



Annual Report

2021



CALUMET
SPECIALTY PRODUCTS PARTNERS, L.P.

www.calumet.com

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

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

Commission file number 000-51734

Calumet Specialty Products Partners, L.P.

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

35-1811116
(I.R.S. Employer
Identification Number)

2780 Waterfront Parkway East Drive , Suite 200

Indianapolis , IN
(Address of Principal Executive Offices)

46214
(Zip Code)

(Exact Name of Registrant as Specified in Its Charter)

(317) 328-5660
(Registrant's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Title of Each Class | Trading symbol(s) | Name of Each Exchange on Which Registered |
|---|-------------------|---|
| Common units representing limited partner interests | CLMT | The Nasdaq Stock Market LLC |

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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller Reporting Company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 Act). Yes No

The aggregate market value of the common units held by non-affiliates of the registrant was approximately \$426.1 million on June 30, 2021, based on \$6.87 per unit, the closing price of the common units as reported on the Nasdaq Global Select Market on such date.

On March 3, 2022, there were 78,676,262 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

NONE.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
FORM 10-K — 2021 ANNUAL REPORT

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”) includes certain “forward-looking statements.” These statements can be identified by the use of forward-looking terminology including “will,” “may,” “intend,” “believe,” “expect,” “outlook,” “anticipate,” “estimate,” “continue,” “plan,” “should,” “could,” “would,” or other similar words. The statements regarding (i) the effect, impact, potential duration or other implications of the ongoing novel coronavirus (“COVID-19”) pandemic, supply chain disruptions and global crude oil production levels on our business and operations; (ii) demand for finished products in markets we serve; (iii) estimated capital expenditures as a result of required audits or required operational changes or other environmental and regulatory liabilities; (iv) our anticipated levels of, use and effectiveness of derivatives to mitigate our exposure to crude oil price changes, natural gas price changes and fuel products price changes; (v) estimated costs of complying with the U.S. Environmental Protection Agency’s (“EPA”) Renewable Fuel Standard (“RFS”), including the prices paid for Renewable Identification Numbers (“RINs”) and the amount of RINs we may be required to purchase in any given compliance year, and the outcome of any litigation concerning our existing small refinery exemption (“SRE”) petitions; (vi) our ability to meet our financial commitments, debt service obligations, debt instrument covenants, contingencies and anticipated capital expenditures; (vii) our access to capital to fund capital expenditures and our working capital needs and our ability to obtain debt or equity financing on satisfactory terms; (viii) our access to inventory financing under our supply and offtake agreements; (ix) general economic and political conditions, including political tensions, conflicts and war (such as the ongoing conflict in Ukraine); (x) the future effectiveness of our enterprise resource planning system to further enhance operating efficiencies and provide more effective management of our business operations; and (xi) our ability to convert a significant portion of our Great Falls refinery into a renewable diesel manufacturing facility, as well as other matters discussed in this Annual Report that are not purely historical data, are forward-looking statements. These forward-looking statements are based on our expectations and beliefs as of the date hereof concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our current expectations for future sales and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisition or disposition transactions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Part I, Item 1A “Risk Factors” of this Annual Report. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

References in this Annual Report to “Calumet Specialty Products Partners, L.P.,” “Calumet,” “the Company,” “we,” “our,” “us” or like terms refer to Calumet Specialty Products Partners, L.P. and its subsidiaries. References to “Predecessor” in this Annual Report refer to Calumet Lubricants Co., Limited Partnership and its subsidiaries, the assets and liabilities of which were contributed to Calumet Specialty Products Partners, L.P. and its subsidiaries upon the completion of our initial public offering in 2006. References in this Annual Report to “our general partner” refer to Calumet GP, LLC, the general partner of Calumet Specialty Products Partners, L.P.

SUMMARY OF RISK FACTORS

An investment in our common units involves a significant degree of risk. Below is a summary of certain risk factors that you should consider in evaluating us and our common units. However, this list is not exhaustive. Before you invest in our common units, you should carefully consider the risk factors discussed or referenced below and under Item 1A. “Risk Factors” in this Annual Report on Form 10-K. If any of the risks discussed below and under Item 1A. “Risk Factors” were actually to occur, our business, financial position or results of operations could be materially adversely affected.

Risks Related to Our Business

- Our business depends on supply and demand fundamentals, which can be adversely affected by numerous macroeconomic factors outside of our control, including a pandemic, epidemic or widespread outbreak of an infectious disease, such as COVID-19, as well as actions taken by commodity markets.
- Our business has exposure to some commodities which are volatile, and a reduction in our margins will adversely affect the amount of cash we will have available to operate our business and for payments of our debt obligations.
- Our hedging activities may not be effective in reducing our exposure to commodity price risk and may reduce our earnings, profitability and cash flows.
- Decreases in the price of inventory and products may lead to a reduction in the borrowing base under our revolving credit facility and our ability to issue letters of credit or the requirement that we post substantial amounts of cash collateral for derivative instruments.

