement, Idemitsu agreed to purchase all of the renewable diesel produced at the refinery (provided it meets certain specifications), up to a maximum volume of 14,000 barrels per day.

Approval of Issuance of Shares

On January 20, 2022, our shareholders approved the issuance of shares of our common stock issuable upon the conversion of our $155 million aggregate principal amount at maturity 6.25% Convertible Senior Notes due 2027 (the "Convertible Senior Notes"), in accordance with Nasdaq Listing Rules 5635 (a) and (d).

Heartland and Myrtle Grove Purchase Agreements

On February 25, 2022, Vertex Splitter Corporation ("Vertex Splitter"), a wholly-owned subsidiary of the Company entered into (1) a Purchase and Sale Agreement with Tensile-Vertex Holdings LLC ("Tensile-Vertex"), an affiliate of Tensile and Tensile-Heartland (the "Heartland Purchase Agreement"); and (2) a Purchase and Sale Agreement with Tensile-Vertex and Tensile-MG (the "Myrtle Grove Purchase Agreement", and together with the Heartland Purchase Agreement, the "Purchase Agreements").

As discussed above, Tensile-Heartland holds 65% of Heartland SPV and Tensile-MG owns 15% of MG SPV, and Tensile-Vertex holds 100% of both Tensile-Heartland and Tensile-MG.

Pursuant to the Heartland Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-Heartland and pursuant to the Myrtle Grove Purchase Agreement, the Company, through Vertex Splitter, agreed to acquire 100% of the outstanding securities of Tensile-MG, from Vertex-Tensile, the result of which will be that Vertex Splitter will own 100% of each of Heartland SPV and MG SPV.

Pursuant to the Heartland Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-Heartland is $35 million (the "Base Amount"), plus an amount accrued and accruing from and after May 31, 2021, on the Base Amount on a daily basis at the rate of 22.5% per annum compounded on the last day of each calendar quarter plus an amount equal to any and all cash and cash equivalents of Tensile-Heartland, as of the closing date, which we currently anticipate will total an aggregate of approximately $44 million. The purchase contemplated by the Heartland Purchase Agreement is required to take place on June 30, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Heartland Purchase Agreement includes customary representations of the parties, requires Vertex Splitter to maintain officer and director insurance for Tensile-Heartland for at least six years following the closing; requires that they bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing.

The Heartland Purchase Agreement may be terminated prior to closing, by the mutual consent of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Pursuant to the Myrtle Grove Purchase Agreement, the purchase price payable by Vertex Splitter to Vertex-Tensile, for 100% of Tensile-MG is estimated to be approximately $7 million, and will be based on the value of the Class B Unit preference of MG SPV held by Tensile-MG, plus capital invested by Tensile-MG in MG SPV (which has not been returned as of the date of payment), plus cash and cash equivalents held by Tensile-MG as of the closing date. The purchase contemplated by the Myrtle Grove Purchase Agreement is required to take place on March 31, 2022, or earlier as mutually agreed by the parties, subject to customary conditions to closing. The Myrtle Grove Purchase Agreement includes customary representations of the parties, requires Vertex Splitter to maintain officer and director insurance for Tensile-MG for at least six years following the closing; requires that they bear their own fees and expenses, except that each party is required to pay the fees and expenses of the other party upon termination of the agreement in certain situations; includes customary indemnification obligations; and includes mutual releases of the parties, effective upon closing.

The Myrtle Grove Purchase Agreement may be terminated prior to closing, by the mutual approval of the parties; by Vertex Splitter if Vertex-Tensile has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement, that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; by Vertex-Tensile if Vertex Splitter has failed to consummate the agreement, or breached a covenant, representation or warranty set forth in the agreement that prevents such closing, and such breach is not cured, if capable of being cured, within 30 days after notice thereof; or by either party if there is a final, non-appealable judgment preventing the closing.

Tensile-Vertex, Vertex Splitter and the Company (collectively, Vertex Splitter and the Company, the "Vertex Parties") also entered into a Side Letter Re Purchase and Sale Agreements (the "Side Letter"), pursuant to which the parties agreed that in the event that (i) the closing of the transactions contemplated by the Myrtle Grove Purchase Agreement does not occur on or prior to March 31, 2022, and/or (ii) the closing of the transactions contemplated by the Heartland Purchase Agreement does not occur on or prior to June 30, 2022, then, in addition to any of the rights of Tensile-Vertex under the Purchase Agreements: (a) the Vertex Parties will use their best efforts to cause the closings under the Purchase Agreements to occur, including without limitation by raising debt financing, selling equity in a private or public transaction, selling assets and/or otherwise doing all things necessary or appropriate to raise the funds necessary to make the payments required to be made by Vertex Splitter under the Purchase Agreements, in each case on commercially reasonable terms and conditions, subject to certain exceptions; (b) upon the written election of Tensile-Vertex, the Vertex Parties will and will cause their affiliates to consent to the distribution or other payment of any and all cash and cash equivalents of Heartland SPV (including any proceeds from the repayment of that certain $7,000,000 promissory note, issued by Vertex Operating to Heartland SPV on July 1, 2021, as amended to date (the "Heartland Note")) and any direct and indirect subsidiaries to Tensile-Vertex, with such distribution or other payment to be structured as specified by Tensile-Vertex so as to be tax efficient for Tensile-Vertex; and (c) Tensile-Vertex may, with written notice, cause Heartland SPV to initiate a process intended to result in a sale of Heartland SPV, with Tensile-Vertex being entitled, upon the consummation of such sale, of the greater of (i) 65% of the total net equity proceeds of such sale, and (ii) the amount due to Tensile-Vertex under the Heartland Purchase Agreement as of the date of the consummation of such sale.

Heartland Note Amendment

Also on February 25, 2022, Vertex Operating, the Company and Heartland SPV, entered into a Second Amendment to Promissory Note (the "Second Note Amendment"), which amended the Heartland Note to extend the due date of the Heartland Note until the earlier of (i) June 30, 2022; and (ii) five calendar days following the closing of a sale of substantially all the assets of Vertex Refining OH, LLC ("VROH"), and/or the sale of membership interests in VROH possessing voting control (with the consent of the Company), provided that the Heartland Note may be prepaid in whole or in part at any time without premium or penalty and without the consent of Heartland SPV. The Heartland Note accrues interest at the applicable federal rate of interest from time to time, increasing to 12% upon an event of default.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established and maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed with the Securities and Exchange Commission pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosures.

Management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2021, the end of the fiscal period covered by this report. As of December 31, 2021, based on the evaluation of these disclosure controls and procedures, our CEO and CFO have concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in our reports filed with the Securities and Exchange Commission pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Managements' Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, and effected by the Company's board of directors, management or other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect 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 the policies or procedures may deteriorate.

Management of the Company conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, using the criteria established in Internal Control - Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment, management concluded that the Company's internal controls over financial reporting was not effective as of December 31, 2021. Management's evaluation was based on certain material weaknesses in internal control over financial reporting which existed as of December 31, 2021, as discussed below.

The Company's independent registered public accounting firm, Ham, Langston & Brezina, L.L.P., has issued an audit report on the Company's internal control over financial reporting, which appears in Part II, Item 8 of this Form 10-K.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting as of December 31, 2021, we determined that a control deficiency existed that constituted a material weakness, as described below.

Management has determined that the Company had the following material weaknesses in its internal control over financial reporting as of December 31, 2021:

Entity Level Activities - The Company did not maintain an effective control environment based on the criteria established in the COSO framework. The Company has identified deficiencies in the principles associated with the control environment of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to:

- Lack of structure and responsibility,
- Insufficient number of qualified resources and inadequate oversight,
- Inadequate oversight and accountability over the performance of internal control related responsibilities,
- Ineffective assessment and identification of risks impacting internal control, and
- Ineffective evaluation and determination as to whether the components of internal control were present and functioning.

Control Activities - The Company did not have adequate selection and development of effective control activities, general controls over technology and effective policies and procedures. These deficiencies attributed to the following individual control activities:

- The Company did not appropriately design and maintain effective segregation of duties controls to timely detect and independently review instances where individuals with access to post a journal entry may also have edited or created the journal entry,
- The Company did not design and maintain controls over the documentation of the completeness and accuracy of key spreadsheets and reports used in financial reporting,
- The Company did not design and maintain effective controls over certain IT general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain controls to ensure appropriate segregation of duties, adequately restricted user access to certain financial applications and data to appropriate Company personnel, and monitoring of IT control activities. These IT deficiencies, when aggregated, could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected,
- The Company did not design and maintain controls over the documentation of detective controls over Period-end Financial Reporting, specifically controls over the proper review of balance sheet reconciliations, financial statement disclosures, and significant accounting transactions,
- The Company did not maintain controls over the documentation relating to the accounting for revenue transactions, specifically procedures over the existence, completeness, and accuracy of data used to support accounts related to revenue and accounts receivable,
- The Company did not design and maintain controls over the documentation relating to the completeness and accuracy of the accounting for inventory transactions, specifically procedures over the existence, completeness, and accuracy of data used to support accounts related to inventory and cost of sales included in the financial statement close process,
- The Company did not maintain controls over the documentation of treasury transactions, specifically documentation of the review of the application of cash receipts and payments to customer and vendor accounts and review of the online access to bank accounts, and
- The Company did not maintain adequate design and controls over the documentation and review relating to income tax accounting and disclosures for the significant components of deferred tax assets and liabilities.

While the deficiencies described above did not result in a material adjustment to our consolidated financial statements, the material weakness created a reasonable possibility that there could be a material misstatement of our annual or interim financial statements and related disclosures that would not be prevented or detected on a timely basis.

Remediation Plans

The Company continues to work to strengthen its internal control over financial reporting and is committed to ensuring that such controls are designed and operating effectively. The Company is implementing process and control improvements to address the above material weakness as follows:

- The Company has supplemented existing accounting resources with external advisors to assist with performing technical accounting activities. In addition, the Company is enhancing the review controls over the application of GAAP and accounting measurements for significant accounts, transactions and related financial statement disclosures and enhancing existing controls that support management's assertions with respect to the completeness, accuracy and validity of complex accounting measurements on a timely basis. The Company has hired additional full-time employees with technical accounting expertise and public company experience, and will continue to do so as needed; and

- The Company began the process of implementing additional automated controls and eliminating certain manual processes, each of which is expected to increase the efficiency of processing transactions, produce accurate and timely information in order to address various operational and compliance needs and reduce our reliance on manual end-user processes.

Management believes that it has made significant progress with the Company's remediation plans and will continue to take measures in 2022 to remediate these material weaknesses. In addition, under the direction of the Audit Committee of the Board of Directors, management will continue to review and make necessary changes to the overall design of the Company's internal control environment, as well as to refine policies and procedures to improve the overall effectiveness of internal control over financial reporting of the Company.

While progress has been made to enhance our internal control over financial reporting, we are still in the process of implementing, documenting and testing these processes, procedures and controls. Additional time is required to complete implementation and to assess and ensure the sustainability of these procedures. We believe the above actions will be effective in remediating the material weakness described above and we will continue to devote significant time and attention to these remedial efforts. However, the material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Notwithstanding the material weakness, management has concluded that the financial statements included elsewhere in this Annual Report present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with GAAP.

Inherent Limitations over Internal Controls

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. Other than as described above, there were no changes in our internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of the COVID-19 pandemic, certain employees of the Company began working remotely in March 2020, and some continue to work remotely through December 31, 2021. These changes to the working environment did not have a material effect on the Company’s internal control over financial reporting. We will continue to monitor the impact of COVID-19 on our internal control over financial reporting.

Item 9B. Other Information

Because this Annual Report on Form 10-K is being filed within four business days from the date of the reportable events, we have elected to make the following disclosures in this Annual Report on Form 10-K instead of in a Current Report on Form 8-K under Item 3.03 and Item 5.03:

Item 3.03 Material Modification to Rights of Security Holders.

To the extent required by Item 3.03 of Form 8-K, the information contained in Item 5.03 relating to the Certificate of Correction (as discussed in Item 5.03), below, is incorporated in this Item 3.03 by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On March 9, 2022, the Company filed a Certificate of Correction with the Secretary of State of Nevada, to its Articles of Incorporation, as originally filed with the Secretary of State of Nevada on May 14, 2008 (the “Articles”). The Articles mistakenly included language setting forth the number of shares of stock which would constitute a quorum at a meeting of shareholders, which matters regarding quorum were intended to be set forth only in the Company’s Bylaws, and mistakenly referenced the “Nevada General Corporation Law” throughout instead of the “Nevada Revised Statutes”. The Certificate of Correction corrected the Articles to remove the language inadvertently referencing the number of shares of stock constituting a quorum at a meeting of shareholders of the Company and corrected the references to “Nevada General Corporation Law”, to refer to the “Nevada Revised Statutes”. The corrections are retroactively effective as of May 14, 2008, the original filing date of the Articles. The foregoing description of the Certificate of Correction is qualified in its entirety by reference to the full text of the Certificate of Correction filed herewith as Exhibit 3.2 hereto.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this Annual Report and will be filed in a definitive proxy statement or by an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item will be set forth under the headings "Election of Directors", "Executive Officers", "Corporate Governance", "Code of Conduct", "Committees of the Board", and "Delinquent Section 16(a) Reports" (to the extent applicable and warranted) in the Company's 2022 Proxy Statement to be filed with the U.S. Securities and Exchange Commission ("SEC") within 120 days after December 31, 2021 in connection with the solicitation of proxies for the Company's 2022 annual meeting of shareholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be set forth under the headings "Executive and Director Compensation", "Executive Compensation", "Directors Compensation", "Outstanding Equity Awards at Fiscal Year-End", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (to the extent required), in the Company's 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be set forth under the heading "Voting Rights and Principal Stockholders" and "Equity Compensation Plan Information" in the Company's 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021 and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be set forth under the headings "Certain Relationships and Related Transactions" and "Committees of the Board" - "Director Independence" in the Company's 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021 and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be set forth under the heading "Ratification of Appointment of Auditors"-"Audit Fees" in the Company's 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021 and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

(1) All financial statements

(2) Financial Statement Schedules

Except as provided above, all financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Filing Date	File No.
2.1¥	Share Purchase and Subscription Agreement by and among Vertex Refining Myrtle Grove LLC, Tensile-Myrtle Grove Acquisition Corporation, Vertex Energy Operating LLC, and solely for the purposes of Section 9.1, Vertex Energy, Inc., dated July 25, 2019		8-K	2.1	7/31/2019	001-11476
2.1¥	Share Purchase and Subscription Agreement dated January 17, 2020, by and among HPRM LLC, Vertex Energy Operating LLC, Tensile-Heartland Acquisition Corporation, and solely for the purposes of Section 9.1, Vertex Energy, Inc.		8-K	2.2	1/24/2020	000-53619
2.1+£	Sale and Purchase Agreement dated May 26, 2021, by and between Vertex Operating Company LLC and Equilon Enterprises LLC d/b/a Shell Oil Products US and/or Shell Chemical LP and/or Shell Oil Company		8-K	2.1	5/27/2021	001-11476
2.2+£	Asset Purchase Agreement among Vertex Energy, Inc., Vertex Energy Operating, LLC, Vertex Refining LA, LLC, Vertex Refining OH, LLC, Cedar Marine Terminals, L.P., H & H Oil, L.P., and Safety-Kleen Systems, Inc. dated as of June 29, 2021		8-K	2.1	6/29/2021	001-11476
3.1	Articles of Incorporation (and amendments thereto) of Vertex Energy, Inc.		8-K/A	3.1	6/26/2009	000-53619
3.2	Certificate of Correction (correcting the Articles of Incorporation of the Company filed on May 14, 2008) filed with the Secretary of State of Nevada on March 9, 2022*	X				
3.3	Amended and Restated Certificate of Designation of Rights, Preferences and Privileges of Vertex Energy, Inc.'s Series A Convertible Preferred Stock.		8-K	3.1	7/16/2010	000-53619
3.4	Amended and Restated Certificate of Designation of Vertex Energy, Inc. Establishing the Designation, Preferences, Limitations and Relative Rights of Its Series B Preferred Stock, filed with the Secretary of State of Nevada on May 12, 2016		8-K	3.1	5/13/2016	001-11476
3.5	Amended and Restated Certificate of Designation of Vertex Energy, Inc. Establishing the Designation, Preferences, Limitations and Relative Rights of Its Series C Convertible Preferred Stock, filed with the Secretary of State of Nevada on May 12, 2016		8-K	3.2	5/13/2016	001-11476