- We depend on certain third-party pipelines for transportation of feedstocks and products, and if these pipelines become unavailable to us, our revenues and cash available for payment of our debt obligations could decline.
- The price volatility of fuel and utility services may result in decreases in our earnings, profitability and cash flows.
- Our facilities incur operating hazards, and the potential limits on insurance coverage could expose us to potentially significant liability costs.
- An impairment of our long-lived assets or goodwill could reduce our earnings or negatively impact our financial condition and results of operations.
- Competition in our industry is intense, and an increase in competition in the markets in which we sell our products could adversely affect our earnings and profitability.
- We depend on unionized labor for the operation of many of our facilities which may result in increased labor costs or labor disruptions that could negatively impact our financial condition and results of operations.
- Our method of valuing inventory may result in decreases in net income.
- Our arrangement with Macquarie exposes us to Macquarie-related credit and performance risk as well as potential refinancing risks.
- We have a substantial amount of indebtedness.
- Our financing arrangements contain operating and financial provisions that restrict our business and financing activities.
- A change of control could result in us facing substantial repayment obligations under our revolving credit facility, the Montana Renewables, LLC (“MRL”) Credit Facility, our senior notes, our secured hedge agreements and our Supply and Offtake Agreements (as defined below).
- We must make substantial capital expenditures for our facilities to maintain their reliability and efficiency.
- We may incur significant environmental costs and liabilities in the operation of our refineries, facilities, terminals and related facilities.
- We are subject to compliance with stringent environmental and occupational health and safety laws and regulations.
- The availability and cost of renewable identification numbers and results of litigation related to our SRE petitions could have a material adverse effect on our results of operations and financial condition and our ability to make payments on our debt obligations.
- Our and our customers’ operations are subject to risks arising out of the threat of climate change, including regulatory, political, litigation and financial risks, which could result in increased operating and capital costs for our customers and reduced demand for the products and services we provide.
- We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations or otherwise comply with occupational, environmental and other laws and regulations.

Risks Related to Our Partnership Structure

- We may not have sufficient cash from operations, following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to resume paying distributions to our unitholders or restore distributions to previous levels.
- The amount of cash we have available for distribution to unitholders depends primarily on our cash flow and not solely on profitability.
- Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to other unitholders’ detriment.
- The Heritage Group and certain of its affiliates may engage in limited competition with us.
- Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law.
- Unitholders have limited voting rights and are not entitled to elect our general partner or its directors.

Tax Risks to Common Unitholders

- Our tax treatment depends on our status as a partnership for federal income tax purposes. Our cash available for distribution to unitholders may be substantially reduced if we become subject to entity-level taxation as a result of the Internal Revenue Service (“IRS”) (i) treating us a corporation or (ii) assessing and collecting tax directly from the partnership resulting from or any audit adjustments.
- Our tax treatment or the tax treatment of our unitholders could be subject to potential legislative, judicial, or administrative changes and differing interpretations, possibly applied on a retroactive basis.
- Our unitholders may be required to pay taxes on their share of our income even if they do not receive any distribution from us. A unitholder’s share of our taxable income may be increased as a result of the IRS successfully contesting any of the federal income tax positions we take. Tax gain or loss on the disposition of our common units could be more or less than expected. Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.
- Tax-exempt entities and foreign persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.

PART I

Items 1 and 2. Business and Properties

Overview

We manufacture, formulate and market a diversified slate of specialty products to customers across a broad range of consumer-facing and industrial markets. We also own what we believe will be one of North America's leading renewable diesel manufacturing facilities, which is expected to be commissioned in the fourth quarter of 2022. We are headquartered in Indianapolis, Indiana and operate twelve facilities through North America. Our business is organized into the following reportable segments: Specialty Products and Solutions; Montana/Renewables; Performance Brands; and Corporate. In our Specialty Products and Solutions segment, we manufacture and market a wide variety of solvents, waxes, customized lubricating oils, white oils, petrolatums, gels, esters, and other products. Our specialty products are sold to domestic and international customers who purchase them primarily as raw material components for consumer-facing and industrial products. In our Performance Brands segment, we blend, package and market high performance products through our Royal Purple, Bel-Ray, and TruFuel brands. Our Montana/Renewables segment is comprised of two businesses - renewable diesel and specialty asphalt. When our Great Falls renewable diesel facility is operational, we will process a variety of geographically advantaged renewable feedstocks into renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/aviation fuel, and renewable diesel that we expect to distribute into renewable markets in the western half of North America. At our Montana specialty asphalt facility, we continue to process Canadian crude oil into conventional gasoline, diesel, jet fuel and specialty grades of asphalt, with production sized to serve local markets. Our Corporate segment primarily consists of general and administrative expenses not allocated to the Specialty Products and Solutions, Performance Brands or Montana/Renewables segments.

Our Assets

Our primary operating assets consist of:

| Facility | Location | Year Acquired | Sales Volume for the Year Ended December 31, 2021 in Barrels per Day ("bpd") | Products |
|-------------------------------|--------------|---------------|--|--|
| Calumet Packaging | Louisiana | 2012 | 1,029 | Specialty products including premium industrial and consumer synthetic lubricants, fuels and solvents |
| Royal Purple | Texas | 2012 | 356 | Specialty products including premium industrial and consumer synthetic lubricants |
| Missouri | Missouri | 2012 | 165 | Specialty products including polyol ester-based synthetic lubricants |
| Karns City | Pennsylvania | 2008 | 1,657 | Specialty white mineral oils, solvents, petrolatums, gelled hydrocarbons, cable fillers and natural petroleum sulfonates |
| Dickinson | Texas | 2008 | 689 | Specialty white mineral oils, compressor lubricants and natural petroleum sulfonates |
| Cotton Valley | Louisiana | 1995 | 4,114 | Specialty solvents used principally in the manufacture of paints, cleaners, automotive products and drilling fluids |
| Princeton | Louisiana | 1990 | 5,113 | Specialty lubricating oils, including process oils, base oils, transformer oils, refrigeration oils, and asphalt |
| Shreveport | Louisiana | 2001 | 34,172 | Specialty lubricating oils and waxes, gasoline, diesel, jet fuel and asphalt |
| Great Falls Specialty Asphalt | Montana | 2012 | 27,501 | Specialty asphalt, gasoline, diesel, and jet fuel |
| Great Falls Renewable Diesel | Montana | 2021 | — | Renewable hydrogen, renewable diesel, renewable jet fuel, renewable LPG, and renewable naphtha |

⁽¹⁾ We are in the process of converting a significant portion of our Great Falls refinery into a renewable diesel production facility, which is expected to be commissioned in the fourth quarter of 2022.

Storage, Distribution and Logistics Assets. We own and operate a product terminal in Burnham, Illinois with aggregate storage capacities of approximately 150,000 barrels. The Burnham terminal, as well as additional owned and leased facilities throughout the U.S., facilitate the distribution of products in the Upper Midwest, West Coast and Mid-Continent regions of the U.S. and Canada.

We also use approximately 1,900 leased railcars primarily to receive and ship crude oil and distribute our specialty and fuel products throughout the U.S. and Canada. Following the commissioning of our renewable diesel production facility, we plan to use some of these railcars to source renewable feedstocks and distribute renewable diesel. In total, we have approximately 7.0 million barrels of aggregate storage capacity at our facilities and leased storage locations.

Montana Renewables. We are in the process of converting a significant portion of our Great Falls refinery into a renewable diesel production facility, producing renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/sustainable aviation fuel, and renewable diesel. Montana Renewables is expected to be commissioned in the fourth quarter of 2022. We expect Montana Renewables to be immediately accretive to our cash flows once it is fully operational.

Business Strategies

Our management team is dedicated to improving our operations by executing the following strategies:

- *Enhance Profitability of Our Existing Assets.* We focus on identifying opportunities to improve our asset base, deepening our competitive advantages, and increasing our throughput, profitability, and cash flows. Our highest current priority is completing our renewable diesel project in Great Falls, Montana. This project is designed to convert the historical Great Falls refinery into two independent facilities: a 14,000 bpd specialty asphalt plant and a 15,000 bpd renewable diesel production facility. Other examples include investments in additional wax blending assets at our Calumet Paralogics, LLC (“Paralogics”) facility in 2021, and the addition of storage capacity to increase sales of our most profitable solvents at our Cotton Valley facility in 2021. In addition, we have undertaken various small expansion and optimization projects in our Performance Brands segment over the past four years, including a new 1.0 gallon TruFuel packaging line to support growth, a new 2.1 gallon pail TruFuel line to meet the market demand for larger package sizes, and a new quart line in Porter, Texas to recognize efficiencies in packaging Bel-Ray products. We intend to continue increasing the profitability of our existing asset base through various low capital requirement measures which may include investments targeting more efficient logistics, improving the product mix of our processing units, and reducing costs through operational modernizations.
- *Maintain Sufficient Levels of Liquidity.* We are actively focused on maintaining sufficient liquidity to fund our operations and business strategies. As part of a broader effort to maintain an adequate level of liquidity, the board of directors of our general partner unanimously voted to suspend cash distributions, effective beginning the quarter ended March 31, 2016, and we currently are not permitted to resume cash distributions pursuant to the terms of the indentures governing our senior notes.
- *Concentrate on Positive and Growing Cash Flows.* We intend to continue to focus on operating assets and businesses that generate positive and growing cash flows. Approximately 43.8% of our continuing operations gross profit in 2021 was generated by our Specialty Products and Solutions segment, which is characterized by stable customer relationships due to our customers’ requirements for the specialized products we provide. In addition, we manage our exposure to crude oil price fluctuations in this segment by passing on incremental feedstock costs to our specialty products customers. In our Performance Brands segment, which accounted for approximately 47.8% of our continuing operations gross profit in 2021, we blend, package and market specialty products through our Royal Purple, Bel-Ray, and TruFuel brands. Our fast-growing portfolio of high-performance brands are characterized by strong customer loyalty and stable cash flows. In our Montana/Renewables segment, which accounted for approximately 8.4% of our continuing operations gross profit in 2021, we expect growth in cash flows once the renewable diesel project is commissioned. Historically, renewable diesel margins have been both significantly higher and more stable than fuel margins. Further, the remaining Great Falls specialty asphalt facility is expected to produce a larger percentage of its products for local retail markets at lower net freight costs.

- *Develop and Expand Our Customer Relationships.* Due to the specialized nature of certain of our products, the high cost of replacement and the long lead-time associated with the development and production of many of our specialty products, our customers are incentivized to continue their relationships with us. We believe that we offer a more diversified product slate to our customers than competitors do, and we also offer more technical support and bespoke services. In fiscal year 2021, we sold a range of over 1,600 specialty products to approximately 2,300 customers. We intend to continue to assist our existing customers in their efforts to expand their product offerings, as well as marketing specialty product formulations and services to new customers. By continuing to service our long-term relationships with our broad base of existing customers and by constantly targeting solutions for new customers, we seek to limit our dependence on any one portion of our customer base.
- *Disciplined Approach to Strategic and Complementary Acquisitions.* We do not expect to focus on large acquisitions in the near term. However, should the right opportunity develop, our senior management team is prepared to consider acquiring low-risk assets where we can enhance operations and improve profitability and product lines that will complement and expand our specialty product offerings. For example, in March 2020, we acquired Paralogs, a producer of candle and industrial wax blends, which expanded our presence in the specialty wax blending and packaging market while adding new capabilities into our existing wax value chain. In the future, we intend to continue pursuing prudent, accretive acquisitions that will deepen our long-term competitive advantages. We intend to reduce our leverage over time and maintain a capital structure that facilitates competitive access to the capital markets.