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Filing Date	File No.
3.6	Certificate of Designation of Vertex Energy, Inc. Establishing the Designation, Preferences, Limitations and Relative Rights of Its Series B1 Preferred Stock, filed with the Secretary of State of Nevada on May 12, 2016		8-K	3.3	5/13/2016	001-11476
3.7	First Amendment to Vertex Refining Myrtle Grove LLC Limited Liability Company Agreement dated July 1, 2021		8-K	3.1	7/2/2021	001-11476
3.8	Amended and Restated Bylaws of Vertex Energy, Inc.		8-K	3.1	4/29/2019	001-11476
4.1	Indenture, dated as of November 1, 2021, by and between Vertex Energy, Inc. and U.S. Bank National Association, as Trustee.		8-K	4.1	11/2/2021	001-11476
4.2	Form of Global Note, representing Vertex Energy, Inc.'s 6.25% Convertible Senior Notes due 2027 (included as Exhibit A to the Indenture incorporated by reference as Exhibit 4.1).		8-K	4.2	11/2/2021	001-11476
4.3	Description of Securities of the Registrant	X	10-K	4.1	3/4/2020	001-11476
10.1£	Tolling Agreement between KMTEX, Ltd. and Vertex Energy Inc., dated April 17, 2013	§	8-K	10.1	11/12/2013	001-11476
10.2	Vertex Energy, Inc., 2009 Stock Incentive Plan***		8-K	4.1	7/31/2009	000-53619
10.3	2009 Stock Incentive Plan - Form of Stock Option Agreement***		10-K	10.29	12/31/2012	001-11476
10.4	Vertex Energy, Inc. 2013 Stock Incentive Plan***		S-8	4.1	7/28/2014	333-197659
10.5	Vertex Energy, Inc.-Form of 2013 Stock Incentive Plan Stock Option Award***		8-K	10.1	9/30/2013	001-11476
10.6	Vertex Energy, Inc.-Form of 2013 Stock Incentive Plan Restricted Stock Grant Agreement***		S-8	4.3	7/28/2014	333-197659
10.7	Employment Agreement between Vertex Refining LA, LLC and James P. Gregory (Effective May 2, 2014)***		8-K	10.1	7/29/2014	001-11476
10.8	Land Lease between Marrero Terminal LLC, as Landlord and Omega Refining, LLC, as Tenant, relating to the Used Motor Oil Re-Refinery Located at 5000 River Road, Marrero, Louisiana 70094, dated as of April 30, 2008 and amendments		10-Q	10.22	6/30/2014	001-11476
10.9	Commercial Lease between Plaquemines Holdings, LLC as Landlord and Omega Refining, LLC, as Tenant, relating to the Myrtle Grove Facility Located at 278 East Ravenna Road, Myrtle Grove, LA, dated as of May 25, 2012 and amendments		10-Q	10.23	6/30/2014	001-11476
10.10	Executive Employment Agreement with Benjamin P. Cowart (August 7, 2015)***		10-Q	10.73	6/30/2015	001-11476
10.11	Executive Employment Agreement with Chris Carlson (August 7, 2015)***		10-Q	10.74	6/30/2015	001-11476
10.12	Amended and Restated 2013 Stock Incentive Plan ***		8-K	10.1	9/21/2015	001-11476
10.13£	First Amendment to Processing Agreement between KMTEX LLC and Vertex Energy, Inc., effective November 1, 2013	§	8-K/A	10.2	11/10/2015	001-11476
10.14	Executive Employment Agreement with John Strickland (COO), effective October 1, 2015		8-K	10.1	10/19/2015	001-11476
10.15£	Second Amendment to Processing Agreement between KMTEX LLC and Vertex Energy, Inc., dated December 3, 2015 and effective January 1, 2016	§	8-K	10.1	1/15/2016	001-11476
10.16£	Swap Agreement dated January 29, 2016, by Vertex Energy Operating, LLC and Safety-Kleen Systems, Inc.	§	8-K	10.1	2/3/2016	001-11476
10.17£	Base Oil Sales Agreement dated January 29, 2016, by Vertex Energy Operating, LLC and Safety-Kleen Systems, Inc.	§	8-K	10.2	2/3/2016	001-11476
10.18	Credit Agreement dated as of February 1, 2017, by and among Vertex Energy Operating, LLC, as the Lead Borrower for the Borrowers named therein, the Guarantors named therein, Encina Business Credit, LLC as Agent and the Lenders party thereto		8-K	10.1	2/7/2017	001-11476
10.19	ABL Credit Agreement dated as of February 1, 2017, by and among Vertex Energy Operating, LLC, as the Lead Borrower for the Borrowers named therein, the Guarantors named therein, Encina Business Credit, LLC as Agent and the Lenders party thereto		8-K	10.2	2/7/2017	001-11476
10.2	Form of Guaranty and Security Agreement, dated as of February 1, 2017, by and among Vertex Energy Operating, LLC, Bango Oil LLC, Vertex Refining NV, LLC, Vertex Refining OH, LLC, Vertex Merger Sub, LLC, Vertex Refining LA, LLC, Vertex II GP, LLC, Vertex Acquisition Sub, LLC, Cedar Marine Terminals, LP, Vertex Recovery, L.P., Golden State Lubricants Works, LLC, Crossroad Carriers, L.P., Vertex Recovery Management, LLC, Vertex Recovery Management LA, LLC H & H Oil, L.P., and Vertex Energy, Inc. and each other grantor from time to time party thereto and Encina Business Credit, LLC, as Agent		8-K	10.3	2/7/2017	001-11476

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Filing Date	File No.
10.21£	Third Amendment to Processing Agreement between KMTEX LLC and Vertex Energy, Inc., entered into on December 14, 2016, and effective January 1, 2017*	§	10-K	10.66	12/31/2016	001-11476
10.22	Form of First Amendment and Consent to Credit Agreement dated October 9, 2017, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto		8-K	10.3	12/19/2017	001-11476
10.23	Second Amendment to Credit Agreement dated December 15, 2017, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto		8-K	10.4	12/19/2017	001-11476
10.24	First Amendment to ABL Credit Agreement dated December 15, 2017, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto		8-K	10.5	12/19/2017	001-11476
10.25%	Limited Liability Company Agreement of Vertex Refining Myrtle Grove LLC dated July 25, 2019		8-K	10.1	7/31/2019	001-11476
10.26	Right of First Offer Letter Agreement dated July 25, 2019, by and between Tensile-Myrtle Grove Acquisition Corporation, Vertex Energy Operating LLC and Vertex Energy, Inc.		8-K	10.2	7/31/2019	001-11476
10.27	Common Stock Purchase Warrant initially held by Tensile Partners Master Fund LP to purchase up to 1,500,000 shares of common stock, dated July 25, 2019		8-K	10.4	7/31/2019	001-11476
10.28	Registration Rights and Lock-Up Agreement dated July 25, 2019, by and between Vertex Energy, Inc. and Tensile Partners Master Fund LP		8-K	10.5	7/31/2019	001-11476
10.29%	Third Amendment to Credit Agreement dated December 15, 2017, by and among Vertex Energy, Inc., Vertex		8-K	10.8	7/31/2019	001-11476
10.30%	Third Amendment to ABL Credit Agreement dated December 15, 2017, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto, dated July 25, 2019		8-K	10.9	7/31/2019	001-11476
10.31	Vertex Energy, Inc. 2019 Equity Incentive Plan		8-K	2.1	10/29/2019	001-11476
10.32%€	Joint Supply and Marketing Agreement dated January 10, 2020, by and between Bunker One (USA) Inc. and Vertex Energy Operating, LLC		8-K	10.1	1/13/2020	001-11476
10.33	Limited Liability Company Agreement of HPRM LLC dated January 17, 2020		8-K	10.2	1/24/2020	001-11476
10.34	Fourth Amendment to Credit Agreement, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto, dated April 24, 2020		8-K	10.1	4/24/2020	001-11476
10.35	Fourth Amendment to ABL Credit Agreement, by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto, dated April 24, 2020		8-K	10.2	4/24/2020	001-11476
10.36	$4.222 Million Promissory Note payable by Vertex Energy, Inc. to Texas Citizens Bank N.A. dated effective April 28, 2020		8-K	10.1	5/6/2020	001-11476
10.37	Vertex Energy, Inc. 2020 Equity Incentive Plan		8-K	10.2	6/23/2020	001-11476
10.38	Form of 2019 Equity Incentive Plan Stock Option Agreement		8-K	10.3	6/23/2020	001-11476
10.39	Fifth Amendment To Credit Agreement dated August 7, 2020 by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, the other borrowers signatory thereto, Encina Business Credit, LLC, as agent, and the lenders signatory thereto		10-Q	10.8	8/11/2020	001-11476
10.40	Fifth Amendment and Limited Waiver to Credit Agreement (ABL Credit Agreement), by and among Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC as Agent and the Lenders party thereto, dated November 27, 2020		8-K	10.1	12/1/2020	001-11476
10.41	Form of 2019 Equity Incentive Plan Restricted Stock Grant Agreement***		S-8	4.3	2/25/2021	333-253523
10.42	Form of 2020 Equity Incentive Plan Stock Option Agreement***		S-8	4.5	2/25/2021	333-253523
10.43	Form of 2020 Equity Incentive Plan Restricted Stock Grant Agreement***		S-8	4.6	2/25/2021	333-253523
10.44	Series B Preferred Stock Exchange Agreement dated February 23, 2021 by and between Vertex Energy, Inc. and Pennington Capital LLC		8-K	10.1	2/26/2021	001-11476
10.45	Series B Preferred Stock Exchange Agreement dated March 1, 2021 by and between Vertex Energy, Inc. and Carrhae & Co FBO Wasatch Micro Cap Value Fund		8-K	10.1	3/5/2021	001-11476
10.46	$10,000,000 Promissory Note issued to Shell Chemical LP (or assigns) from Vertex Energy Operating LLC, dated May 26, 2021		8-K	10.1	5/27/2021	001-11476

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Filing Date	File No.
10.47	Swapkit Purchase Agreement entered into between Vertex Energy Operating, LLC and Equilon Enterprises LLC d/b/a Shell Oil Products US, dated May 26, 2021		8-K	10.2	5/27/2021	001-11476
10.48	$7,000,000 Promissory Note provided by Vertex Energy Operating, LLC to HPRM LLC		8-K	10.1	7/2/2021	001-11476
10.49	First Amendment to $7,000,000 Promissory Note dated and effective October 11, 2021 by and between Vertex Energy Operating, LLC and HPRM LLC		8-K	10.2	10/14/2021	001-11476
10.50	First Amendment to Registration Rights and Lock-Up Agreement, by and among Vertex Energy, Inc. and Tensile Capital Partners Master Fund LP, dated July 1, 2021		8-K	10.2	7/2/2021	001-11476
10.51	Sixth Amendment to Credit Agreement dated January 18, 2021, by and between Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC, as agent, and the lenders party thereto		8-K	10.3	7/2/2021	001-11476
10.52	Seventh Amendment to Credit Agreement dated May 26, 2021, by and between Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC, as agent, and the lenders party thereto		8-K	10.4	7/2/2021	001-11476
10.53	Seventh Amendment to ABL Credit Agreement dated May 26, 2021, by and between Vertex Energy, Inc., Vertex Energy Operating, LLC, Encina Business Credit, LLC, as agent, and the lenders party thereto		8-K	10.5	7/2/2021	001-11476
10.54	Eighth Amendment to Credit Agreement dated July 1, 2021, by and between Vertex Energy, Inc., Vertex Operating, LLC, Encina Business Credit, LLC as agent, and the lenders party thereto		8-K	10.6	7/2/2021	001-11476
10.55	Asset Purchase Termination Agreement among Vertex Energy, Inc., Vertex Energy Operating, LLC, Vertex Refining LA, LLC, Vertex Refining OH, LLC, Cedar Marine Terminals, L.P., H & H Oil, L.P., Vertex Recovery, L.P., and Safety-Kleen Systems, Inc. dated as of January 24, 2022		8-K	10.1	1/25/2022	001-11476
10.56	Master Offtake Agreement between Vertex Refining Alabama LLC and Idemitsu Apollo Renewable Corp. dated February 4, 2022, and executed February 14, 2022		8-K	10.1	2/17/2022	001-11476
10.57	Form of Continuing Guaranty between Idemitsu Apollo Renewable Corp. and Idemitsu Kosan Co., Ltd.		8-K	10.2	2/17/2022	001-11476
10.58	Commitment Letter, dated as of February 17, 2022, by and among certain funds and accounts managed or advised by each of BlackRock Financial Management, Inc., Whitebox Advisors LLC and Highbridge Capital Management, LLC, Chambers Energy Capital IV, LP, CrowdOut Credit Opportunities Fund LLC , CrowdOut Warehouse LLC, Vertex Energy, Inc. and Vertex Refining Alabama LLC		8-K	10.1	2/22/2022	001-11476
10.59	Purchase and Sale Agreement dated February 25, 2022, by and between Tensile-Vertex Holdings, LLC, Tensile-Heartland Acquisition Corporation and Vertex Splitter Corporation		8-K	10.1	3/3/2022	001-11476
10.60	Purchase and Sale Agreement dated February 25, 2022, by and between Tensile-Vertex Holdings, LLC, Tensile-Myrtle Grove Acquisition Corporation and Vertex Splitter Corporation		8-K	10.2	3/3/2022	001-11476
10.61	Side Letter Re Purchase and Sale Agreements, dated February 25, 2022, by and between Tensile-Vertex Holdings LLC, Vertex Splitter Corporation and Vertex Energy, Inc.		8-K	10.3	3/3/2022	001-11476
10.62	Second Amendment to $7,000,000 Promissory Note dated and effective February 25, 2022 by and between Vertex Energy Operating, LLC and HPRM LLC		8-K	10.4	3/3/2022	001-11476
10.63	Escrow Agreement, dated as of March 2, 2022, by and among Vertex Energy, Inc., Vertex Refining Alabama LLC, certain funds and accounts managed or advised by each of BlackRock Financial Management, Inc., Whitebox Advisors LLC and Highbridge Capital Management, LLC, Chambers Energy Capital IV, LP, CrowdOut Credit Opportunities Fund LLC , CrowdOut Capital LLC, and Cantor Fitzgerald Securities		8-K	10.5	3/3/2022	001-11476
14.1	Code of Ethical Business Conduct and Whistleblower Protection Policy		8-K/A	14.1	2/13/2013	001-11476
21.1	Subsidiaries*	X				
23.1	Consent of Ham, Langston & Brezina, L.L.P.*	X				
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act*	X				
31.2	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act*	X				
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**	X				

Exhibit Number		Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit	Filing Date	File No.
32.2	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act**	X				
99.1	Charters Of The Compensation Committee; Audit Committee; Nominating And Corporate Governance Committee; and Related Party Transaction Committee		8-K/A	99.2	2/13/2013	001-11476
99.2	Charter of Risk Committee		10-Q	99.2	9/30/2013	001-11476
99.3	Amended Charter of the Compensation Committee effective July 24, 2014		10-Q	99.2	9/30/2014	001-11476
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document*	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document*	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*	X				
104	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set*	X				

* Filed herewith.

** Furnished herewith.

*** Indicates management contract or compensatory plan or arrangement.

§ Refiled in redacted form order to transition to the rules governing the filing of redacted exhibits under Regulation S-K Item 601(b)(10)(iv) and parallel rules.

¥ Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Vertex Energy, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

€ Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[****]") because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

% Certain schedules, annexes and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Vertex Energy, Inc. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

£ Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[***]") because the identified confidential portions (i) are not material and (ii) the Company customarily and actually treats that information as private or confidential.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

VERTEX ENERGY, INC.

Date: March 11, 2022	By: /s/ Benjamin P. Cowart Benjamin P. Cowart Chief Executive Officer (Principal Executive Officer)
Date: March 11, 2022	By: /s/ Chris Carlson Chris Carlson Chief Financial Officer (Principal Accounting/Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:	*/s/ Benjamin P. Cowart* Benjamin P. Cowart Chief Executive Officer, (Principal Executive Officer) President and Chairman	By:	*/s/ Chris Carlson* Chris Carlson Chief Financial Officer (Principal Accounting/Financial Officer)
Date:	March 11, 2022	Date:	March 11, 2022
By:	*/s/ Christopher Stratton* Christopher Stratton Director	By:	*/s/ Dan Borgen* Dan Borgen Director
Date:	March 11, 2022	Date:	March 11, 2022
By:	*/s/ Timothy C. Harvey* Timothy C. Harvey Director	By:	*/s/ David Phillips* David Phillips Director
Date:	March 11, 2022	Date:	March 11, 2022
By:	/s/ *James P. Gregory* James P. Gregory Director		
Date:	March 11, 2022		

Filed in the Office of Barbara K. Cegavske Secretary of State State Of Nevada	Business Number E0313572008-7 Filing Number 20222159745 Filed On 3/9/2022 8:00:00 AM Number of Pages 1

BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Correction

NRS 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A

(Only one document may be corrected per certificate.)

TYPE OR PRINT - USE DARK INK ONLY - DO NOT HIGHLIGHT

INSTRUCTIONS:

1. Enter the current name as on file with the Nevada Secretary of State and enter the Entity or Nevada Business Identification Number (NVID).
2. Name of document with inaccuracy or defect.
3. Filing date of document with inaccuracy or defect.
4. Brief description of inaccuracy or defect.
5. Correction of inaccuracy or defect.
6. Must be signed by Authorized Signer. Form will be returned if unsigned.

1. Entity Information:	Name of entity as on file with the Nevada Secretary of State: VERTEX ENERGY, INC. Entity or Nevada Business Identification Number (NVID): E0313572008-7
2. Document:	Name of document with inaccuracy or defect: Articles of Incorporation
3. Filing Date:	Filing date of document which correction is being made: 05/14/2008
4. Description:	Description of inaccuracy or defect: The first sentence of Article IX of the original Articles of Incorporation of the Corporation mistakenly included language setting forth the number of shares of stock which constitute a quorum at a meeting of stockholders and Articles III, X and XI of the original Articles of Incorporation of the Corporation, mistakenly referenced the "Nevada General Corporation Law" instead of the "Nevada Revised Statutes".
5. Correction:	Correction of inaccuracy or defect: The original Articles of Incorporation of the Corporation filed on May 14, 2008, are corrected to remove and delete in its entirety, the first sentence of Article IX thereof, and to correct each reference therein to "Nevada General Corporation Law" to the "Nevada Revised Statutes".
6. Signature: (Required)	X [signature] **Signature** — 3/9/2022 Date

This form must be accompanied by appropriate fees.

Exhibit 4.1

DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934

The following summary describes the common stock of Vertex Energy, Inc., a Nevada corporation ("Vertex" or the "Company"), which common stock is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Only the Company's common stock is registered under Section 12 of the Exchange Act.

DESCRIPTION OF COMMON STOCK

The following description of our common stock is a summary and is qualified in its entirety by reference to our Articles of Incorporation, as amended and our Bylaws, as amended, which are incorporated by reference herein. For purposes of this description, references to "Vertex," "we," "our" and "us" refer only to Vertex and not to its subsidiaries.

Authorized Capitalization

The total number of authorized shares of our common stock is 750,000,000 shares, $0.001 par value per share. The total number of "blank check" authorized shares of our preferred stock is 50,000,000 shares, $0.001 par value per share. The total number of authorized shares of our Series A Convertible Preferred Stock ("Series A Preferred") is 5,000,000; the total number of authorized shares of Vertex's Series B Preferred Stock is 10,000,000 ("Series B Preferred Stock"); the total number of authorized shares of Vertex's Series B1 Preferred Stock is 17,000,000 ("Series B1 Preferred Stock") and the total number of authorized shares of Vertex's Series C Convertible Preferred Stock is 44,000 ("Series C Preferred Stock").