Competitive Strengths

We believe that we are well positioned to execute our business strategies successfully based on the following competitive strengths:

- *We Have Strong Relationships with a Premier Customer Base.* We have long-term relationships with many of our customers and we believe that we will continue to benefit from these relationships. Many of these relationships involve lengthy approval processes or certifications that may make switching to a different supplier difficult. In fiscal year 2021, we sold our products to approximately 2,500 customers, and we are continually seeking to deepen those relationships across our broad and diversified customer base. No single customer accounted for more than 10% of our consolidated sales for either of the years ended December 31, 2021 and 2020.
- *We Offer Our Customers a Diverse Range of Specialty Products.* We offer a wide range of over 1,600 specialty products. We believe that our ability to provide our customers with a more diverse selection of products than most of our competitors gives us an advantage in meeting the needs of large, strategic customers and allows us to compete in profitable niches. We believe that we are the only specialty products manufacturer in North America that produces all six of the following products: naphthenic lubricating oils, paraffinic lubricating oils, waxes, solvents, white oils and petrolatums. Our ability to produce numerous specialty products allows us to ship products between our facilities for product upgrading in order to meet customer specifications.
- *Our Facilities Have a Unique Combination of Flexibility and Scale.* Our facilities are equipped with advanced, flexible technology that allows us to produce high-grade specialty products. For example, our integrated specialty products complex in Northwest Louisiana consists of 27 processing units and 195 million gallons of storage capacity across 400 tanks and has a wide variety of specialized hydroprocessing, dewaxing, emulsifying and distillation capabilities that allow us to meet complex, bespoke customer needs at scale providing an advantaged cost. Our acquisition of Paralogs also added new capabilities into our existing wax business value chain, adding approximately 20 million pounds of annual blending and formulating capabilities. Our facilities also enjoy the value and optionality of integration as many products can be further processed and upgraded at our own facilities.
- *We Have Leading, High-Growth Brands.* Our Performance Brands segment benefits from well-known high-performance premium brands in consumer, retail and industrial markets. These brands garner a premium and are well positioned for growth. Further, the majority of products in our Specialty Products and Solutions segment are marketed under well-known industrial and consumer-facing brands that are of high value in the market and in many cases were established several decades ago.
- *We Have an Experienced Management Team.* Our team's extensive experience within the specialty products, commodities and renewable energy industries provides a strong foundation to build and optimize a diversified, competitively advantaged business that can succeed in various business cycles and environments.

Potential Acquisition and Divestiture Activities

While we evaluate potential acquisitions of strategic and complementary assets that would deepen our competitive advantage, our focus has been and continues to be to de-lever our balance sheet. We continuously evaluate our portfolio to allow an objective assessment of potential divestiture candidates that are non-core to our business and/or worth more to a buyer than to us. The combination of acquisition and divestment activities is intended to maximize our return on invested capital by creating and maintaining a portfolio of core assets that optimize our blend of feedstocks, improve our operating efficiency and cash flows, and leverage our competitive strengths. We also intend to monetize all or a portion of our equity in MRL over time.

As we optimize our asset portfolio, which may include the divestiture of certain non-core assets or all or a portion of our equity in MRL, we intend to redeploy capital into projects to develop assets that are better suited to our core specialty products business strategy and de-leverage our balance sheet.

Going forward, we intend to tailor our approach toward owning businesses with stable cash flows and growing end markets. As a result, we may pursue potential arrangements with third parties to divest certain assets to enable us to further reduce the amount of our required capital commitments and potential capital expenditures. We expect that any potential divestitures of assets will also provide us with cash to reinvest in our business and repay debt.

Partnership Structure and Management

Calumet Specialty Products Partners, L.P. is a Delaware limited partnership formed on September 27, 2005. Our general partner is Calumet GP, LLC, a Delaware limited liability company. As of March 3, 2022, we have 78,676,262 common units and 1,605,636 general partner units outstanding. Our general partner owns a 2% general partner interest in our partnership and all incentive distribution rights and has sole responsibility for conducting our business and managing our operations. For more information about our general partner’s board of directors and executive officers, please read Part III, Item 10 “Directors, Executive Officers of Our General Partner and Corporate Governance.”

Our Operating Assets and Contractual Arrangements

General

The following table sets forth information about our continuing operations. Facility production volume differs from sales volume due to changes in inventories and the sale of purchased blendstocks such as ethanol and specialty blendstocks, as well as the resale of crude oil.

| | Year Ended December 31, | | |
|--|-------------------------|--------|----------|
| | 2021 | 2020 | % Change |
| | (In bpd) | | |
| Total sales volume ⁽¹⁾ | 79,281 | 86,727 | (8.6)% |
| Total feedstock runs ⁽²⁾ | 75,818 | 84,829 | (10.6)% |
| Facility production: ⁽³⁾ | | | |
| Specialty Products and Solutions: | | | |
| Lubricating oils | 9,867 | 10,143 | (2.7)% |
| Solvents | 6,833 | 6,819 | 0.2 % |
| Waxes | 1,335 | 1,318 | 1.3 % |
| Fuels, asphalt and other by-products | 27,869 | 35,052 | (20.5)% |
| Total Specialty Products and Solutions | 45,904 | 53,332 | (13.9)% |
| Montana/Renewables: | | | |
| Gasoline | 4,907 | 5,369 | (8.6)% |
| Diesel | 9,711 | 10,389 | (6.5)% |
| Jet fuel | 901 | 647 | 39.3 % |
| Asphalt, heavy fuel oils and other | 10,379 | 10,337 | 0.4 % |
| Total Montana/Renewables | 25,898 | 26,742 | (3.2)% |
| Performance Brands | 1,304 | 1,381 | (5.6)% |
| Total facility production ⁽³⁾ | 73,106 | 81,455 | (10.2)% |

⁽¹⁾ Total sales volume includes sales from the production at our facilities and certain third-party facilities pursuant to supply and/or processing agreements, sales of inventories and the resale of crude oil to third-party customers. Total sales volume includes the sale of purchased blendstocks.

⁽²⁾ Total feedstock runs represent the barrels per day of crude oil and other feedstocks processed at our facilities and at certain third-party facilities pursuant to supply and/or processing agreements.

⁽³⁾ The difference between total facility production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and production of finished products and volume loss.

The following table sets forth information about our sales of principal products by segment:

| | Year Ended December 31, | | | |
|--|-------------------------|------------|---------------|------------|
| | 2021 | | 2020 | |
| | (In millions) | % of Sales | (In millions) | % of Sales |
| Specialty Products and Solutions: | | | | |
| Lubricating oils | \$ 658.7 | 20.9 % | \$ 473.5 | 20.9 % |
| Solvents | 303.7 | 9.7 % | 236.2 | 10.4 % |
| Waxes | 151.7 | 4.8 % | 129.1 | 5.7 % |
| Fuels, asphalt and other by-products | 997.3 | 31.7 % | 690.1 | 30.4 % |
| Total | \$ 2,111.4 | 67.1 % | \$ 1,528.9 | 67.4 % |
| Montana/Renewables: | | | | |
| Gasoline | \$ 188.3 | 6.0 % | \$ 135.9 | 6.0 % |
| Diesel | 324.9 | 10.3 % | 204.1 | 9.0 % |
| Jet fuel | 27.5 | 0.9 % | 14.6 | 0.7 % |
| Asphalt, heavy fuel oils and other | 243.0 | 7.7 % | 150.6 | 6.6 % |
| Total | \$ 783.7 | 24.9 % | \$ 505.2 | 22.3 % |
| Performance Brands | \$ 252.9 | 8.0 % | \$ 234.1 | 10.3 % |
| Consolidated sales | \$ 3,148.0 | 100.0 % | \$ 2,268.2 | 100.0 % |

Please read Note 19 “Segments and Related Information” in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report for additional financial information about each of our segments and the geographic areas in which we conduct business.

Northwest Louisiana Integrated Complex

The assets in our Northwest Louisiana integrated complex anchor our Specialty Products and Solutions business segment. The assets in the Northwest Louisiana integrated complex, primarily consist of our Shreveport Refinery, Cotton Valley Refinery and Princeton Refinery, which in total, includes 27 processing units and 195 million gallons of storage capacity across 400 tanks and have a wide variety of specialized hydroprocessing, dewaxing, emulsifying and distillation capabilities that allow us to meet complex, bespoke customer needs at scale providing an advantaged cost.

Shreveport Refinery

The Shreveport refinery (“Shreveport”), located on a 240 acre site in Shreveport, Louisiana, currently has aggregate crude oil throughput capacity of 60,000 bpd and processes paraffinic crude oil and associated feedstocks into fuel products, paraffinic lubricating oils, waxes, asphalt and by-products.

The Shreveport refinery consists of 17 major processing units including hydrotreating, catalytic reforming and dewaxing units and approximately 3.3 million barrels of storage capacity in 130 storage tanks and related loading and unloading facilities and utilities. Since our acquisition of the Shreveport refinery in 2001, we have expanded the refinery’s capabilities by adding additional processing and blending facilities, adding a second reactor to the high pressure hydrotreater, resuming production of gasoline, diesel and other fuel products and adding both 18,000 bpd of crude oil throughput capacity and the capability to run up to 25,000 bpd of sour crude oil.

The following table sets forth historical information about production at our Shreveport refinery:

| | Shreveport Refinery | |
|--|--------------------------------|-------------|
| | Year Ended December 31, | |
| | 2021 | 2020 |
| | (In bpd) | |
| Crude oil throughput capacity | 60,000 | 60,000 |
| Total feedstock runs ^{(1) (2)} | 29,971 | 40,028 |
| Total refinery production ^{(2) (3)} | 31,835 | 40,084 |

⁽¹⁾ Total feedstock runs represent the barrels per day of crude oil and other feedstocks processed at our Shreveport refinery. Total feedstock runs do not include certain interplant feedstocks supplied by our Cotton Valley and Princeton refineries.

⁽²⁾ Total refinery production represents the barrels per day of specialty products and fuel products yielded from processing crude oil and other feedstocks. The difference between total refinery production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and production of finished products and volume loss.

⁽³⁾ Total refinery production includes certain interplant feedstock supplied to our Cotton Valley and Princeton refineries and our Karns City facility.

The Shreveport refinery has a flexible operational configuration and operating personnel that facilitates the development of opportunities to enhance profitability. Feedstock and product mix may fluctuate from one period to the next to capture market opportunities.

The Shreveport refinery receives crude oil via tank truck, railcar and a common carrier pipeline system that is operated by a subsidiary of Plains All American Pipeline, L.P. ("Plains") and is connected to the Shreveport refinery's facilities. The Plains pipeline system delivers local supplies of crude oil and condensates from north Louisiana and east Texas. The Plains pipeline also connects to a Plains terminal in Longview, TX, which gives the refinery access to crude oil in west Texas and access to the Cushing, Oklahoma storage hub. Crude oil is also purchased from various suppliers, including local producers, who deliver crude oil to the Shreveport refinery via tank truck.

The Shreveport refinery also has direct pipeline access to the Enterprise Products Partners L.P. pipeline ("TEPPCO pipeline"), on which it can ship certain grades of gasoline, diesel and jet fuel. Further, the refinery has direct access to the Red River Terminal facility, which provides the refinery with barge access, via the Red River, to major feedstock and petroleum products logistics networks on the Mississippi River and Gulf Coast inland waterway system. The Shreveport refinery also ships its finished specialty products throughout the U.S. through both truck and railcar service.