The terms of our preferred stock are not included herein as such preferred stock is not registered under Section 12 of the Exchange Act.

Common Stock

Voting Rights. Each share of our common stock is entitled to one vote on all stockholder matters. Shares of our common stock do not possess any cumulative voting rights.

Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, Nevada law, our Articles of Incorporation, as amended or Bylaws, as amended. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we have designated, or may designate and issue in the future.

Dividend Rights. Each share of our common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by our Board of Directors, subject to any preferential or other rights of any outstanding preferred stock.

Liquidation and Dissolution Rights. Upon liquidation, dissolution or winding up, our common stock will be entitled to receive pro rata on a share-for-share basis, the assets available for distribution to the stockholders after payment of liabilities and payment of preferential and other amounts, if any, payable on any outstanding preferred stock.

Fully Paid Status. All outstanding shares of the Company's common stock are validly issued, fully paid and non-assessable.

Listing. Our common stock is listed and traded on the Nasdaq Capital Market under the symbol "<u>VTNR</u>".

Other Matters. No holder of any shares of our common stock has a preemptive right to subscribe for any of our securities, nor are any shares of our common stock subject to redemption or convertible into other securities.

Anti-Takeover Provisions Under The Nevada Revised Statutes

<u>Business Combinations</u>

Sections 78.411 to 78.444 of the Nevada revised statues (the "<u>NRS</u>") prohibit a Nevada corporation from engaging in a "<u>combination</u>" with an "<u>interested stockholder</u>" for three years following the date that such person becomes an interested stockholder and place certain restrictions on such combinations even after the expiration of the three-year period. With certain exceptions, an interested stockholder is a person or group that owns 10% or more of the corporation's outstanding voting power (including stock with respect to which the person has voting rights and any rights to acquire stock pursuant to an option, warrant, agreement, arrangement, or understanding or upon the exercise of conversion or exchange rights) or is an affiliate or associate of the corporation and was the owner of 10% or more of such voting stock at any time within the previous three years.

A Nevada corporation may elect not to be governed by Sections 78.411 to 78.444 by a provision in its articles of incorporation. We have such a provision in our Articles of Incorporation, as amended, pursuant to which we have elected to opt out of Sections 78.411 to 78.444; therefore, these sections do not apply to us.

<u>Control Shares</u>

Nevada law also seeks to impede "<u>unfriendly</u>" corporate takeovers by providing in Sections 78.378 to 78.3793 of the NRS that an "<u>acquiring person</u>" shall only obtain voting rights in the "<u>control shares</u>" purchased by such person to the extent approved by the other stockholders at a meeting. With certain exceptions, an acquiring person is one who acquires or offers to acquire a "<u>controlling interest</u>" in the corporation, defined as one-fifth or more of the voting power. Control shares include not only shares acquired or offered to be acquired in connection with the acquisition of a controlling interest, but also all shares acquired by the acquiring person within the preceding 90 days. The statute covers not only the acquiring person but also any persons acting in association with the acquiring person. The NRS control share statutes only apply to issuers that have 200 or more stockholders of record, at least 100 of whom have had addresses in Nevada appearing on the stock ledger of the corporation at all times during the 90 days immediately preceding such date; and whom do business in Nevada directly or through an affiliated corporation. We do not currently meet these requirements and as such these provisions do not apply to us.

A Nevada corporation may elect to opt out of the provisions of Sections 78.378 to 78.3793 of the NRS. We have no provision in our Articles of Incorporation pursuant to which we have elected to opt out of Sections 78.378 to 78.3793.

Removal of Directors

Section 78.335 of the NRS provides that 2/3rds of the voting power of the issued and outstanding shares of the Company are required to remove a Director from office. As such, it may be more difficult for stockholders to remove Directors due to the fact the NRS requires greater than majority approval of the stockholders for such removal.

Exhibit 10.1

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

KMTEX TOLLING AGREEMENT

This Agreement effective July 1, 2012, is between KMTEX LLC, a Texas Limited Liability Corporation, having an office at 333 North Sam Houston Parkway, East, Suite 1250, Houston, Texas 77060 (hereafter called MANUFACTURER) and Vertex Energy, Inc., a Nevada Corporation having an office for the purposes of this Agreement at 200 Atlantic Pipeline Road, Baytown, TX 77520 (hereafter called CUSTOMER); also collectively referred to as the "Parties".

RECITALS

MANUFACTURER and CUSTOMER hereby desire to establish a relationship whereby MANUFACTURER shall provide certain Services for CUSTOMER in exchange for a fee from CUSTOMER in accordance with the terms and conditions set forth below.

AGREEMENT

The Parties, in consideration of the premises and the agreement contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 "Agreement" in this Tolling Agreement, and shall have the meaning ascribed to it in the preamble.

Section 1.2 "CUSTOMER" shall have the meaning ascribed to it in the preamble.

Section 1.3 "CUSTOMER Raw Materials" (aka Feed) means the Raw Materials specified in Attachment-A as supplied to MANUFACTURER by CUSTOMER.

Section 1.4 "Effective Date" shall mean the date in the Preamble.

Section 1.5 "Feed" means any and all products as listed in Attachment-A to be supplied by CUSTOMER in accordance with the specifications set forth in said attachment.

Section 1.6	"Fees" shall mean all compensation for the Toll manufacture of the Finished Products including without limitation any and all costs related to (i) quality control, picking up, transporting and handling of the Raw Materials, (ii) conversion of Feed into Finished Product, and (iii) quality control, warehouse and handling of the Finished Products, under the schedule of fees shown in Attachment-D.

Section 1.7 “Finished Products” means any and all products as listed in Attachment-B to be produced by MANUFACTURER in accordance with the specifications set forth in said attachment.

Section 1.8 “Hazardous Waste(s)” means any hazardous waste as that term is defined under applicable Laws.

Section 1.9 “HSE” or “SHE” means health, safety, and environment.

Section 1.10 “Intermediates” shall mean the materials that are in the state of being processed by MANUFACTURER into Finished Products.

Section 1.11 “Laws” means federal, state, and local rules, orders, laws, ordinances, and regulations applicable to any activities carried out under or incidental to the provisions of this Agreement and/or any amendments to it.

Section 1.12 “MANUFACTURER” shall have the meaning ascribed to it in the preamble.

Section 1.13 “MANUFACTURER’S Facility” means the MANUFACTURER’S facility located at 2450 S. Gulfway Dr, Port Arthur, Texas, which is to be utilized for the performance of Services hereunder.

Section 1.14 “MSDS” means Material Safety Data Sheet.

Section 1.15 “Manufacturer Supplied Materials” shall mean those materials supplied by MANUFACTURER as identified in Attachment A, Raw Materials.

Section 1.16 “Parties” shall have the meaning ascribed to it in the preamble.

Section 1.17 “Reporting Procedures” means those procedures set out in Attachment-F.

Section 1.18 “Services” shall mean the services MANUFACTURER provides or performs pursuant to this Agreement.

Section 1.19 “Specification(s)” means the specifications for each Product covered in this Agreement. Specifications for CUSTOMER’S and MANUFACTURER’S Feed(s) are located in Attachment A. Specifications for Finished Product(s) is located in Attachment B.

Section 1.20 “Terminalling” means handling and storage of Raw Materials, Intermediates, and/or Finished Products.

Section 1.21 “Toll” or “Tolling” means to convert/process Raw Materials into Finished Products.

Section 1.22 “Tolling Waste(s)” (aka Waste(s)) means any waste, as that term is defined under applicable Laws, resulting from the Tolling of CUSTOMERS Raw Materials into Finished Products under the Tolling Agreement.

Section 1.23 Attachments:

Attachment-A	Raw Materials
Attachment-B	Finished Product
Attachment-C	Yields
Attachment-D	Fees & Quantities
Attachment-E	Energy Surcharge
Attachment-F	Reporting Procedures

ARTICLE II
TERM and TERMINATION

Section 2.1 This agreement commences on the Effective Date and its Initial Term shall expire on June 30, 2014, subject to the other provisions in this Agreement, or as otherwise agreed to by the Parties.

Section 2.2 Each Party has the right to terminate this Agreement upon ninety (90) days prior written notice to the other Party. After termination or expiration, CUSTOMER’s sole obligation shall be to purchase Finished Products which MANUFACTURER has completed for CUSTOMER and to pay for the return to CUSTOMER of CUSTOMER’s Raw Materials in MANUFACTURER’s possession. In no event shall either Party claim or receive actual, special, consequential or punitive damages, or anticipated profits for work not performed.

Section 2.3 Each Party has the right to terminate this Agreement immediately (or suspend its performance) if either Party materially breaches a provision of this Agreement.

Section 2.4 Upon the expiration date of the Initial Term and each Extension Term thereafter, this Agreement, if not terminated by either party by written notice to the other, received within ninety (90) days prior to the expiration of the Initial Term (or any Extension Term), shall be automatically renewed for a successive one (1) year period (an “Extension Term”). This Agreement shall be above to be extended for up to six (6) Extension Terms.

ARTICLE III
QUANTITY

Section 3.1 MANUFACTURER agrees to Toll Raw Materials specified in Attachment-A, “Raw Materials”, to the specified Finished Product specifications in Attachment-B, “Finished Product”, up to the projected annual quantities estimated during the term of this contract as specified in Attachment-D, "Fees & Quantities".

Section 3.2 Estimated annual volumes of Finished Products specified in Attachment-D, "Fees & Quantities", were used to develop the terms and conditions of this Agreement. Rules governing these volumes are as follows and shall be considered binding:

(i) Annual volumes will not exceed 200% of estimated pounds without prior written approval from both Parties.

(ii) Annual volumes shall not fall short of estimated volumes by more than 25% without prior written approval by both Parties.

(iii) The activation of either (i) or (ii) will be sufficient cause for MANUFACTURER to review utilization of MANUFACTURER's Facilities and to adjust Fees as necessary for remainder of Agreement period. CUSTOMER shall have the right to accept or reject adjusted Fees. Should CUSTOMER reject adjusted Fees, MANUFACTURER has the right to cancel the remaining period of the Agreement upon 90 day written notice to CUSTOMER. The Fees at the time of the notice of cancellation shall apply for the remainder of the 90 day notice period.

ARTICLE IV
CUSTOMER RAW MATERIALS

Section 4.1 CUSTOMER shall, from time to time, furnish for its own account, quantities of one or more CUSTOMER Raw Materials specified in Attachment-A, "Raw Materials". MANUFACTURER will use these materials exclusively to manufacture Finished Product(s) for CUSTOMER.

Section 4.2 CUSTOMER Raw Materials shall be delivered to MANUFACTURER by rail, barge, drum, or truck at CUSTOMER'S expense. The Parties shall mutually agree on delivery dates for delivery of CUSTOMER Raw Materials to MANUFACTURER's Facility. MANUFACTURER shall be deemed to have custody and responsibility (but not title) of CUSTOMER Raw Materials as follows:

(i) When arriving by truck, commencing at the time MANUFACTURER accepts receipt of CUSTOMER Raw Materials by signing a receipt for same.

(ii) When arriving by rail, commencing when MANUFACTURER breaks the seal of the rail car for unloading purposes.

(iii) When shipped by rail, terminating when MANUFACTURER seals the rail car.

(iv) When shipped by carrier other than rail, terminating when CUSTOMER's customer or carrier signs a shipment receipt at MANUFACTURER's Facility or signs an acceptance receipt at CUSTOMER's facility, whichever occurs first.

Section 4.3	For CUSTOMER Raw Material arriving by rail, MANUFACTURER agrees to inspect such rail upon arrival at MANUFACTURER's Facility to determine whether or not the seals are broken and for other signs of vandalism or theft. If any such vandalism or theft has occurred, MANUFACTURER shall promptly notify CUSTOMER.
Section 4.4	A Certificate of Analysis (C of A) shall accompany all Raw Materials provided by CUSTOMER. If such C of A's do not conform with said specifications, MANUFACTURER shall notify CUSTOMER of such nonconformity and MANUFACTURER shall not receive nor use such nonconforming Raw Materials in performance of this Agreement unless CUSTOMER gives written notice that it waives the nonconformity. If CUSTOMER notifies MANUFACTURER in writing that it waives the nonconformity as to the particular lot of nonconforming Raw Material, MANUFACTURER shall not be liable for failure of the Finished Product produced from such particular lot to meet Finished Product specifications set forth in Attachment-B, provided that such failure results solely from the failure of such particular lot of nonconforming Raw Material to meet Raw Material specifications. Any waiver of or failure to meet Raw Material specifications shall be singular in nature and shall not imply that a similar failure in a subsequent lot will be waived.
Section 4.5	Whether CUSTOMER Raw Materials shall be delivered to MANUFACTURER by rail, barge, drum, or truck, MANUFACTURER will obtain the Bill of Lading and Material Safety Data Sheet that accompany such Raw Materials. MANUFACTURER shall not accept, or sign for, any potential Raw Material that is accompanied by a Uniform Hazardous Waste Manifest (promulgated by the Environmental Protection Agency or other Federal or State Government) on behalf of CUSTOMER. Should CUSTOMER have any material delivered to MANUFACTURER, that was not accompanied by a Uniform Hazardous Waste Manifest, that is later classified as a hazardous waste, CUSTOMER will indemnify and hold harmless MANUFACTURER and be responsible for all costs and fines resulting from waste material being terminalled through KMTEX under this Agreement.
Section 4.6	Upon receipt of CUSTOMER Raw Materials at MANUFACTURER's Facility as described in section 4.2, MANUFACTURER will be solely responsible for the receiving, handling, storing, and safekeeping of such materials.
Section 4.7	Sole right and title to CUSTOMER's Raw Materials hereunder shall remain in CUSTOMER at all times until it becomes part of Finished Product(s). MANUFACTURER shall not sell, transfer, grant any security interest in, encumber or otherwise dispose of any interest of CUSTOMER in the CUSTOMER Raw Materials.
Section 4.8	Except for provisions included in other sections of this Agreement, MANUFACTURER agrees to pay and satisfy any and all reasonable claims for labor, equipment and material employed or used in any way by it in connection with the storage and handling of CUSTOMER's Raw Material and (except for CUSTOMER's non-payments) to permit no liens of any kind to be fixed upon or against CUSTOMER's Raw Materials.

Section 4.9 Raw Materials not directly provided by CUSTOMER will be purchased using CUSTOMER's Raw Material Specifications detailed in Attachment-A, "Raw Materials".

ARTICLE V
WAREHOUSING/STORAGE

Section 5.1 To the extent that CUSTOMER Raw Materials and Finished Products are stored at MANUFACTURER's Facility, MANUFACTURER shall provide sufficient and appropriate facilities for such storage taking into account segregation by type of Raw Materials and Finished Products.

Section 5.2 Fees, charges and other applicable compensation to MANUFACTURER for services covered in Section 5.1 above shall be specified in Attachment-D, "Fees & Quantities", except that the "Charges" for energy shall be specified in Attachment E, "Energy Surcharge".

ARTICLE VI
CONVERSION RATIOS and INVENTORY IMBALANCES

Section 6.1 MANUFACTURER shall Toll CUSTOMER Raw Materials into Finished Products solely for the account of CUSTOMER.

Section 6.2 Sole right and title to Finished Products hereunder shall remain in CUSTOMER at all times. MANUFACTURER shall not sell, transfer, grant any security interest in, encumber or otherwise dispose of any interest of CUSTOMER in the Finished Product, unless CUSTOMER is in default of payment or breach of this Agreement.

Section 6.3 At least annually, MANUFACTURER will permit CUSTOMER or an independent inspector to inspect MANUFACTURER's inventories and records to certify to CUSTOMER the inventory quantities of the CUSTOMER Raw Materials and Finished Products as of the date of certification. CUSTOMER and MANUFACTURER will reconcile in writing any differences as to the exact quantities available as of the date of such certification.

Section 6.4 MANUFACTURER shall meet or exceed the Yield Targets defined in Attachment-C, "Yields", of the Agreement.

Section 6.5 MANUFACTURER shall be liable to CUSTOMER for any CUSTOMER Raw Material net shortage imbalance incurred in MANUFACTURER's control and possession. The rules/procedures for determining and resolving MANUFACTURER's liability to CUSTOMER for such inventory imbalances are detailed in Attachment-C, "Yields".

ARTICLE VII
CONVERSION CHARGES and INVOICING

Section 7.1 MANUFACTURER shall invoice CUSTOMER for "processing/converting, storage, transportation and handling of Finished Products" in accordance with the schedule of fees in Attachment-D, "Fees & Quantities".

Section 7.2 When applicable, MANUFACTURER shall invoice CUSTOMER for "all other items and special requests not included in Section 7.1" in accordance with the schedule of fees in Attachment-D, "Fees & Quantities".

Section 7.3 Energy Surcharges will be calculated and invoiced in accordance to Attachment-E, "Energy Surcharge".

Section 7.4 Demurrage charges that result from the actions of the MANUFACTURER shall be paid by the MANUFACTURER. Demurrage charges that result from the actions of the CUSTOMER shall be paid by the CUSTOMER.

Section 7.5 All fees under this agreement include all applicable taxes, costs, and expenses unless noted otherwise.

Section 7.6 Any tax or other government levy, charge, fee or increase in same, hereafter becoming effective, which increases CUSTOMER's cost to manufacture, waste storage, treatment and/or disposal, or sale covered by this Agreement may, at CUSTOMER's option be added to the price of Finished Product shipped under this agreement upon thirty (30) days' prior written notice to CUSTOMER unless such tax, levy charge, fee or increase is the result of a penalty incurred by the MANUFACTURER as a result of its negligence or its failure to comply with applicable laws and regulations or governmental orders or decrees. Finally, nothing in this Article 7 will cause the CUSTOMER to be responsible for any of the aforementioned taxes and/or charges to the extent that MANUFACTURER has received or is eligible to receive, credit for the payments of these taxes/charges by normal and/or proper filing of documents with the relevant government authority.