Cotton Valley Refinery

The Cotton Valley refinery ("Cotton Valley"), located on a 77 acre site in Cotton Valley, Louisiana, currently has aggregate crude oil throughput capacity of 13,600 bpd, hydrotreating capacity of 6,500 bpd and processes crude oil into specialty solvents and residual fuel oil. The residual fuel oil is an important feedstock for the production of specialty products at our Shreveport refinery. We believe the Cotton Valley refinery produces the most complete, single-facility line of paraffinic solvents in the U.S.

The Cotton Valley refinery consists of three major processing units that include a crude unit, a hydrotreater and a fractionation train, approximately 625,000 barrels of storage capacity in 74 storage tanks and related loading and unloading facilities and utilities. Since our acquisition of the Cotton Valley refinery in 1995, we have expanded the refinery's capabilities by installing a hydrotreater that removes aromatics, increased the crude unit processing capability to 13,600 bpd and reconfigured the refinery's fractionation train to improve product quality, enhance flexibility and lower utility costs.

The following table sets forth historical information about production at our Cotton Valley refinery:

| Cotton Valley Refinery | | |
|---|-----------------|-------------|
| Year Ended December 31, | | |
| | 2021 | 2020 |
| | (In bpd) | |
| Crude oil throughput capacity | 13,600 | 13,600 |
| Total feedstock runs ⁽¹⁾⁽²⁾ | 8,349 | 8,737 |
| Total refinery production ⁽²⁾⁽³⁾ | 4,698 | 5,672 |

⁽¹⁾ Total feedstock runs do not include certain interplant solvent feedstocks supplied by our Shreveport refinery.

⁽²⁾ Total refinery production represents the barrels per day of specialty products yielded from processing crude oil and other feedstocks. The difference between total refinery production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and the production of finished products, intermediates transferred to internal sites for further processing, and volume loss.

⁽³⁾ Total refinery production includes certain interplant feedstocks supplied to our Shreveport refinery.

The Cotton Valley refinery has a flexible operational configuration and operating personnel that facilitates the development of opportunities to enhance profitability. Feedstock and product mix may fluctuate from one period to the next to capture market opportunities, which allows us to respond to market changes and customer demands by modifying the refinery's product mix. The reconfigured fractionation train also allows the refinery to satisfy demand fluctuations efficiently without large finished product inventory requirements.

The Cotton Valley refinery receives crude oil via tank truck. The Cotton Valley refinery's feedstock is primarily low sulfur and paraffinic crude oil originating from north Louisiana and is purchased from various marketers and gatherers. In addition, the Cotton Valley refinery receives interplant feedstocks for solvent production from the Shreveport refinery. The Cotton Valley refinery ships finished products by both truck and railcar service.

Princeton Refinery

The Princeton refinery ("Princeton"), located on a 208 acre site in Princeton, Louisiana, currently has aggregate crude oil throughput capacity of 10,000 bpd and processes naphthenic crude oil into lubricating oils and asphalt. In addition, feedstock is made for the Shreveport refinery for further processing into ultra-low sulfur diesel. The asphalt produced at Princeton may be further processed or blended for coating and roofing product applications at the Princeton refinery or transported to the Shreveport refinery for further processing into bright stock.

The Princeton refinery consists of seven major processing units, approximately 650,000 barrels of storage capacity in 200 storage tanks and related loading and unloading facilities and utilities. Since our acquisition of the Princeton refinery in 1990, we have debottlenecked the crude unit to increase production capacity to 10,000 bpd, increased the hydrotreater's capacity to 7,000 bpd and upgraded the refinery's fractionation unit, which has enabled us to produce higher value specialty products.

The following table sets forth historical information about production at our Princeton refinery:

| Princeton Refinery | | |
|---|-----------------|-------------|
| Year Ended December 31, | | |
| | 2021 | 2020 |
| | (In bpd) | |
| Crude oil throughput capacity | 10,000 | 10,000 |
| Total feedstock runs ⁽¹⁾ | 7,266 | 6,559 |
| Total refinery production ⁽¹⁾⁽²⁾ | 4,881 | 4,295 |

⁽¹⁾ Total refinery production represents the barrels per day of specialty products yielded from processing crude oil and other feedstocks. The difference between total refinery production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and the production of finished products, intermediates transferred to internal sites for further processing, and volume loss.

⁽²⁾ Total refinery production includes certain interplant feedstocks supplied to our Shreveport refinery.

The Princeton refinery has a hydrotreater and significant fractionation capability enabling the refining of high quality naphthenic lubricating oils at numerous distillation ranges. The Princeton refinery's processing capabilities consist of atmospheric and vacuum distillation, hydrotreating, asphalt oxidation processing and clay/acid treating. In addition, we have the necessary tankage and technology to process our asphalt into higher value product applications such as coatings, road paving and specialty applications.

The Princeton refinery receives crude oil via tank truck, railcar and the Plains pipeline system. Its crude oil supply primarily originates from east Texas, south Texas and north Louisiana, purchased directly from third-party suppliers under month-to-month evergreen supply contracts and on the spot market. The Princeton refinery ships its finished products throughout the U.S. via truck and railcar service.

Great Falls Specialty Refinery

The Great Falls specialty refinery ("Great Falls"), located on a 65 acre site in Great Falls, Montana, currently has aggregate crude oil throughput capacity of 30,000 bpd and processes light and heavy crude oil from Canada into fuel and asphalt products. We are in the process of converting a significant portion of the Great Falls specialty refinery into a renewable diesel production facility, which is expected to be commissioned in the fourth quarter of 2022 (see below). Upon completion of the conversion project, we will continue to own and operate the conventional Great Falls specialty refinery with a reconfigured processing capacity of 14,000 bpd of Canadian crude. The refinery is focused on the production of high-quality specialty asphalt, as well as satisfying local demand for conventional fuels.