Section 7.7 The terms of payment for any monies owed by CUSTOMER to MANUFACTURER under this Agreement shall be thirty (30) days from the date of MANUFACTURER's invoice to CUSTOMER.

Section 7.8 If, in the opinion of MANUFACTURER, the financial status of CUSTOMER shall, at any time become impaired, MANUFACTURER will notify CUSTOMER in writing and allow CUSTOMER ten (10) days to respond prior to making the decision to restrict or cease providing services to MANUFACTURER under this Agreement except upon receipt of cash or security satisfactory to MANUFACTURER.

Section 7.9 Unless otherwise noted in Attachment-D "Fees and Quantities", at the beginning of each twelve (12) month period from the Effective Date of this Agreement, the manufacturing costs for products and services covered in this Agreement will be reviewed and escalated as necessary to compensate for changes that occurred in the previous period as mutually agreed to by both parties. The minimum escalation will be based on the increase in the CPIU for, All Urban Consumers, South, Size Class B/C - CUURX300SA0, (December 1996 = 100) not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics in January of each year (or in any subsequent month if, for any reason index is not published in January) for the immediately preceding calendar year.

ARTICLE VIII
QUALITY and MANAGEMENT OF CHANGE

Section 8.1 Finished Product(s) produced by conversion of Raw Materials will be in accordance with CUSTOMER's Manufacturing and Product Specifications as indicated in Attachment-B, "Finished Product".

Section 8.2 MANUFACTURER shall test or cause to be tested each "lot" of Finished Product as specified in Attachment-B, "Finished Product", for compliance with specifications before shipment to CUSTOMER or its designee. MANUFACTURER shall retain a sample of each "lot" tested for a period of six (6) months. For each "lot" shipped, MANUFACTURER shall prepare a certificate of analysis setting forth the items tested, the specifications and test results and forward the certificates to CUSTOMER or its designee at the time the Finished Product is shipped.

Section 8.3 MANUFACTURER will be responsible for the handling, storage, and security of the Finished Product(s) while at MANUFACTURER's Facility.

Section 8.4 Changes in Raw Material specifications and/or Finished Product specifications as described in Attachments-A, "Raw Materials", & -B, "Finished Product", will only be by mutual agreement, and will be reflected in modified versions of Attachments-A, "Raw Materials" & -B, "Finished Product". If more than sixty (60) days pass following the receipt of CUSTOMER's request and MANUFACTURER and CUSTOMER have not agreed upon mutually acceptable terms and conditions associated with CUSTOMER's request, then either Party, may, at any time thereafter, terminate this agreement or cancel its remaining purchase obligations with respect to such Finished Product(s) by sending ninety (90) days written notice and meeting the requirements of the conditions in the Rights After Termination section of this Agreement.

Section 8.5 In the event it is anticipated by either Party that a change to the Raw Material specifications, Finished Product specifications, or to any other specification and/or process will result in a change in the Fee as specified in Attachment-D "Fees & Quantities", the Parties shall, upon mutual written agreement adjust the Fee(s) set forth in this Agreement. If agreement cannot be reached as to the adjusted price, then the existing Fee will continue to apply for Finished Product(s) manufactured to the specifications currently in this Agreement for the succeeding ninety (90) day period. In the event agreement cannot be reached during that period, either Party may upon further ninety (90) days written notice, cancel this Agreement without penalty one to the other and meeting the requirements of the conditions in the Rights After Termination section of this Agreement.

Section 8.6 MANUFACTURER shall allow CUSTOMER to conduct reviews on a regular basis to determine the extent MANUFACTURER is satisfying the CUSTOMERS requirements as defined in this Agreement.

Section 8.7 Any Finished Product(s) that fails to meet the specifications set forth in Attachment-B "Finished Product", of this Agreement due to MANUFACTURER's error shall be deemed Non-Conforming, except to the extent CUSTOMER agrees to accept any portion of such Non-Conforming Finished Product that has been reworked to meet specifications.

ARTICLE IX
MEASUREMENTS

Section 9.1 In-Bound Feed Material-

a. If Feed material is delivered to MANUFACTURER's facility by truck, the weight of Feed as determined from MANUFACTURER's scale at the time of shipment shall be the applicable weight.

b. If Feed material is delivered to MANUFACTURER's facility by rail, the calculated weight of the Feed material as measured by the rail car strapping charts at the time of shipment shall be the applicable weight. If that weight is not provided, MANUFACTURER will strap the rail car and calculate the weight of the Feed.

c. If Feed material is delivered to MANUFACTURER's facility by barge, the calculated weight of the Feed material as measured by the barge surveyor at the time of discharge shall be the applicable weight. CUSTOMER is responsible for all costs associated with inspector/surveyor and tankerman. Barge unloading/loading must begin during daylight hours.

Section 9.2 Out-Bound Finished Product-

a. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by truck, the weight of the Finished Product as determined from MANUFACTURER's scale at the time of shipment shall be the applicable weight, subject to random confirmation upon arrival at CUSTOMER's designated destination.

b. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by rail, the calculated weight of the Finished Product as measured by the rail strapping charts at the time of shipment shall be the applicable weight.

c. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by barge, the calculated weight of the Finished Product as measured by the barge surveyor at the time of discharge shall be the applicable weight. CUSTOMER is responsible for all costs associated with inspector/surveyor and tankerman. Barge unloading/loading must begin during daylight hours.

ARTICLE X
RISK OF LOSS

Section 10.1 Risk of loss for all CUSTOMER Raw Materials shall pass to MANUFACTURER upon receipt of such materials at MANUFACTURER's Facility as defined in Section 4.2 of this Agreement. In the event of any loss of CUSTOMER Raw Materials while in the possession of MANUFACTURER other than consumption of the CUSTOMER Raw Materials in the production of Finished Products meeting the CUSTOMER specifications in this Agreement, MANUFACTURER shall either: (i) reimburse CUSTOMER for the cost of replacing such CUSTOMER Raw Materials or (ii) replace the lost CUSTOMER Raw Materials with raw materials meeting the specifications of Attachment-A. The monetary value of CUSTOMER Raw Materials will be valued per instructions set forth in Attachment-A, "Raw Materials".

Section 10.2 Risk of loss for all Finished Product produced by MANUFACTURER shall pass to MANUFACTURER upon the completion of production of such Finished Products until delivered to CUSTOMER. Delivery of Finished Product to CUSTOMER occurs as follows at which time risk of loss passes from MANUFACTURER to CUSTOMER:

(i) As shipped by rail, when MANUFACTURER secures seal to rail car.

(ii) As shipped by carrier other than rail, when CUSTOMER, or the carrier assigned by CUSTOMER, signs for receipt of load at MANUFACTURER's facility.

Section 10.3 MANUFACTURER's risk of loss is limited to the CUSTOMER Raw Material costs and freight costs; specifically MANUFACTURER is not responsible for replacement, alternative supply costs, expediting costs, special, indirect, incidental, punitive, exemplary, consequential damages, or loss including but limited to lost profits, loss of business opportunity, or other similar damages.

ARTICLE XI
MANUFACTURER WARRANTIES

Section 11.1 Acknowledge and agrees that it is solely responsible for and in control of operations at MANUFACTURER's Facility and for any leaks, spill, discharge, release emission or other disposal which may occur in connection with the performance of this Agreement, except those that are due to CUSTOMER's gross negligence.

Section 11.2 Warrants that, at the time of delivery, any Finished Product supplied by MANUFACTURER shall (i) meet the Specifications for such Finished Product as defined in Attachment-B. "Finished Product" of this Agreement, and (ii) be conveyed with good title, free from any lawful security interest, lien or encumbrance, unless CUSTOMER is in default of payment or breach of this Agreement.

Section 11.3 Represent and agree that it has knowledge of and expertise as to the Raw Materials used, waste generated, procedures and processes employed and/or Finished Products manufactured hereunder, including without limitation, that is has trained its employees in the safe handling of all materials, that it has implemented every reasonable precaution to minimize any hazard in the performance of this Agreement and that it has protected its employees from such hazard.

Section 11.4 Prepare Finished Products for shipment and loading shipping containers in accordance with specifications or instructions provided by CUSTOMER, or industry practice when not specified by CUSTOMER and making products available to a common carrier.

Section 11.5 MANUFACTURER has sole responsibility for compliance with all applicable laws, rules and regulations in connection with manufacture and storage of Raw Materials and Finished Product(s) and the generation, storage, transportation, and disposal of all waste, including by-products, arising out of the manufacturing and packaging of Finished Product(s) hereunder, including the cleaning of manufacturing equipment.

Section 11.6 Maintain production, raw materials, product inventory, product quality control and raw material control records, tracking or lot assignment numbers and retain samples of all production lots for a period of one (1) year from date of production and report the same to CUSTOMER in writing if requested.

ARTICLE XII
CUSTOMER WARRANTIES

Section 12.1	Provide to MANUFACTURER technical information relating to the Raw Materials and Finished Products including procedures for manufacturing the Finished Product(s), quality control and test specifications, labeling instructions, MSDS's and such other information as may be required to enable MANUFACTURER to manufacture Finished Product(s) during the term of this Agreement.
Section 12.2	Provide the identified Raw Materials per Attachment-A that meets CUSTOMER's specifications, also found in Attachment-A, at no cost to MANUFACTURER, with delivery at such times as to allow MANUFACTURER to perform the manufacture of Finished Products under the terms of this Agreement.
Section 12.3	Provide MANUFACTURER with projections on a quarterly basis or when requested by MANUFACTURER of the product mix to be manufactured for CUSTOMER that is mutually agreed on by both Parties.
Section 12.4	Issue orders based on specified lead-times for Finished Product with delivery dates that specify the quantity, time, and place for delivery of Finished Product. MANUFACTURER will in a timely manner, confirm availability to manufacture and deliver Finished Product as directed in CUSTOMER's orders for Finished Product. Finished Product will be shipped in mutually acceptable types and sizes of tank trucks or trailers or other acceptable means of transportation.
Section 12.5	Provide to MANUFACTURER at no cost to MANUFACTURER, technical assistance to affect the efficient transfer of Finished Product manufacturing and quality control expertise, test specifications, labeling instructions, Material Safety Data Sheets and provide subsequent technical assistance as MANUFACTURER may reasonable require throughout the term of this Agreement.
Section 12.6	Provide Material Safety Data Sheets for the product on Attachment-A, "Raw Materials".
Section 12.7	Provide documentation relative to the Toxic Substances Control Act (TSCA) and, if Finished Product is to be exported, similar foreign chemical control laws including but not limited to documentation relevant to compliance with the TSCA Chemical Substances Inventory for all raw materials, intermediates, and components in Finished Product and the Finished Product itself. Such documentation will be subject to the approval and acceptance by MANUFACTURER.

ARTICLE XIII
DISCLAIMER OF WARRANTIES

Section 13.1	There are no warranties which extend beyond the face hereof, and with the exception of the warranties expressed in this agreement, neither party

makes any other warranty, express or implied, statutory or otherwise, concerning either the Raw Materials or the Finished Product(s), including without limitation, any warranty of fitness for a particular purpose, warranty of merchantability or warranty against infringement of patent.

ARTICLE XIV
CLAIMS

Section 14.1 CUSTOMER shall test or cause to be tested all Finished Product processed by MANUFACTURER hereunder promptly upon receipt thereof. All claims pertaining to product quality ("Claims") of CUSTOMER shall be deemed waived and forever barred unless CUSTOMER notifies MANUFACTURER of the nature and details of the Claim in writing within ninety (90) days after delivery of the Finished Product to the CUSTOMER or CUSTOMER's designee.

ARTICLE XV
INDEMNIFICATION

Section 15.1 To the fullest extent permitted by applicable law, MANUFACTURER shall defend, indemnify and hold harmless CUSTOMER, its parents, subsidiaries and affiliates, and each of its respective agents, servants, employees, officers and directors (as used in this Section 15.1, "Indemnified Parties") from and against any and all liability, suits, losses, demands, causes of action, fines, penalties, damages, and claims of any kind or nature, including reasonable attorney's fees and costs (as used in this Section 15.1, collectively "Claims") which CUSTOMER may hereafter incur, pay out or become responsible for as a result of death or bodily injury to any person (including employees of MANUFACTURER), destruction or damage to property, contamination of, adverse effects on, or imminent or substantial endangerment of, or release or threat of release into the environment, or any threatened or actual release of hazardous substance, or any violation or alleged violation of or liability under any governmental laws, regulations, rules or orders to the extent caused by, arising out of or in any manner connected with MANUFACTURER's negligent acts, omissions, breaches of this Agreement, or failure to comply with applicable laws in the performance of its obligations hereunder.

Section 15.2 To the fullest extent permitted by applicable law, CUSTOMER shall defend, indemnify and hold harmless MANUFACTURER, its parents, subsidiaries and affiliates, and each of its respective agents, servants, employees, officers and directors (as used in this Section 15.2, "Indemnified Parties") from and against any and all liability, suits, losses, demands, causes of action, fines, penalties, damages, and claims of any kind or nature, including reasonable attorney's fees and costs (as used in this Section 15.2, collectively "Claims") which MANUFACTURER may hereafter incur, pay out or become responsible for as a result of death or bodily injury to any person (including employees of CUSTOMER), destruction or damage to property, contamination of, adverse effects on, or imminent or substantial endangerment of, or release or threat of release into the environment, or any threatened or actual release of hazardous substance, or any violation or alleged violation of or liability under any governmental laws, regulations, rules or orders to the extent caused by, arising out of or in any manner connected with CUSTOMER's negligent acts, omissions, breaches of this Agreement, or failure to comply with applicable laws in the performance of its obligations hereunder.

Section 15.3 The indemnification obligations contained in this section shall specifically survive termination of this Agreement.

Section 15.4 Indemnified Parties shall have the right to select counsel and control any claims or obligations arising hereunder.

Section 15.5 IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL DAMAGES OR LOSS INCLUDING, LOST PROFITS, LOSS OF BUSINESS OPPORTUNITY OR OTHER SIMILAR DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NO LIMITATION OR DISCLAIMER OF LIABILITY SHALL APPLY TO CLAIMS OR LIABILITIES BASED UPON ACTUAL DAMAGES RELATED TO DAMAGES SUFFERED OR INCURED BY A THIRD PARTY FOR WHICH A PARTY TO THIS AGREEMENT IS ENTITLED TO INDEMNIFICATION UNDER THIS PARAGRAPH.

ARTICLE XVI
INSURANCE

MANUFACTURER shall maintain, at its sole cost, at all times while performing work hereunder, the insurance coverage set forth below with companies satisfactory to CUSTOMER with full policy limits applying.

a. Workers Compensation Insurance covering all employees in accordance with the statutory requirements of the State of Texas in which the services hereunder are rendered.

b. Employer's Liability Insurance in an amount not less than $100,000 for each accident.

c. Comprehensive General Liability Insurance, including Property Liability, completed operations, blanket contractual, MANUFACTURER'S protective in the following amounts:

Bodily Injury	$3,000,000 each occurrence $3,000,000 aggregate
Property Damage	$3,000,000 each occurrence

$3,000,000 aggregate

Pollution & Environmental Impairment Insurance
$1,000,000 per occurrence
$2,000,000 aggregate
$5,000,000 umbrella

d. All Risk Property Insurance in sufficient amounts to cover the loss of CUSTOMER's property in MANUFACTURER's care, custody, and control.

Nothing contained in these provisions relating to coverage and amounts set out herein shall operate as a limitation of MANUFACTURER's liability in tort or contracted for under terms of this Agreement.

ARTICLE XVII
TAXES

Section 17.1	CUSTOMER will either pay directly all sales and use taxes properly levied by any properly constituted governmental authority upon the Services by MANUFACTURER under this Agreement or reimburse MANUFACTURER therefore if paid by MANUFACTURER at the written direction of CUSTOMER.
Section 17.2	CUSTOMER shall be responsible for taxes imposed on the inventories on CUSTOMER Supplied Materials stored at MANUFACTURER's facilities.
Section 17.3	MANUFACTURER shall assume full responsibility for the payment of employer's share of all federal social security taxes and all federal and state unemployment compensation taxes for all employees engaged by MANUFACTURER in performing Services under this Agreement and for the payment of all federal and state taxes of whatever sort, including gross receipts taxes, franchise taxes, and all other taxes or charges applicable to MANUFACTURER's actions, employees, facilities and materials used for performing Services under this Agreement or applicable MANUFACTURER's income under this Agreement.

ARTICLE XVIII
OVERTIME CHARGES

Section 18.1	Upon receipt of an authorization from CUSTOMER to perform services outside of MANUFACTURER's normal hours of operation as specified in Article 12 hereof, MANUFACTURER shall charge CUSTOMER $[***] per hour with a four (4) hour minimum for overtime services.

ARTICLE XIX

HOURS OF OPERATION

Section 19.1 MANUFACTURER requires an appointment for all inbound and outbound shipments. MANUFACTURER's hours of operation for shipping product are 7:00 AM through 5:00 PM, Monday through Friday. MANUFACTURER's hours of operation for receiving materials are 24 hours per day, Monday through Friday, and processing are 24 hours per day, Monday through Sunday.

ARTICLE XX
DRUG & ALCOHOL POLICY

Section 20.1 MANUFACTURER shall enforce its drug and alcohol policy at all times, which includes but is not limited to the following:

Section 20.2 MANUFACTURER shall ensure that its employees and agents do not perform any service for CUSTOMER while under the influence of alcohol or any controlled substance. Employees and agents shall not use, possess, distribute or sell alcoholic beverages, controlled drugs or drug paraphernalia or misuse uncontrolled drugs while performing services for CUSTOMER.