The Great Falls specialty refinery consists of 15 major processing units including hydrotreating, catalytic reforming, hydrocracking, fluid catalytic cracking and alkylation units, approximately 1.1 million barrels of storage capacity in 75 tanks and related loading and unloading facilities and utilities.

The following table sets forth historical information about production at the Great Falls specialty refinery:

| | Great Falls Specialty Refinery | |
|--|---------------------------------------|-------------|
| | Year Ended December 31, | |
| | 2021 | 2020 |
| | (In bpd) | |
| Crude oil throughput capacity | 30,000 | 30,000 |
| Total feedstock runs ⁽¹⁾⁽²⁾ | 25,614 | 26,204 |
| Total refinery production ⁽²⁾ | 25,897 | 26,742 |

⁽¹⁾ Total feedstock runs represent the barrels per day of crude oil processed at our Great Falls specialty refinery.

⁽²⁾ Total refinery production represents the barrels per day of specialty products and fuel products yielded from processing crude oil and other feedstocks. The difference between total refinery production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and the production of finished products and volume loss.

Currently, the Great Falls specialty refinery produces LPG, naphtha, gasoline, diesel, jet fuel and asphalt, which are shipped by railcar and truck service. Finished fuel and asphalt sales are primarily made through spot agreements and short-term contracts.

The Great Falls specialty refinery purchases crude oil from various suppliers and receives crude oil through the Interprovincial Bow River South and Rangeland pipeline systems, providing reliable access to high quality conventional crude oil from western Canada.

In February 2016, we completed an expansion project that increased production capacity at our Great Falls specialty refinery to 30,000 bpd. This project allows us to further capitalize on local access to cost-advantaged Canadian crude oil, while producing additional fuels and refined products for delivery into the regional market while meeting EPA requirements for gasoline and diesel product sulfur limits and reducing air emissions. The scope of this project included the installation of a new crude unit that can process up to 30,000 bpd of crude oil and other feedstocks, a third hydrogen plant and an 18,000 bpd mild hydrocracker.

Great Falls Renewable Diesel Facility

MRL, an unrestricted subsidiary of Calumet, is in the process of converting a significant portion of our Great Falls specialty refinery into a renewable diesel production facility (the “Montana Renewable Diesel Facility”), which is expected to be commissioned in the fourth quarter of 2022. Upon completion of the conversion project, the Montana Renewable Diesel Facility will have aggregate throughput capacity of 15,000 bpd to pretreat and convert a wide variety of organic waste and vegetable oil materials into lower emissions, sustainable alternatives to fossil fuels, including renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/sustainable aviation fuel, and renewable diesel.

As part of the conversion project, we will be constructing an innovative renewable hydrogen unit, which will further lower carbon intensity and maximize renewable diesel production, and a new state of the art feedstock pre-treater, which combined with proximity to temperate oilseed growing regions and low-carbon product markets, is expected to provide our Montana Renewable Diesel Facility significant sourcing and logistics advantages.

Missouri Facility

The Missouri facility (“Missouri”), located on a 22 acre site in Louisiana, Missouri, develops and produces polyol ester synthetic lubricants for use in refrigeration compressors, commercial aviation and polyol ester base stocks. In December 2015, we completed a project to more than double the production capacity of the facility from 35 million pounds to 75 million pounds per year. The facility has approximately 35,000 barrels of storage capacity in 64 tanks and related loading and unloading facilities and utilities. The facility receives its fatty acids and alcohol feedstocks and additives by truck and railcar under supply agreements or spot agreements with various suppliers.

The Missouri facility utilizes the latest batch esterification processes designed to ensure blending accuracy while maintaining production flexibility to meet customer needs.

Calumet Packaging

The Calumet Packaging facility (“Calumet Packaging”), located on a 10 acre site in Shreveport, Louisiana, develops, blends and packages high performance synthetic lubricants, fuels and solvent products for use in industrial, commercial and automotive applications. The Calumet Packaging facility’s processing capability includes state-of-the-art blending and packaging equipment. The facility has approximately 75,000 barrels of storage capacity and related loading and unloading facilities. The facility receives its base oil feedstocks and additives by truck and rail under supply agreements or spot agreements with various suppliers.

Royal Purple

The Royal Purple facility (“Royal Purple”), located on a 20 acre site in Porter, Texas, develops, blends and packages high performance synthetic lubricants and fluid additive products for use in industrial, commercial and automotive applications. The Royal Purple facility’s processing capability includes 10 in-house packaging and production lines. Outsourced packaging services for specific products are also fulfilled. The facility has approximately 30,500 barrels of storage capacity in 91 tanks and related loading and unloading facilities. The facility receives its base oil feedstocks and additives by truck under supply agreements or spot agreements with various suppliers.

Karns City and Dickinson Facilities and Other Processing Agreements

The Karns City facility (“Karns City”), located on a 225 acre site in Karns City, Pennsylvania, has aggregate base oil throughput capacity of 3,000 bpd and produces white mineral oils, solvents, petrolatums, gelled hydrocarbons, cable fillers and natural petroleum sulfonates. The Karns City facility’s processing capability includes hydrotreating, fractionation, acid treating, filtering, blending and packaging. In addition, the facility has approximately 817,000 barrels of storage capacity in 250 tanks and related loading and unloading facilities and utilities.