ARTICLE XXI
FORCE MAJEURE

The obligation of the parties pursuant to this Agreement may be suspended by either party without liability hereunder due to:

a. fire, explosion, floods, storms, earthquakes, tidal waves, war, military operations, national emergency, acts of terrorism, civil commotions, strikes, or differences with workmen or unions, or any delay or failure in delivery or receipt of Feed or Finished Product hereunder when supplies of CUSTOMER or MANUFACTURER , or the facilities of production, manufacture, transportation, or distribution of CUSTOMER or MANUFACTURER are impaired by causes beyond CUSTOMER's or MANUFACTURER's control or,

b. the order, requisition, request, or recommendation of any governmental agency or acting governmental authority or court order, or CUSTOMER's, or MANUFACTURER's compliance therewith or,

c. by governmental authority, or CUSTOMER's or MANUFACTURER's compliance therewith, or by governmental proration, regulation, or priority or,

d. the inability of CUSTOMER or MANUFACTURER to obtain on terms deemed by MANUFACTURER to be commercially practicable, any raw material (including energy sources) or,

e. any other delay or failure due to any cause beyond the control of the party suffering the Force Majeure, similar or dissimilar to any such causes.

When such cause or causes exist, the party affected shall have the right in its sole discretion to restrict or cease deliveries or acceptance of Feed or Finished Product hereunder; provided, however, that in any event, CUSTOMER shall accept the return or delivery of any affected Raw Material and Finished Product.

ARTICLE XXII
EARLY TERMINATIONS

Section 22.1 If either Party fails to perform any of its obligations under this Agreement, the other Party may eliminate shipments or receipt of deliveries until such default is cured.

Section 22.2 Either Party may terminate this Agreement at any time, without further liability, by providing the other Party with (30) day's written notice upon the occurrence of any of the following events:

a. The filing of bankruptcy for or on the part of the other Party (or its parent or affiliate organization).

b. The appointment of a receiver, trustee or liquidator for all or substantially all of the assets of the other Party (or its parent or affiliate organization).
c. An assignment by the other Party (or its parent or affiliate organization) for the benefit of its creditors.

d. The filing of any petition by or against the other Party (or its parent or affiliate organization) asking for a reorganization under any state insolvency laws or under the Federal Bankruptcy Act.
e. Written notice by the party not affected by a Force Majeure Event to the party affected by the Force Majeure Event if a Force Majeure Event lasts for more than thirty (30) days.

f. If CUSTOMER determines, in its sole discretion, to exit the business of producing or selling Finished Product, then CUSTOMER may terminate this Agreement upon providing MANUFACTURER ninety (90) days written notice. CUSTOMER shall purchase all remaining Raw Materials supplied by MANUFACTURER dedicated to the manufacturing/processing of Finished Products covered in this Agreement and all Finished Product inventories from MANUFACTURER per pricing in Schedule D, "Fees & Quantities".
g. If MANUFACTURER determines, in its sole discretion, to exit the business of producing Finished Product, then MANUFACTURER may terminate this Agreement upon providing CUSTOMER ninety (90) days written notice. CUSTOMER will not be under any obligation to purchase any remaining Raw Materials supplied by MANUFACTURER.

ARTICLE XXIII

RIGHTS AFTER TERMINATION

Section 23.1 Upon termination of this agreement, all obligations of each Party shall cease except as stated herein and except that all warranties and all limitations of liabilities shall continue to be of full force and effect.

Section 23.2 Such termination shall not relieve the parties of any liability accrued prior to the effective date of such termination.

Section 23.3 Such termination shall not affect the continued operation of enforcement of any provision of this Agreement which survives the termination of this Agreement.

Section 23.4 Upon termination of this Agreement, MANUFACTURER shall promptly return all CUSTOMER supplied Feed to CUSTOMER at (i) CUSTOMER's cost if CUSTOMER exits the business or (ii) at MANUFACTURER's cost if MANUFACTURER exits the business. CUSTOMER will be allowed to remain in MANUFACTURER's storage for a minimum of sixty (60) days at contracted storage rates to allow ample time for materials to move out.

ARTICLE XXIV
PRODUCT LIEN

MANUFACTURER shall have an expressed contract lien upon all materials and products at this time stored and handled hereunder for all of the charges and amounts payable by CUSTOMER to MANUFACTURER hereunder, or under any other agreements between CUSTOMER and MANUFACTURER. Such lien shall not be exclusive, but shall be cumulative and in addition to all other legal and equitable liens, rights and remedies of MANUFACTURER'S. Should MANUFACTURER exercise its lien rights hereunder, which shall require a minimum of thirty (30) days prior written notice to CUSTOMER, MANUFACTURER has the right to foreclose upon the product and subject to the Lien. MANUFACTURER has the right to sell the material and/or product stored to apply against outstanding indebtedness.

ARTICLE XXV
BANKRUPTCY

If CUSTOMER should make a general assignment for the benefit of its creditors, or if a receiver should be appointed for the account of CUSTOMER insolvency, or should CUSTOMER fail to make prompt payment for Services defined in this agreement, MANUFACTURER may, with thirty (30) days written notice to CUSTOMER terminate this agreement. If CUSTOMER files a petition for an order of relief under the United States Bankruptcy Code, (11 or 13 U.S.C.), MANUFACTURER shall have all rights afforded to MANUFACTURER under the Bankruptcy Code, including, but not limited to, the right to file proof of a claim for any and all amounts due MANUFACTURER for any damages which may be due under this agreement and the right to file a motion to force assumption or rejection agreement.

ARTICLE XXVI
<u>ASSIGNMENT</u>

This Agreement shall not be assigned, transferred, or delegated by either Party without the prior written consent of the other Party to this Agreement.

ARTICLE XXVII
<u>NOTICES</u>

Any notice to be given under this Agreement shall be in writing and shall be delivered personally, by certified mail (return receipt delivered), by courier or overnight delivery service, or by facsimile. Any notice shall be effective only if and when it is received by the addressee. For the purposes hereof, the addresses and facsimile numbers of MANUFACTURER and CUSTOMER are as follows:

If to MANUFACTURER: Mr. Will Baker
333 North Sam Houston Parkway, E
Suite 1250
Houston, TEXAS 77060

Phone- (281) 272-4107
Fax- (281) 272-4103
E-Mail- willb@kmcoinc.com

If to CUSTOMER: Greg Wallace
200 Atlantic Pipeline Road
Baytown, TX 77520

Phone- (281) 383-5050
E-Mail- gregw@vertexenergy.com

ARTICLE XXVIII
<u>PLANT VISITS</u>

Section 28.1 Upon reasonable notice, which shall be no less than forty-eight (48) hours' notice and when no act of Force Majeure is occurring at MANUFACTURER's facility, MANUFACTURER shall allow CUSTOMER and/or its designated representative's access to inspect the following:

a. All records, including, but not limited to, financial and accounting records, which pertain direct and specifically to this Agreement and MANUFACTURER's performance hereunder; and

b. MANUFACTURER's facilities at which the materials (Raw Material and Finished Product) covered by this Agreement are produced and or stored.

ARTICLE XXIX
INDEPENDENT CONTRACTOR

Section 29.1 MANUFACTURER is, and shall perform this Agreement as an independent contractor. As such, it shall have and maintain sole control over all of its employees, agents and operations. Neither MANUFACTURER nor anyone employed by it shall be, represent, act and/or purport to act, or be deemed to be the agent, representative, employee or servant of CUSTOMER.

Section 29.2 Nothing contained herein shall create the relationship of joint ventures, principal and agent, or master and servant between CUSTOMER and MANUFACTURER.

ARTICLE XXX
CONFIDENTIALITY

Section 30.1 MANUFACTURER agrees that all specifications, formulations, recommended manufacturing procedures, including rework procedures, pertaining to the Product(s) and related data and information supplied to it by CUSTOMER or acquired by it from CUSTOMER under the Confidentiality Agreement mentioned in Section 22.1 or this Agreement shall be deemed information as that term is defined in the Confidentiality Agreement and shall be treated in accordance with the terms and conditions thereof except that MANUFACTURER's obligations of secrecy there under and hereunder shall last five (5) years from the date of termination of this Agreement.

Section 30.2 MANUFACTURER shall have the right to use information in order to perform its obligations under this Agreement or as required by law.

Section 30.3 MANUFACTURER's obligation under this secrecy provision shall not apply, however, to Confidential Information when, after, and to the extent that the Confidential Information either:

a. is known to the public, including legal proceedings, through no fault or participation of MANUFACTURER or its employees or agents; or

b. was known to MANUFACTURER prior to the first disclosure to MANUFACTURER by or on behalf of CUSTOMER and MANUFACTURER can establish fact by reasonably convincing evidence; or

c. is received by MANUFACTURER in good faith from third party, which is not subject to a secrecy obligation with respect to such information.

ARTICLE XXXI
SEVERABLE PROVISIONS

Section 31.1 Should any provision of this Agreement be or become invalid, void or otherwise unenforceable, the remainder of this Agreement shall continue to be binding on and inure to the benefit of both Parties. The Parties will sever any such invalid, void or unenforceable provision from this Agreement and, if necessary, use their best efforts to agree upon any changes in the Agreement which are required in order to achieve the same effect as the invalid, void or unenforceable provisions.

ARTICLE XXXII
WAIVER OF BREACH

Section 32.1 A failure by one of the Parties to this Agreement to assert its rights upon any breach of a covenant or condition of this Agreement shall not be deemed to be a waiver of such rights, nor shall any waiver be implied from acceptance of any payment or benefit. No such failure or waiver in writing by any one of the Parties hereto with respect to any such rights shall extend to or affect any subsequent breach or impair any right consequent thereto.

Section 32.2 Binding Agreement: Subject to the Force Majeure Section of this Agreement, the terms hereof shall be binding upon and inure to the benefit of CUSTOMER's and MANUFACTURER's permitted successors and assigns.

ARTICLE XXXIII
GOVERNING LAW

Section 33.1 This Agreement is to be construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflict of laws. In the event that the Parties are unable to resolve such dispute prior to the initiation of legal action, both CUSTOMER and MANUFACTURER submit to jurisdiction and venue in the state or federal courts of Texas.

ARTICLE XXXIV
CAPTIONS

Section 34.1 The captions of this Agreement are for reference purposes only and shall not affect the meaning of any provision of this Agreement.

ARTICLE XXXV
ENTIRE AGREEMENT

Section 35.1 This Agreement reflects the entire agreement between the parties with respect to the matters set forth herein and shall supersede any prior agreements or understandings, whether oral or in writing, except that this Agreement shall not supersede the Confidentiality Agreement signed by both Parties on April 17, 2013. Said additional agreement is expressly ratified and incorporated by reference herein. This Agreement may not be modified or amended in any manner, including prior or current course of dealing between the Parties or usage of trade, except by a writing executed by the Parties hereto. No purchase order or other form from CUSTOMER will modify, supersede, add to or in any way vary the terms of this Agreement. Any acknowledgement by an employee or agent of MANUFACTURER of such form shall be solely for informational purposes.

ARTICLE XXXVI
EFFECT OF FACSIMILE AND PHOTOCOPIED SIGNATURES

Section 36.1 This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. A copy of this Agreement signed by one Party and faxed to another Party shall be deemed to have been executed and delivered by the signing Party as though an original. A photocopy of this Agreement shall be effective as an original for all purposes.

Executed _April 17____ , 2013 ("Effective Date") at Houston, Texas

CUSTOMER
MANUFACTURER

By:_/s/Greg Wallace____________________
By:_/s/ Will Baker__________________

Printed Name: _Gregory Wallace___________
Printed Name: Will Baker

Title:____VP__________________________
Title: Sales – Custom Processing

Attachment-A
Raw Materials

Petroleum distillates with a BP range of 90F to 690F. These specifications may be changed with written approval from both parties.

An uncontrolled list of the Raw Material Feed material specifications is as follows:

Material	Supplier
I. VSR Feedstock a. Typical Properties not supported by incoming COA i. BP Range 90F – 590F	CUSTOMER
II. Pygas Feedstock a. Typical Properties not supported by incoming COA i. BP Range 105F – 590F	CUSTOMER

Attachment-B
Finished Product

Pygas, Gasoline blend stock and Heavy/Bottoms/Cutter Stock processed to CUSTOMER's Specifications. These specifications may be changed with written approval from both Parties. In the event that the Finished Product either does not meet specification or is contaminated by MANUFACTURER, MANUFACTURER will be responsible for reprocessing the material at no additional cost to CUSTOMER or MANUFACTURER will purchase the off-spec material at the documented cost of the Feed material.

An uncontrolled list of the finished product specifications is as follows:

I. Pygas Finished
   a. Dry Point: 390F-420F

II. VSR Gasoline Blend Stock Finished
   a. Dry Point: 365F-405F

III. Heavy/Bottoms/Cutter Stock
   a. Flashpoint: 140F or greater

Attachment-C
Yields

KMTEX's production yield shall account for at least XX% of all feed provided by CUSTOMER to KMTEX. Such accounting shall be provided to CUSTOMER on a Quarterly basis. If production yield is below XX%, KMTEX will reimburse CUSTOMER for the value of the feed ($/lb) multiplied by the pounds short of the XX% target. The value of the feed in this calculation is the current documented value of the effected feed from CUSTOMER based on the posting that the feed is purchased from delivered to KMTEX.

A 0.5% aggregate handling loss outside the production yield targets shall be allowed.

Attachment-D - Fees & Quantities

PYGAS FEED

- Processing fee: $[***] per pound of Pygas Feed processed.

- Includes a dedicated [***] barrel tank for Pygas feed, a [***] barrel tank for overheads, and a [***] barrel tank for Heavy's/Bottoms/Cutter Stock products. These tanks will be provided at no charge as long as a minimum cumulative throughput of [***] barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.

VSR FEED

- Processing Fee: $[***] per pound of VSR Feed processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.

Tank rental and handling rates as follows:

$[***]/month for [***] barrel tank to accumulate add'l feed
$ [***] /month for a [***] barrel tank to accumulate VSR Feed

$ [***] /month for [***] gallons of additional storage for VSR feed.

GENERAL TERMS:

- KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.

In and out charges for additional terminalled product as follows:

$ [***] per tank truck of incoming unprocessed material
$ [***] per railcar unloaded of unprocessed material

Wet, low flash fuel: Either KMTEX (at a cost plus basis) or CUSTOMER will handle the proper disposal of the water co-product from this processing.

- Tank rental rates as follows

$ [***] /month ($[***] /day) for an 11,000 barrel tank
$ [***] /month ($[***] /day) for a 7,300 barrel tank

$ [***] /month ($[***] /day) for a 5,900 barrel tank
$ [***] /month ($[***] /day) for a 110,000 gallon tank

$ [***] /month ($[***] /day) for a 72,000 gallon tank

The expected rate of production for the terminalled and processed materials are as follows:

- [***] - [***] barrels per quarter of material to be terminalled
- [***] - [***] barrels per quarter of material to be processed

Regarding Additives

- All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.

- All additives will have to be labeled with CUSTOMER name on the side of the drum / tote.
- There will be a charge of [***] per gallon for each additive administered with a minimum charge of $ [***] for each additive.

- It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of $ [***] per drum.

Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of $[***] per hour.

Attachment-E
Energy Surcharge

Energy surcharge fee as follows: When the natural gas rate for MMBTU billed to KMTEX from the gas company is greater than $ [***] /MMBTU

- o Variable Surcharge=(Natural Gas Price - $ [***]) x (Natural Gas Factor) x (Pounds of Feed Processed)

- o The Natural gas Factor is [***] BTU for Pound of Feed Processed

Attachment-F
Reporting Procedures

Upon completion of the processing, CUSTOMER will be provided a spreadsheet detailing the material balance

Exhibit 10.13

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

FIRST AMENDMENT TO PROCESSING AGREEMENT

This FIRST AMENDMENT TO PROCESSING AGREEMENT (1st Amendment") is entered into effective this 1st day of November, 2013 ("Effective Date") by and between Vertex Energy, Inc., a Texas Corporation having an office at 200 Atlantic Pipeline Road ("CUSTOMER") and KMTEX LLC, Texas Limited Liability Corporation, having an office at 333 North Sam Houston Parkway East, Suite 1250, Houston, Texas 77060 ("KMTEX").

WITNESSETH

WHEREAS, effective July 1, 2012, CUSTOMER and KMTEX entered into an agreement for the processing of certain petroleum distillates ("Processing Agreement");

WHEREAS, CUSTOMER and KMTEX wish to revise the term and fee schedule of the Processing Agreement;

NOW THEREFORE, these premises considered, the parties agree to amend the Processing Agreement as follows:

1. Section 2.1 of the Agreement under Article 2 entitled **Term and Termination** will be deleted in its entirety and the following substituted in its place:

Section 2.1 This agreement commences on the Effective Date and its Initial Term shall expire on December 31, 2015, subject to the other provisions in this Agreement, or as otherwise agreed to by the Parties.

2. Attachment D entitled **Fees & Quantities** will be deleted in its entirety and the following substituted in its place:

Attachment-D- Fees & Quantities

- PYGAS FEED
  - o Processing fee: [***] per pound of Pygas Feed processed.
    - Includes a dedicated [***] barrel tank for Pygas feed, a [***] barrel tank for overheads, and a [***] barrel tank for Heavy's/Bottoms/Cutter Stock products. These tanks will be provided at no charge as long as a minimum cumulative throughput of [***] barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.

- VSR FEED
  - o Processing Fee: [***] per pound of VSR Feed processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.

- Tank rental rates to support VSR Feed processing as follows:

- [***] /month for the following tanks:
  - VSR Feed: [***] or [***] barrel tank
  - VSR Feed: [***] or [***] barrel tank
  - VSR Bottoms: Cumulative [***] gallons of storage

- CAPITAL INVESTMENT IN KMTEX DISTILLATION COLUMN 401 (C401)
  - Capital Payment: CUSTOMER will pay KMTEX a total of [***] to partially fund the construction of KMTEX distillation column 401. CUSTOMER will pay KMTEX on the following schedule:

- October 2013: [***]
- November 2013: [***]
- December 2013: [***]
- January 2014: [***]
- February 2014: [***]
- March 2014: [***]
- April 2014: [***]
- May 2014: [***]

  - KMTEX Commitment: Once the construction of C401 is complete and provided that CUSTOMER is able to supply enough feed for processing, KMTEX will commit to processing a minimum of [***] barrels of total feed material for CUSTOMER each month by utilizing D401 and other available distillation columns at KMTEX.
    - KMTEX guarantees that it will be a priority to utilize C401 as a unit to process CUSTOMER's feed. In the event that CUSTOMER does not have feed available to run on C401 or available tankage to support processing feed on C401, KMTEX reserves the right to utilize C401 to process other feed.

- ADDITIONAL STORAGE TANK
  - Rental Commitment: KMTEX will build a [***] barrel carbon steel tank. Upon completion of construction of the tank, CUSTOMER will commit pay [***] per month for the duration of thisAgreement for utilization of the new [***] barrel tank.

- GENERAL TERMS:
  - KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.

    - In and out charges for additional terminalled product as follows:
    - [***] per tank truck of incoming unprocessed material
    - [***] per railcar unloaded of unprocessed material
    - Wet, low flash fuel: Either KMTEX (at a cost plus basis) or CUSTOMER will handle the proper disposal of the water co-product from this processing.
  - Tank rental rates as follows
    - [***] /month ([***] /day) for an [***] barrel tank
    - [***] /month ([***] /day) for a [***] barrel tank
    - [***] /month ([***] /day) for a [***] gallon tank
    - [***] /month ([***] /day) for a [***] gallon tank

- Regarding Additives
    - All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.
    - All additives will have to be labeled with CUSTOMER name on the side of the drum / tote.
    - There will be a charge of one dollar per gallon for each additive administered with a minimum charge of [***] for each additive.
    - It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of [***] per drum.

- Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of [***] per hour.

3. Miscellaneous

All other provisions of the Processing Agreement not specifically amended herein shall remain the same and shall be in full force and effect.

This 1st Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one and the same instrument.

WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their duly authorized representative on this the 8th day of October 2010 but effective on July 1, 2010.

VERTEX ENERGY, INC.

By: /s/ Gregory Wallace
Name: Gregory Wallace
Title: VP

KMTEX Ltd.

By: /s/ Will Baker
Name: Will Baker
Title: Regional Manager

Exhibit 10.15

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

SECOND AMENDMENT TO PROCESSING AGREEMENT

This SECOND AMENDMENT TO PROCESSING AGREEMENT (2nd Amendment") is entered into effective this 1st day of January, 2016 ("Effective Date") by and between Vertex Energy, Inc., a Texas Corporation having an office at 200 Atlantic Pipeline Road ("CUSTOMER") and KMTEX LLC, Texas Limited Liability Corporation, having an office at 333 North Sam Houston Parkway East, Suite 1250, Houston, Texas 77060 ("KMTEX").

WITNESSETH

WHEREAS, effective July 1, 2012, CUSTOMER and KMTEX entered into an agreement for the processing of certain petroleum distillates ("Processing Agreement");

WHEREAS, effective November 1, 2013, CUSTOMER and KMTEX amended the Agreement for the processing of certain petroleum distillates ("First Amendment to the Processing Agreement");

WHEREAS, CUSTOMER and KMTEX wish to restate and revise the term and fee schedule of the Processing Agreement;

NOW THEREFORE, these premises considered, the parties agree to amend the Processing Agreement as follows:

1. Section 2.1 of the Agreement under Article 2 entitled **Term and Termination** will be deleted in its entirety and the following substituted in its place:

Section 2.1 This agreement commences on the Effective Date and its Initial Term shall expire on December 31, 2016, subject to the other provisions in this Agreement, or as otherwise agreed to by the Parties.

2. Attachment D entitled **Fees & Quantities** will be deleted in its entirety and the following substituted in its place:

Attachment-D - Fees & Quantities

PYGAS FEED

- Processing fee: $[***] per pound of Pygas Feed processed.

Includes a dedicated [***] barrel tank for Pygas Feed and a [***] barrel tank for overheads. These tanks will be provided at no charge as long as a minimum cumulative throughput of [***] barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.

The Pygas TOPS portion of the finished product must ship out within 10 calendar days after processing is complete and the material balance has been reported. After such time KMTEX shall charge $[***] per day penalty for each day the material remains in KMTEX storage.

VSR FEED

- Processing Fee: $[***] per pound of VSR Feed processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.

Includes a [***] barrel tank for overheads which must ship out within 10 calendar days after processing is complete and the material balance has been reported. After such time KMTEX shall charge $[***] per day penalty for each day the material remains in KMTEX storage.

TANK RENTAL

- Tank rental rates to support VSR Feed processing as follows:

$[***]/month for the following tanks:

- VSR Feed: [***] or [***] barrel tank
- VSR & Pygas Bottoms: [***] barrel tank for combined use to support Pygas and VSR Feed processing

- Additional [***] gallons of storage to supplement Pygas and VSR Feed processing

Additional Tank rental rates as follows

- $[***]/month ($[***]/day) for an [***] barrel tank
- $[***]/month ($[***]/day) for a [***] barrel tank

- $[***]/month ($[***]/day) for a [***] barrel tank
- $[***]/month ($[***]/day) for a [***] gallon tank

- $[***]/month ($[***]/day) for a [***] gallon tank

GENERAL TERMS:

- KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.

  In and out charges for additional terminalled product as follows:

  $[***] per tank truck of incoming unprocessed material
  $[***] per railcar unloaded of unprocessed material

  PROCESSING BY-PRODUCTS: CUSTOMER will be responsible for the expense associated with disposal of any high flash non-hazardous water generated from processing at a cost of $[***]/gallon, and any low flash hazardous water generated from processing at a cost of $[***]/gallon; provided, however, such disposal cost

shall be limited to disposal of water that is attributable to the water content of the Feed.

- Regarding Additives

  All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.

  All additives will have to be labeled with CUSTOMER name on the side of the drum / tote.
  There will be a charge of one dollar per gallon for each additive administered with a minimum charge of $[***] for each additive.

  It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of $[***] per drum.
  Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of $[***] per hour.

  It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of $[***] per drum.

- Shipping Charges for samples and other customer requested shipments will be billed at [***]

3. Miscellaneous

All other provisions of the Processing Agreement not specifically amended herein shall remain the same and shall be in full force and effect.

This 2nd Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one and the same instrument.

WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their duly authorized representative effective on January 1, 2016.

VERTEX ENERGY, INC.

By: /s/ *Matthew Dupay*

Name: Matthew Dupay

Title: Manager of Refining and Marketing

Date: 12/3/15

KMTEX LLC.

By: /s/ *Will Baker*

Name: Will Baker

Title: Business Development Manager

Date: 12/2/15

Exhibit 10.16

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

CleanHarbors ENVIRONMENTAL SERVICES® safety-kleen® A Clean Harbors Company

SWAP AGREEMENT

THIS SWAP AGREEMENT, ("**Agreement**") is made on this 29th, day of January, 2016 (the "**Effective Date**"), by and between Vertex Energy Operating, LLC, a Texas limited liability company with its principal place of business located at 1331 Gemini Street, Suite 250, Houston, Texas 77058 and its affiliates and subsidiaries (collectively, "**Vertex**") and Safety-Kleen Systems, Inc., a Wisconsin corporation with its principal place of business located at 2600 North Central Expressway, Suite 400, Richardson, Texas 75080 and its affiliates and subsidiaries ("**Safety-Kleen**" and, together with Vertex, the "**Parties**").

The following paragraphs set forth the general terms and conditions under which the Parties agree to swap equivalent volumes of used oil meeting the specifications set forth in Schedule A (such used oil, meeting such specifications, the "**Oil**" or the "**Product**"):

1. TERM:

Subject to the provisions of Section 6 and 13 below, this Agreement shall have a term of five (5) years commencing on the date that Safety-Kleen's oil processing facility located at 22211 Bango Road, Fallon, NV 89406 is fully operational as mutually determined in a written acknowledgement signed by both Parties (the "**Initial Term**") and shall automatically renew for additional subsequent one (1) year terms (each a "**Renewal Term**") unless a Party provides the other Party with ninety (90) days prior written notice to the other Party that it desires not to renew this Agreement (such Initial Term plus the Renewal Terms, if applicable, the "**Term**").

2. USED OIL EXCHANGE:

a. Subject to the terms of this Agreement, during the Term, each Party (the "**Delivering Party**") agrees to deliver to the other Party (the "**Receiving Party**") the Quarterly Quantity (as defined in Schedule B).

b. Within the first ten (10) business days of each fiscal quarter during the Term, each Party shall indicate to the other Party the quantity of Oil (which quantity must be between the Quarterly Minimum and the Quarterly Maximum) that it proposes to deliver to the other Party during the upcoming fiscal quarter. If the quantities so proposed by the Parties are different, the Parties shall, within five (5) business days after receipt of both proposed quantities, use their good faith efforts to mutually agree upon a single quantity. If the Parties are able to come to such an agreement, the agreed upon quantity shall be the Quarterly Quantity. If the Parties cannot agree, the Quarterly Quantity shall be the *lower* of the two proposed quantities.

c. Neither Party shall be obligated to deliver to the other Party, or to accept from the other Party, any amount of Oil exceeding the Monthly Maximum in any calendar month, the Quarterly Maximum in any fiscal quarter or the Annual Maximum in any calendar year. If the Delivering Party delivers in excess of any such quantity in any month, fiscal quarter or calendar year, as applicable, the Receiving Party shall have the option, in its sole discretion, to reject the delivery or to purchase the delivered Oil for a price to be mutually agreed upon. If a price cannot be agreed upon, such delivery shall be deemed to have been rejected.

d. If, by the last day of the applicable fiscal quarter, the Delivering Party has not delivered the full Quarterly Quantity to the Receiving Party, the Receiving Party shall, in its sole discretion, have the option of either: (A) permitting the Delivering Party to deliver, during the next fiscal quarter (in addition to the amount of the Quarterly Quantity applicable to the next fiscal quarter), the Shortfall Quantity; or (B) in lieu of delivering the Shortfall Quantity, requiring the Delivering Party to pay the Receiving Party the Shortfall Payment Amount.

e. Safety-Kleen agrees to deliver all Oil required to be delivered hereunder to Vertex's oil processing facilities located at, in the sole discretion and election of Vertex, either the Cedar Marine Terminal Processing Plant, 200 Atlantic Pipeline Rd., Baytown, TX 77520 or the Marrero Re-Refinery, 5000 River Road, Marrero, LA 70072 and Vertex agrees to deliver all Oil required to be delivered hereunder to Safety-Kleen's oil processing facility located at 22211 Bango Road, Fallon, NV 89406.

3. OBLIGATIONS:

Each Party represents and warrants that all Oil provided to the other Party pursuant to this Agreement shall be used lubricating oil suitable for re-refining and shall meet the refinery grade used oil specifications referenced in Schedule A.

If, in the Receiving Party's opinion, the Oil does not comply with the specifications set forth in Schedule A or is otherwise not as described in Schedule A ("**Non-Refinery Grade Used Oil**") or is otherwise not suitable for re-refining in the Receiving Party's reasonable discretion, the Receiving Party reserves the right to reject the oil hereunder and refuse acceptance of the said delivery.

Notwithstanding the foregoing, the Receiving Party may agree to purchase the Non-Refinery Grade Used Oil at a price mutually agreed upon by the Parties, upon which the Receiving Party will purchase the Non-Refinery Grade Used Oil and pay the delivering Party the agreed price in accordance with the terms of payment of this Agreement. Any Non-Refinery Grade Used Oil delivered by a Party shall not be included in the calculation of that Party's Quarterly Quantity.

EXCEPT FOR WARRANTY OF TITLE, NO CONDITIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF SATISFACTORY QUALITY, MERCHANTABILITY, FITNESS OR SUITABILITY OF THE OIL FOR ANY PARTICULAR PURPOSE OR OTHERWISE, ARE MADE BY A PARTY OTHER THAN THAT THE USED OIL CONFORMS, WITHIN ANY TOLERANCES STATED, TO THE DESCRIPTION CONTAINED HEREIN.

4. DELIVERY/ TITLE AND RISK OF LOSS:

The Parties shall deliver the Oil to the locations specified above, fully paid and in compliance with all laws, rules, regulations and guidelines applicable to the Oil or the transport of the Oil. If the Receiving Party reasonably determines upon delivery that the Oil packaging is not in compliance with any applicable laws, rules, regulations or guidelines, the Receiving Party may require the Delivering Party to remedy the Oil packaging to bring it into compliance with all applicable laws, rules, regulations and guidelines prior to the Receiving Party handling such Oil.

Except as otherwise specified in this agreement, title and risk of loss shall pass between Parties for all volumes delivered by truck, as the Product passes the flange connecting the delivering and receiving apparatus of the Parties at the delivery location. With respect to delivery of Oil by rail, delivery shall be deemed to occur upon receipt at the applicable Party's rail yard and each such receiving Party agrees to accept unloading of rail cars in a commercially reasonable and customary timeframe after receipt.

5. PAYMENT

Where any payment is required under this Agreement, the Party requiring payment shall issue an invoice to the other Party and the other Party will make payment within 30 days of the invoice date.

6. TERMINATION

Either Party may terminate this Agreement for cause upon providing 30 days advance written notice to the other Party where the other Party:

i. Fails to meet the refinery grade specifications set out in Schedule A on a recurring basis;

ii. Fails to deliver the Quarterly Quantity for at least three consecutive fiscal quarters; or

iii. Breaches a material term of this Agreement.

Where notice of termination is provided pursuant to Subsection (i) or (iii) above, the defaulting Party shall have the opportunity to cure the default during the termination notice period. Upon the effective date of a termination notice, the Parties shall undertake an accounting of all Oil volumes delivered and received during the quarter or portion thereof immediately preceding the effective date of termination in accordance with Section 2 and Section 5 (pro-rated for partial quarters, if applicable).

7. TAXES

The Delivering Party is responsible for remitting GST and any other applicable taxes, as applicable.

8. METHODS OF TREATMENT AND RECYCLING

The methods of treatment and recycling shall be for re refining. Each Party represents that its methods are suitable for the materials and in compliance with all federal, provincial and local laws governing the applicable used oil streams.

9. LICENSES, PERMITS AND COMPLIANCE WITH THE LAW

Each Party represents that it is familiar with, understands, and will comply with all applicable local, provincial and federal laws, guidelines, regulations, permits, licenses, and approvals concerning the handling, transportation and recycling/disposal of the used oil streams.

10. INDEMNIFICATION

Safety-Kleen agrees to indemnify, defend and save Vertex harmless from and against any and all liability (including reasonable lawyer's fees) for which Vertex may be responsible or pay out as a result of bodily injuries (including death), property damage, or any violation of law to the extent caused by: (i) Safety-Kleen's breach of this Agreement; or (ii) any negligent act, negligent omission or willful misconduct of Safety-Kleen, its employees or contractors in the performance of this Agreement.

Vertex agrees to indemnify, defend and save Safety-Kleen harmless from and against any and all liability (including reasonable lawyer's fees) for which Safety-Kleen may be responsible or pay out as a result of bodily injuries (including death), property damage, or any violation of law to the extent caused by: (i) Vertex's breach of this Agreement; or (ii) any negligent act, negligent omission or willful misconduct of Vertex, its employees or contractors in the performance of this Agreement.

Neither Party shall be liable to the other for indirect, incidental, consequential, or special damages, including but not limited to loss of use and lost profits.

11. ASSIGNMENT:

Neither Party shall assign its rights and obligations hereunder directly or indirectly without prior written consent of the other Party. Notwithstanding the foregoing, either Party may assign its rights and obligations hereunder to an affiliate of such Party provided that the credit worthiness of such affiliate is not materially weaker than the credit worthiness of the assignor.

12. AMENDMENT:

No amendment to, or modification, waiver or discharge of, any provision of this Agreement shall be binding on Safety-Kleen or Vertex unless in writing and signed by authorized representatives of both Parties.

13. BANKRUPTCY, NON-PAYMENT:

In addition to the provisions contained in Section 6 above, a Party may terminate this Agreement at its sole option immediately if (i) the other Party is liquidated, dissolved, has a change of ownership or control; (ii) the other Party fails to pay such Party when due any amounts hereunder and such failure continues for fifteen (15) days after written notice from such Party; (iii) the other Party voluntarily files a petition for bankruptcy for reorganization or to effect a plan or other arrangements with creditors or is adjudicated bankrupt or insolvent; or (iv) the other Party fails or refuses to accept delivery of the Product as agreed herein or refuses any further deliveries without required notice.

14. CONFIDENTIALITY:

Safety-Kleen and Vertex, and their respective affiliates, officers, directors, employees and agents ("**Representatives**"), shall treat and maintain as confidential property, and not use for its own benefit or disclose to others during the term of this Agreement and for a period of ten (10) years thereafter, except as is necessary to provide the Products and related services hereunder, any information (including any technical information, experience or data) regarding products, pricing, plans, programs, plants, processes, costs, equipment, operations, or such Party's vendors, suppliers and customers, or the chemical composition, quantity or analysis of the Product, the terms of this Agreement or the existence of this Agreement (collectively, "**Confidential Information**"), which may be disclosed by a Party (the "**Disclosing Party**") to, or come within the knowledge of, the other Party (the "**Receiving Party**") or its respective Representatives in the performance of this Agreement, without the Disclosing Party's prior written consent.

The provisions of this section shall not apply to any Confidential Information which: (a) has been published and has become part of the public domain other than by wrongful acts or omissions of Receiving Party, its employees and agents; (b) has been furnished or made known to the Receiving Party, its employees or agents, by third parties (other than those acting directly or indirectly for or on behalf of Receiving Party) as a matter of legal right and without restriction on disclosure; (c) was in Receiving Party's possession prior to disclosure by the Disclosing Party and was not acquired by Receiving Party, its employees and agents directly or indirectly from the Disclosing Party; or (d) is required by law or by any governmental regulatory authority to be disclosed; provided the Receiving Party gives the Disclosing Party sufficient notice of such anticipated disclosure so that the Disclosing Party might, at Disclosing Party's expense, seek a protective order or other remedy it deems appropriate to prevent disclosure of the Confidential Information.

The Parties agree to exercise the same degree of care and discretion to avoid unauthorized disclosure, publication or dissemination of all of the other Party's Confidential Information as the Party exercises to protect its own confidential information, being no less than a reasonable degree of care.

The obligations of this Section 14 shall survive for a period of five (5) years after termination of this Agreement. Notwithstanding anything herein to the contrary, breach of the obligations set forth in this Section 14 shall give rise to immediate termination.

15. NOTICES:

All notices and communications required or permitted to be given hereunder shall be considered to be given and received in all respects when personally delivered or sent by facsimile or sent by reputable overnight courier service or three (3) days after being deposited in the United States mail, certified, postage prepaid and return receipt requested to the following addresses:

Vertex:
Vertex Energy Operating, LLC
1331 Gemini Street, Suite 250
Houston, TX 77058
Attn: Benjamin P. Cowart, President and CEO

Safety-Kleen:
Safety-Kleen Systems Inc.
2600 N. Central Expressway
Suite 400
Richardson, TX 75080

With a copy to:
Clean Harbors Environmental Services Inc.
42 Longwater Drive
P.O. Box 9149
Norwell, MA 02061-9149
Attn: General Counsel (Urgent Contract Matter)
781-792-5000

16. GOVERNING LAW:

This contract shall be governed by and construed in accordance with Texas law without regard to conflicts of law rules. The Parties consent to the exclusive jurisdiction of the state and federal courts located in the state of Texas with regard to all disputes hereunder.

17. WAIVER:

Any waiver by either Party of any provision or condition of this Agreement shall not be construed or deemed to be a waiver of any other provisions or conditions.

18. SEVERABILITY:

If any section of this Agreement shall be found to be unenforceable, such finding shall not affect the enforceability of any other section or the Agreement as a whole.

19. ENTIRE AGREEMENT:

This Agreement and the attachments hereto, constitute the entire agreement between Vertex and Safety-Kleen related to the purchase of the Product and shall be deemed effective on the date signed by the Party executing this Agreement last. Should any discrepancy exist between this Agreement and any supporting documents, such as a Party's request for Product and Product receipts, the terms and conditions of this Agreement shall control. The Parties agree that preprinted terms and conditions on a purchase or work order shall be of no force and effect, even if signed by both Parties. No modification of this Agreement, except to Schedule A, shall be binding on Safety-Kleen or Vertex unless in writing and signed by both Parties.

20. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

21. FORCE MAJEURE

a. Each Party hereto shall be excused from liability for delay or cancellation of any purchase or delivery of the Product hereunder due to any cause beyond the reasonable control of such Party (each a "Force Majeure Event"), including, but not limited to, fire, labor dispute, embargo, material shortage, acts of God, or acts of any government, whether national, state, municipal or otherwise, and in such event, either Party, at its option by prompt written notice to the other Party, shall have the right to reduce the quantity of any purchase or delivery (or portions thereof) of Product so affected. The affected Party shall make every commercially reasonable effort to eliminate and/or correct the effect of such Force Majeure Event as completely and rapidly as is reasonably possible. In such case, the time of delivery or performance shall be deferred until the cause of the Force Majeure Event has been eliminated or corrected sufficiently to permit performance.

b. Notwithstanding the above paragraph, should a Force Majeure Event adversely impact, or reasonably be likely to impact adversely, a Party's available timely supply or receipt of Product from the other Party for a period of one hundred eighty (180) days or more, then such Party shall have the right to terminate this Agreement without liability upon written notice thereof to the other Party.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Swap Agreement to be executed by their duly authorized representatives as of the day and year first above written.

SAFETY-KLEEN SYSTEMS, INC.		VERTEX ENERGY OPERATING, LLC:	
By:	*/s/ James M. Rutledge*	By:	*/s/ Benjamin P. Cowart*
Its:	Executive Vice President	Its:	President and Chief Executive Officer
Date:	January 29, 2016	Date:	January 29, 2016

Schedule A

Used Oil Specifications

Test	Procedure	Units	UMO
API Gravity at 60° F	ASTM D1298 mod.	-	**26 – 32**
Specific Gravity	ASTM D1298 mod.	-	**Report**
Water Content, %	ASTM E203 mod	%	**<5**
Total Halogens (XRF)	ASTM D6052 mod.	ppm	**<800**
Flash Point, Closed Cup or Seta	ASTM D 93 / D3828	F	**>140**
Arsenic (ICAP)	ASTM D5185 mod.	ppm	**<5**
Cadmium (ICAP)	ASTM D5185 mod.	ppm	**<2**
Calcium (ICAP)	ASTM D5185 mod.	ppm	**<3500**
Chromium (ICAP)	ASTM D5185 mod.	ppm	**<10**
Iron (ICAP)	ASTM D5185 mod.	ppm	**<150**
Lead (ICAP)	ASTM D5185 mod.	ppm	**<100**
Phosphorous (ICAP)	ASTM D5185 mod.	ppm	**<1100**
Silicon (ICAP)	ASTM D5185 mod.	ppm	**<150**
Sodium (ICAP)	ASTM D5185 mod.	ppm	**<250**
Vanadium (ICAP)	ASTM D5185 mod.	ppm	**<10**
Zinc (ICAP	ASTM D5185 mod.	ppm	**<1500**
Styrene, PPM	GC/HS	ppm	**<100**
Polychlorinated Biphenyls	SW 846/USEPA 8082	ug/g	**<2**
Sulfur by ICAP or X-Ray	ASTM D5185 mod. / D6052	wt%	**<0.5**
Glycol	GC/HS	%	**<1**
Sediment by Spin, %	ASTM D1796	%	**<1.5**
Viscosity at 40° C, After Caustic	ASTM D445 mod.	cSt	**<250**
Viscosity at 40° C	ASTM D445 mod.	cSt	**40 - 100**
Distillation Curve	ASTM D2887	%	**<15%@700°F**
Distillation Curve	ASTM D2887	%	**>50%>800°F**
Distillation Curve	ASTM D2887	%	**>95%>1050°F**

Schedule B

Quarterly Quantities

As used in Section 2, the following terms shall have the following meanings:

i. "**Monthly Maximum**" means [***] gallons of Oil or such other number of gallons as is mutually agreed upon by the Parties.

ii. "**Quarterly Minimum**" means [***] gallons of Oil or such other number of gallons as is mutually agreed upon by the Parties.

iii. "**Quarterly Maximum**" means [***] gallons of Oil or such other number of gallons as is mutually agreed upon by the Parties.

iv. "**Annual Maximum**" means [***] gallons of Oil or such other number of gallons as is mutually agreed upon by the Parties.

v. "**Quarterly Quantity**" means the quantity of Oil determined pursuant to subsection (c) below.

vi. "**Shortfall Quantity**" means the difference between the Quarterly Quantity and the amount of Oil actually delivered by the Delivering Party during the applicable fiscal quarter (beginning on January 1, April 1, July 1 and October 1).

vii. "**Shortfall Payment Amount**" means an amount equal to: (A) the number of gallons in the Shortfall Quantity times [***] of the applicable per-gallon price specified in the Index (assuming 42 gallons per barrel, and using the most current figure available as of the applicable date of determination), plus (B) [***] of the amount specified in clause (A).

viii. "**Index**" means the US Platts mid-range per gallon rate for Gulf Coast No. 6, 3%.

Exhibit 10.17

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

CleanHarbors ENVIRONMENTAL SERVICES® safety-kleen® A Clean Harbors Company

BASE OIL SALES AGREEMENT

THIS BASE OIL SALES AGREEMENT, (this "**Agreement**") is made on this 29th, day of January, 2016 (the "**Effective Date**"), by and between Vertex Energy Operating, LLC, a Texas limited liability company with its principal place of business located at 1331 Gemini Street, Suite 250, Houston, Texas 77058 and its affiliates and subsidiaries (collectively, "**Purchaser**") and Safety-Kleen Systems, Inc., a Wisconsin corporation with its principal place of business located at 2600 North Central Expressway, Suite 400, Richardson, Texas 75080 and its affiliates and subsidiaries (collectively, "**Safety- Kleen**" and, together with Vertex, the "**Parties**").

The following paragraphs set forth the general terms and conditions under which Purchaser will purchase from Safety-Kleen and Safety-Kleen will supply to Purchaser base oils and other finished lubricants of the type specified in Exhibit A (the "**Product**").

1. TERM:

Subject to the provisions hereof, this Agreement shall have a term of five (5) years from the date hereof (the "**Initial Term**") and shall automatically renew for additional subsequent one (1) year terms (each a "**Renewal Term**") unless a Party provides the other Party with ninety (90) days prior written notice to the other Party that it desires not to renew this Agreement (such Initial Term plus the Renewal Terms, if applicable, the "**Term**").

2. PRODUCT AND QUANTITY/ VOLUME COMMITMENT:

During the Term, Safety-Kleen agrees to sell to Purchaser, and Purchaser agrees to purchase from Safety-Kleen, the Product up to the maximum quantities set forth in Exhibit B (the "**Volume**

Commitment") and at the locations specified herein or otherwise mutually agreed by the Parties in accordance with the terms of this Agreement.

Safety-Kleen shall have no obligation to sell or deliver more than 95% of the Volume Commitment of any Product.

In the event Purchaser seeks to purchase Product in excess of the Maximum Annual Volume Commitment (as specified in Exhibit B) in any given year, written notice of request by Purchaser to purchase such additional Product must be given ninety (90) days prior to desired purchase date. Safety-Kleen has the right to accept or not accept request, upon timely notice.

3. FORECAST:

During the Term, Purchaser will provide Safety-Kleen with a Product forecast each month that details its requirements for the next two (2) months (the "**Forecast**"). The Forecast will be by Product type, including by contracted grade and volume, and will define planned shipments for each month in the Forecast. If Purchaser fails to provide the Forecast in any month during the Term, then the Forecast for such month shall be equivalent to the last monthly Forecast provided by Purchaser; provided, however, if Purchaser shall have failed to deliver a Forecast for six consecutive months, then Safety-Kleen, at its sole discretion, may elect to terminate this Agreement.

4. SPECIFICATIONS:

The Product shall meet Safety-Kleen's current specifications for the Product as disclosed in advance to Purchaser or the specifications provided upon request by Purchaser (the "**Specifications**"). If any Product does not meet the Specifications, Purchaser shall have the right to reject or revoke its acceptance of such Product.

5. PRICING:

The price at which Safety-Kleen shall invoice Purchaser for Product sold and delivered hereunder for shipping shall be as specified in Exhibit C.

6. PAYMENT:

Payment is due within thirty (30) days from the date of the bill of lading. Safety-Kleen and Purchaser agree that, in the event Purchaser fails to make payment when due, an amount equal to 1.5% per month (18% per annum) or the maximum amount allowed by law, whichever is greater, will be added to all amounts outstanding beyond the due date. In order to assure timely payment, Purchaser agrees to notify Safety-Kleen within a reasonable time after receipt of the invoice of any questions concerning an invoice charge. All payments from Purchaser shall be made through an Electric Funds Transfer (EFT) account. Safety-Kleen, in its sole discretion, reserves the right to change credit amounts extended to Purchaser to the extent it is reasonable to do so under the circumstances. If amounts owed to Safety-Kleen by Purchaser exceed allowed credit amounts, Safety-Kleen further reserves the right to require certain shipments be paid on a C.O.D. basis until Purchaser's outstanding balances are reduced within established credit terms.

7. ORDERING:

Orders must be placed in full rail car or truck load quantities. The minimum order for one rail car is 22,000 gallons. The minimum order lead time (the interval between the day an order is received and the day such order is delivered to the applicable carrier for shipping) is seven (7) business days. Orders must be placed by Purchaser with Safety-Kleen's Customer Service department at (800) 421-6841.

8. TRANSPORTATION AND DELIVERY:

The pricing specified in Section 5 does not include transportation fees. All transportation to Purchaser's location shall be billed as a separate line item on the invoice. Freight charges will be based on mode of transportation, which is at the election of Purchaser. Safety-Kleen shall sell, and Purchaser shall buy, the Product F.O.B. Origin, freight prepaid as specified in Exhibit B.

Safety-Kleen shall arrange for shipping by rail or truck carrier to Purchaser's agreed upon facilities. Purchaser shall pay demurrage at a rate of seventy five dollars ($75) per day beginning on day eight (8) after the rail carrier notifies Purchaser of the rail car's arrival for delivery at the receiving facility and at one hundred fifty dollars ($150) per day beginning on day thirty (30) until the empty railcar is released.

Any claims for shortage in quantity or deficiency in quality shall be waived unless Purchaser gives Safety-Kleen notice of the claim in writing within ten (10) business days of delivery. Such notice shall set forth in reasonable detail the facts on which Purchaser's claim is based, and Safety-Kleen (and/or its representatives) shall be given full opportunity to inspect, measure and test the Product and alleged deficiencies. Safety-Kleen tank gauge, rail strapping chart and/or scale ticket readings, which Safety-Kleen represents will be accurate in all material respects, will be used to determine delivered quantity which shall be conclusive and binding on both Parties. To support deficiency of quality claims, Purchaser must submit to Safety-Kleen in a timely manner, appropriate retained samples (4 ounce minimum).

Notwithstanding a delivery date stated on a purchaser order, Safety-Kleen makes no guaranty as to the date of delivery of any order and, subject to the last sentence of this paragraph, Purchaser shall have no recourse against Safety-Kleen based on a failure to meet a stated delivery date. Safety-Kleen, however, agrees to make all reasonable efforts to deliver the Product to Purchaser in a timely manner. Notwithstanding the foregoing, in the event Safety-Kleen fails to deliver any order for Product from Purchaser within 3 days of the delivery date stated on a purchaser order, then (a) Purchaser shall be entitled to obtain equivalent Product from a third party source and such volume of Product shall reduce Purchaser's Volume Commitment obligation hereunder in an amount equivalent to such third party procured product, (b) Safety-Kleen shall be responsible for any incremental increase in costs incurred by Vertex related thereto and (c) Safety-Kleen shall accept return of such late Product at no cost to Purchaser.

9. INSPECTIONS:

Each delivery of Product shall be inspected by Purchaser for damage or defects and to verify that they meet the Specifications in accordance with the provisions of Section 8 above. Purchaser will notify Safety-Kleen as provided in Section 8 above if any Product is damaged or does not meet Specifications. Purchaser's only remedy in the event of non-conformity will be to return the Product to Safety-Kleen (at Safety-Kleen's expense) and receive a refund of the purchase price paid, and, additionally, Purchaser shall be entitled to procure alternative quantities of the Product from third party sources in accordance with the terms set forth in the last paragraph of Section 8 above.

10. TITLE AND RISK:

Upon loading, title to the Product and its risk of loss shall pass to Purchaser, subject to any interest of Safety-Kleen reserved to secure Purchaser's payment or performance.

11. WARRANTIES:

Safety-Kleen expressly warrants that at the time of transfer of title, Safety-Kleen shall (A) hold full and unencumbered legal and equitable title to the Product, and (B) have full right, authority and power to transfer and convey such title to Purchaser and to effect delivery of the Product to Purchaser. Additionally, Safety-Kleen expressly warrants that at the time of transfer of title the Product shall conform to the Specifications. **OTHER THAN THE FOREGOING, THERE ARE NO GUARANTEES OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS OR SUITABILITY OF THE PRODUCT FOR ANY PARTICULAR PURPOSE. THERE ARE NO OTHER ORAL OR WRITTEN GUARANTEES OR WARRANTIES EXCEPT AS PROVIDED HEREIN**. **PURCHASER'S SOLE AND EXCLUSIVE REMEDIES AGAINST SAFETY-KLEEN FOR ANY LIABILITY WITH RESPECT TO THE PRODUCT, WHETHER ANY CLAIM FOR RECOVERY IS BASED UPON OR ARISES OUT OF THEORIES OF CONTRACT, TORT OR OTHERWISE SHALL BE REFUND OF THE PURCHASE PRICE. IN NO EVENT SHALL SAFETY-KLEEN BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY OR TORT, NEGLIGENCE OR STRICT LIABILITY.**

PURCHASER EXPRESSLY WARRANTS THAT PRODUCT PURCHASED FROM SAFETY-KLEEN WILL NOT BE RESOLD TO SAFETY-KLEEN'S EXISTING BASE OIL CUSTOMERS.

Neither Party shall be liable to the other for indirect, incidental, consequential, or special damages, including but not limited to loss of use and lost profits.

12. DISCLAIMER TO SUPPLY AND DELIVERY:

Failure (in whole or in part) or delay on the part of either Party in the performance of any of the obligations imposed upon such Party hereunder, except for the payment for Product previously received, shall be excused and such Party shall not be liable for damages or otherwise on account thereof, when such failure or delay is the direct or indirect result of any cause beyond the reasonable control of such Party, whether or not existing at the date hereof, and whether or not reasonably within the contemplation of the Parties at the date hereof (each a "**Force Majeure Event**"), including, without limitation, fire, labor dispute, embargo, material shortage, acts of God, or acts of any government, whether national, state, municipal or otherwise. If, for any reason, Safety-Kleen is unable to make deliveries to all of its customers, its failure in whole or in part to make deliveries to Purchaser, while delivering to others, shall not be a breach of this Agreement. In such event, Safety-Kleen will prorate its available supply of product on an equitable basis to Purchaser. The applicable Party shall make every commercially reasonable effort to eliminate and/or correct the effect of such Force Majeure Event as completely and rapidly as is reasonably possible. Upon cessation of such cause or causes for any such failure or delay, performance under this Agreement shall be resumed, but such failure or delay shall not extend the Term of this Agreement, nor obligate either Party to make up deliveries or receipts, as the case may be. Nothing herein contained shall excuse Purchaser from paying Safety-Kleen, when due, any amounts payable for any conforming Product sold and delivered to Purchaser hereunder.

13. EXPORT CONTROL:

Purchaser represents, covenants and warrants to Safety-Kleen that neither it nor any of its officers or employees will engage in or facilitate the export or re-export of any Product, any other Safety-Kleen products or any other product incorporating any Safety-Kleen products purchased from Safety-Kleen or from a third Party:

a) to Cuba, Iran, North Korea, Syria or to any other country subject to a U.S. trade embargo;

b) to any person or entity found on lists of restricted or denied parties maintained by the U.S. government, including the Denied Persons List, the Specially Designated Nationals List, the Unverified List, the Entity List and the Debarred List; or

c) subject to any other U.S. export control restriction (except with necessary licenses and approvals).

Purchaser shall take all reasonable steps necessary to require its consultants, agents and employees to comply with the above representations, covenants and warranties. Purchaser agrees that it will notify Safety-Kleen in writing immediately of the occurrence of any event which contravenes any of the foregoing representations, covenants and warranties.

14. ASSIGNMENT:

Neither Party shall assign its rights and obligations hereunder directly or indirectly without prior written consent of the other Party. Notwithstanding the foregoing, either Party may assign its rights and obligations hereunder to an affiliate of such Party provided that the credit worthiness of such affiliate is not materially weaker than the credit worthiness of the assignor.

15. AMENDMENT:

No amendment to, or modification, waiver or discharge of, any provision of this Agreement shall be binding on either Party unless in writing and signed by authorized representatives of both Parties.

16. TERMINATION:

Either Party may terminate this Agreement if the other Party fails to perform in accordance with this Agreement and the defaulting Party fails to correct such default within thirty (30) days of written notice of default by the non-defaulting Party; provided, however, (i) either Party may terminate this Agreement at its sole option immediately if the other Party is liquidated, dissolved, or has a change of ownership or control; (ii) Safety-Kleen may terminate this Agreement at its sole option if Purchaser fails to pay Safety-Kleen when due any amounts hereunder and such failure continues for fifteen (15) days after written notice from Safety-Kleen; (iii) either Party may terminate this Agreement at its sole option immediately if the other Party voluntarily files a petition for bankruptcy for reorganization or to effect a plan or other arrangements with creditors or is adjudicated bankrupt or insolvent; (iv) and Safety-Kleen may terminate this Agreement at its sole option if Purchaser fails or refuses to accept delivery of the conforming Product as agreed herein or refuses any further deliveries without required notice.

17. CONFIDENTIALITY:

Safety-Kleen and Purchaser, and their respective affiliates, officers, directors, employee and agents ("**Representatives**"), shall treat and maintain as confidential property, and not use for its own benefit or disclose to others during the term of this Agreement and for a period of ten (10) years thereafter, except as is necessary to provide the Products and any related services hereunder, any information (including any technical information, experience or data) regarding products, pricing, plans, programs, plants, processes, costs, equipment, operations, or such Party's vendors, suppliers and customers, or the chemical composition, quantity or analysis of the Product, the terms of this Agreement or the existence of this Agreement (collectively, "**Confidential Information**"), which may be disclosed by a Party (the "**Disclosing Party**") to, or come within the knowledge of, the other Party (the "**Receiving Party**"), its respective Representatives in the performance of this Agreement, without the Disclosing Party's prior written consent.

The provisions of this section shall not apply to any Confidential Information which: (a) has been published and has become part of the public domain other than by wrongful acts or omissions of Receiving Party, its employees and agents; (b) has been furnished or made known to the Receiving Party, its employees or agents, by third parties (other than those acting directly or indirectly for or on behalf of Receiving Party) as a matter of legal right and without restriction on disclosure; (c) was in Receiving Party's possession prior to disclosure by the Disclosing Party and was not acquired by Receiving Party, its employees and agents directly or indirectly from the Disclosing Party; or (d) is required by law or by any governmental regulatory authority to be disclosed; provided the Receiving Party gives the Disclosing Party sufficient notice of such anticipated disclosure so that the Disclosing Party might, at Disclosing Party's expense, seek a protective order or other remedy it deems appropriate to prevent disclosure of the Confidential Information.

The Parties agree to exercise the same degree of care and discretion to avoid unauthorized disclosure, publication or dissemination of all of the other Party's Confidential Information as the Party exercises to protect its own confidential information, being no less than a reasonable degree of care.

The obligations of this Section 17 shall survive for a period of five (5) years after termination of this Agreement. Notwithstanding anything herein to the contrary, breach of the obligations set forth in this Section 17 shall give rise to immediate termination.

18. NOTICES:

All notices and communications required or permitted to be given hereunder shall be considered to be given and received in all respects when personally delivered or sent by facsimile or sent by reputable overnight courier service or three (3) days after being deposited in the United States mail, certified, postage prepaid and return receipt requested to the following addresses:

Purchaser:
Vertex Energy Operating, LLC
1331 Gemini Street, Suite 250
Houston, TX 77058
Attn: Benjamin P. Cowart, President and CEO

Safety-Kleen:
Safety-Kleen Systems Inc
2600 N. Central Expressway
Suite 400
Richardson, TX 75080

With a copy to:
Clean Harbors Inc.
42 Longwater Drive
P.O. Box 9149
Norwell, MA 02061-9149
Attn: General Counsel (Urgent Contract Matter)

19. GOVERNING LAW:

This contract shall be governed by and construed in accordance with Texas law without regard to conflicts of law rules. The Parties consent to the exclusive jurisdiction of the state and federal courts located in the state of Texas with regard to all disputes hereunder.

20. WAIVER:

Any waiver by either Party of any provision or condition of this Agreement shall not be construed or deemed to be a waiver of any other provisions or conditions.

21. SEVERABILITY:

If any section of this Agreement shall be found to be unenforceable, such finding shall not affect the enforceability of any other section or the Agreement as a whole.

22. ENTIRE AGREEMENT:

This Agreement and the attachments hereto, constitute the entire agreement between Purchaser and Safety-Kleen related to the purchase of the Product and shall be deemed effective on the date signed by the Party executing this Agreement last. Should any discrepancy exist between this Agreement and any supporting documents, such as Purchaser's request for Product and Product receipts, the terms and conditions of this Agreement shall control. The Parties agree that preprinted terms and conditions on a purchase or work order shall be of no force and effect, even if signed by both Parties. No modification of this Agreement shall be binding on Safety-Kleen or Purchaser unless in writing and signed by both Parties.

23. COUNTERPARTS:

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Base Oil Sales Agreement to be executed by their duly authorized representatives as of the day and year first above written.

SAFETY-KLEEN SYSTEMS, INC.		VERTEX ENERGY OPERATING, LLC:	
By:	*/s/ James M. Rutledge*	By:	*/s/ Benjamin P. Cowart*
Its:	Executive Vice President	Its:	President and Chief Executive Officer
Date:	January 29, 2016	Date:	January 29, 2016

Exhibit A

Description of Product (Base Oils and Finished Lubricants)

Finished Lubricants:
- 15 W 40
- 5 W 20
- 5 W 30
- 10 W 30
- 10 W 30 HD
- AW 32
- AW 46
- AW 68
- UTF
- ATF Dexron/Mercon

Base Oils:

[see attachment beginning on next page]

Safety-Kleen. PROTECTION-CHOICES-PEOPLE MAKE GREEN WORK

SAFETY-KLEEN® BASE OIL PRODUCTS AND FLUIDS

BASE OIL

SAFETY-KLEEN® Base Oil serves the needs of industrial and automotive customers requiring the highest quality Group II+ and API Group II paraffinic base oil.

These high quality products easily allow you to optimize additives to meet performance objectives, lowering **blending costs and eliminating compensation issues, while gaining improved performance of final oil and** lubricant products.

TYPICAL PROPERTIES

SAFETY-KLEEN®	METHOD	RHT70	RHT120	RHT240
Kinematic Viscosity cSt @ 40°C cSt @ 100°C	 ASTM D7279 ASTM D7279	 12.7 3.0	 24.8 4.8	 43.4 6.9
Viscosity Index	ASTM D2270	94	112	116
Color	ASTM D1500	L 0.5	L 0.5	L 1.5
Appearance	Visual	Clear & Bright	Clear & Bright	Clear & Bright
Specific Gravity (60°F)	ASTM D4052	0.849	0.849	0.854
Flash Point, °C	ASTM D92	196	228	250
Pour Point, °C	ASTM D5949	-21	-18	-15
Cold-Cranking Simulator @ -25°C, cP @ -20°C, cP	 ASTM D5293 ASTM D5293	 600 –	 1730 960	 4950 2650
Evaporative Loss, NOACK, wt%	ASTM D5800	–	12.2	5.3
Volatility @ 371°C, wt%	ASTM D2887	–	3.9	1.4
Sulfur, µg/g	ASTM D5185	< 300	< 300	< 300
Polycyclic Aromatics, wt%	IP 346	< 3.0	< 3.0	< 3.0
Modified Ames Assay	ASTM E1687	MI < 1	MI < 1	MI < 1

Notes: Values shown above are representative of current production and may vary within modest ranges. Rev. 0/05

Safety-Kleen Systems, Inc., a Clean Harbors Company | www.safety-kleen.com | Customer Service 1-800-525-5739

Exhibit B

VOLUME COMMITMENT:

Maximum Annual Volume Commitment: [***] U.S. gallons

Maximum Quarterly Volume Commitment: [***] U.S. gallons

PICKUP:

At the option of Purchaser, to the extent the applicable Product is produced and available from such location, either:

– FOB East Chicago;
– FOB Breslau; or
– FOB Newark/Bango.

Exhibit C – Pricing

The price at which Safety-Kleen shall invoice Purchaser for Product sold and delivered hereunder for shipping shall be a price equal to [***]. Purchaser shall be responsible for all taxes, if any, applicable to the sale of the Product contemplated herein, which taxes are not included in the pricing specified herein. Safety-Kleen shall invoice Purchaser at the time the Product is delivered to the destination point for such Product.

Exhibit 10.21

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) THE REGISTRANT CUSTOMARILY AND ACTUALLY TREATS THAT INFORMATION AS PRIVATE OR CONFIDENTIAL.

THIRD AMENDMENT TO PROCESSING AGREEMENT

This THIRD AMENDMENT TO PROCESSING AGREEMENT (3rd Amendment") is entered into effective this 1st day of January, 2017 ("Effective Date") by and between Vertex Energy, Inc., a Texas Corporation having an office at 200 Atlantic Pipeline Road ("CUSTOMER") and KMTEX LLC, Texas Limited Liability Corporation, having an office at 363 North Sam Houston Parkway East, Suite 1040, Houston, Texas 77060 ("KMTEX").

WITNESSETH

WHEREAS, effective July l, 2012, CUSTOMER and KMTEX entered into an agreement for the processing of certain petroleum distillates ("Processing Agreement");

WHEREAS, effective November 1, 2013, CUSTOMER and KMTEX amended the Agreement for the processing of certain petroleum distillates ("First Amendment to the Processing Agreement");

WHEREAS, effective January 1, 2015, CUSTOMER and KMTEX amended the Agreement for the processing of certain petroleum distillates ("Second Amendment to the Processing Agreement");

WHEREAS, CUSTOMER and KMTEX wish to restate and revise the term and fee schedule of the Processing Agreement;

NOW THEREFORE, these premises considered, the parties agree to amend the Processing Agreement as follows:

l. Section 2.1 of the Agreement under Article 2 entitled **Term and Termination** will be deleted in its entirety and the following substituted in its place:

Section 2.1 This agreement commences on the Effective Date and its Initial Term shall expire on December 31, 2018, subject to the other provisions in this Agreement, or as otherwise agreed to by the Parties.

2.Attachment D entitled **Fees & Quantities** will be deleted in its entirety and the following substituted in its place:

Attachment-D - Fees & Quantities

- PYGAS FEED
  - o Processing fee:

	1/1/17 thru 6/30/17	7/1/17 thru 12/31/17	1/1/18 thru 12/31/18
Processing Fee $/lb of Feed Processed	$[***]	$[***]	$[***]

- Includes a dedicated **[***]** barrel tank for overheads. This tank will be provided at no charge as long as a minimum cumulative throughput of **[***]** barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.

- The Pygas TOPS portion of the finished product must ship out within 10 calendar days after processing is complete and the material balance has been reported. After such time KMTEX shall charge $**[***]** per day penalty for each day the material remains in KMTEX storage.

•VSR FEED

o Processing Fee: $**[***]** per pound of VSR Feed processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.

- Includes a [***] barrel tank for overheads which must ship out within 10 calendar days after processing is complete and the material balance has been reported. After such time KMTEX shall charge $[***] per day penalty for each day the material remains in KMTEX storage.

- TANK RENTAL
  - Tank rental rates to support VSR Feed processing as follows:
    - $[***]/month for the following tanks:
      - Pygas Feed: [***] barrel tank
      - VSR Feed: [***] or [***] barrel tank
      - VSR & Pygas Bottoms: [***] barrel tank for combined use to support Pygas and VSR Feed processing
      - Additional [***] gallons of storage to supplement Pygas and VSR Feed processing
    - Additional Tank rental rates as follows
      - $[***]/month ($[***]/day) for an [***] barrel tank
      - $[***]/month ($[***]/day) for a [***] barrel tank
      - $[***]/month ($[***]/day) for a [***] barrel tank
      - $[***]/month ($[***]/day) for a [***] gallon tank
      - $[***]/month ($[***]day) for a [***] gallon tank
- GENERAL TERMS:
  - KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.
    - In and out charges for additional terminalled product as follows:
      - $[***] per tank truck of incoming unprocessed material
      - $[***] per railcar unloaded of unprocessed material

- PROCESSING BY-PRODUCTS: CUSTOMER will be responsible for the expense associated with disposal of any high flash non-hazardous water generated from processing at a cost of $[***]/gallon, and any low flash hazardous water generated from processing at a cost of $[***]/gallon; provided, however, such disposal cost shall be limited to disposal of water that is attributable to the water content of the Feed.

- Regarding Additives

  - All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.

  - All additives will have to be labeled with CUSTOMER name on the side of the drum / tote.

  - There will be a charge of [***] per gallon for each additive administered with a minimum charge of $[***] for each additive.

  - It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of $[***] per drum.

  - Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of $[***] per hour.

  - It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of $[***] per drum.

- Shipping Charges for samples and other customer requested shipments will be billed at cost plus [***]%

- Overtime Charges. Overtime rate is $[***] per hour with a four (4) hour minimum for overtime services.

- Charges for Late Scheduling. All truck loads must be scheduled at least a day in advance and such scheduling must be done between the hours of 9 AM - 3 PM. Anything scheduled after these hours for next day pick up or scheduled on the day of the pickup will result in a $[***] charge per load. No trucks will automatically be "rolled over" to the next day. They must be scheduled.

3.Miscellaneous

All other provisions of the Processing Agreement not specifically amended herein shall remain the same and shall be in full force and effect.

This 3rd Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one and the same instrument.

WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their duly authorized representative effective on January 1, 2016.

VERTEX ENERGY, INC.

By: Matthew Dupey

Name: Matthew Dupey

Title: Manager, Refining & Marketing

Date: 12/6/16

KMTEX LLC.

By: Will Baker

Name: Will Baker

Title: Business Development Manager

Date: 12/14/16

EXHIBIT 21.1

Subsidiaries*

- Vertex Energy Operating, LLC, a Texas Limited Liability Company (wholly-owned)(“Vertex Operating”)
- Vertex Refining LA, LLC, a Louisiana Limited Liability Company (wholly-owned by Vertex Operating)
- Vertex Recovery Management, LLC, a Texas Limited Liability Company (wholly-owned)(“Vertex Recovery”)
- Vertex Recovery Management LA, LLC, a Louisiana Limited Liability Company (51% owned by Vertex Recovery Management, LLC and 49% owned by Industrial Pipe, Inc.)
- Vertex Splitter Corporation, a Delaware corporation (wholly-owned)
- Vertex Refining Myrtle Grove LLC, a Delaware Limited Liability Company (84.42% owned by Vertex Operating)
- HPRM LLC, a Delaware Limited Liability Company (35% owned by Vertex Operating)
- Crystal Energy, LLC ("Crystal") an Alabama Limited Liability Company (wholly-owned by Vertex Operating).
- Vertex Acquisition Sub, LLC, a Nevada Limited Liability Company (“Vertex Acquisition”) (wholly-owned by Vertex Operating)
- Leverage Lubricant, LLC ("Leverage"), is in the business of wholesale specialty blending of lubricants and warehousing and distribution of petroleum based products and related services, which entity is 51% owned by Vertex Operating.

Wholly-owned subsidiaries of Vertex Acquisition:

  - Cedar Marine Terminals, L.P., a Texas limited partnership
  - Crossroad Carriers, L.P., a Texas limited partnership
  - Vertex Recovery, L.P., a Texas limited partnership
  - H&H Oil, L.P., a Texas limited partnership

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Vertex Energy, Inc. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report. Inclusion in this list is not, however, a representation that the listed subsidiary is a “significant subsidiary.” The list above is as of March 11, 2022.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in (a) Registration Statement No. 333-255090 on Form S-3; (b) Registration Statement No. 333-162290 (as amended) on Form S-8; (c) Registration Statement No. 333-197659 on Form S-8; (d) Registration Statement No. 333-207157 on Form S-8; (e) Registration Statement No. 333-238054 on Form S-3; (f) Registration Statement No. 333-253523 on Form S-8; (g) Registration Statement No. 333-211955 on Form S-1; and (h) Registration Statement No. 333-207156 on Form S-1 of Vertex Energy, Inc. of our reports dated March 11, 2022, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

/s/ Ham, Langston & Brezina L.L.P.

Houston, Texas
March 11, 2022

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benjamin P. Cowart, certify that:

1 I have reviewed this Annual Report on Form 10-K of Vertex Energy, Inc.;

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(s) 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(s) 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.

Date: March 11, 2022

By: */s/ Benjamin P. Cowart*
Benjamin P. Cowart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Carlson, certify that:

1 I have reviewed this Annual Report on Form 10-K of Vertex Energy, Inc.;

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(s) 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(s) 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.

Date: March 11, 2022

By: *_/s/ Chris Carlson_*
Chris Carlson
Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vertex Energy, Inc. (the "Company") on Form 10-K for the period ended December 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Benjamin P. Cowart, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

Date: March 11, 2022	By:	*/s/ Benjamin P. Cowart*
		Benjamin P. Cowart
		Chief Executive Officer
		(Principal Executive Officer)

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vertex Energy, Inc. (the "Company") on Form 10-K for the period ended December 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Chris Carlson, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

Date: March 11, 2022

By: */s/ Chris Carlson*
Chris Carlson
Chief Financial Officer
(Principal Accounting and Financial Officer)

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.