The Dickinson facility (“Dickinson”), located on a 28 acre site in Dickinson, Texas, has aggregate base oil throughput capacity of 1,300 bpd and produces white mineral oils, compressor lubricants and natural petroleum sulfonates. The Dickinson facility’s processing capability includes acid treating, filtering and blending. The facility has approximately 183,000 barrels of storage capacity in 186 tanks and related loading and unloading facilities and utilities.

These facilities each receive their base oil feedstocks by railcar and truck under supply agreements or spot purchases with various suppliers, the most significant of which is a supply agreement with Phillips 66. Please read “— Our Crude Oil and Feedstock Supply” below for further discussion of the long-term supply agreement with Phillips 66.

The following table sets forth the combined historical information about production at our Karns City, Dickinson and certain other facilities:

| | Combined Karns City, Dickinson and Other Facilities | |
|--|--|-------------|
| | Year Ended December 31, | |
| | 2021 | 2020 |
| | (in bpd) | |
| Feedstock throughput capacity ⁽¹⁾ | 11,300 | 11,300 |
| Total feedstock runs ⁽²⁾⁽³⁾ | 4,368 | 3,230 |
| Total production ⁽³⁾ | 4,269 | 3,221 |

⁽¹⁾ Includes Karns City, Dickinson and certain other facilities.

⁽²⁾ Includes feedstock runs at our Karns City and Dickinson facilities as well as throughput at certain third-party facilities pursuant to supply and/or processing agreements and includes certain interplant feedstocks supplied from our Shreveport refinery.

⁽³⁾ Total production represents the barrels per day of specialty products yielded from processing feedstocks at our Karns City and Dickinson facilities and certain third-party facilities pursuant to supply and/or processing agreements. The difference between total production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and the production of finished products.

Other Logistics Assets

Terminals are complementary to our refineries and play a key role in moving our products to end-user markets by providing services including distribution and blending to achieve specified products and storage and inventory management. In addition to the Burnham terminal, we own and lease additional facilities, primarily related to distribution of finished products, throughout the U.S.

Burnham Terminal: We own and operate a terminal located on an 11 acre site, in Burnham, Illinois. The Burnham terminal receives specialty products from certain of our refineries primarily by railcar and distributes them by truck and railcar to our customers in the Upper Midwest and East Coast regions of the U.S. and in Canada. The terminal includes a tank farm with 90 tanks having aggregate storage capacity of approximately 150,000 barrels, supplying lube base oils, food grade white oils and aliphatic solvents, as well as viscosity index additives and tackifiers.

We use approximately 1,900 railcars leased from various lessors. This fleet of railcars enables us to receive and ship crude oil and distribute various specialty products and fuel products throughout the U.S. and Canada to and from each of our facilities.

Our Crude Oil and Feedstock Supply

We purchase crude oil and other feedstocks from major oil companies as well as from various crude oil gatherers and marketers in Texas, north Louisiana and Canada. Crude oil supplies at our refineries are as follows:

| Refinery | Crude Oil Slate | Mode of Transportation |
|-----------------|--|---|
| Shreveport | West Texas Intermediate ("WTI"), local crude oils from East Texas, North Louisiana, Arkansas and Light Louisiana Sweet ("LLS") | Tank truck, railcar and Plains Pipeline |
| Cotton Valley | Local paraffinic crude oil | Tank truck |
| Great Falls | Canadian Heavy (e.g. Bow River) and Canadian Light Sour | Front Range Pipeline |
| Princeton | Local and imported naphthenic crude oil | Tank truck, railcar and Plains Pipeline |

In 2021, BP Products North America Inc. ("BP") supplied us with approximately 52.6% of our total crude oil supply under term contracts and month-to-month evergreen crude oil supply contracts. In 2021, Macquarie Energy Canada LTD. ("Macquarie") supplied us with approximately 37.6% of our total crude oil supply under a crude oil supply agreement. Each of our refineries is dependent on one or more key suppliers and the loss of any of these suppliers would adversely affect our financial results to the extent we were unable to find another supplier of this substantial amount of crude oil.

We have short-term and long-term contracts with our crude oil suppliers. For example, a majority of our crude oil supply contracts with Plains are currently month-to-month and terminable upon 90 days' notice. Additionally, our crude oil supply agreement with BP was amended and restated in December 2016, and automatically renews for successive one-year terms each March unless terminated by either party upon 90 days' notice ("BP Purchase Agreement"). This agreement has not been terminated by either party. We also purchase foreign crude oil when its spot market price is attractive relative to the price of crude oil from domestic sources.

We have various long-term feedstock supply agreements with Phillips 66, with some agreements operating under the option to continue on a month-to-month basis thereafter, for feedstocks that are key to the operations of our Kams City and Dickinson facilities. In addition, certain products of our refineries can be used as feedstocks by these facilities.

We believe that adequate supplies of crude oil and feedstocks will continue to be available to us.

Our cost to acquire crude oil and feedstocks and the prices for which we ultimately can sell refined products depend on a number of factors beyond our control, including regional and global supply of and demand for crude oil, other feedstocks and specialty and fuel products. These, in turn, are dependent upon, among other things, the availability of imports, overall economic conditions, production levels of domestic and foreign suppliers, U.S. relationships with foreign governments, political affairs and the extent of governmental regulation. We have historically been able to pass on the costs associated with increased crude oil and feedstock prices to our specialty products customers, although the increase in selling prices for specialty products typically lags the rising cost of crude oil. From time to time, we use a hedging program to manage a portion of our commodity price risk.

Our Products, Markets and Customers

Products

We produce a full line of specialty products, including lubricating oils, solvents, waxes, food grade white oils, pharmaceutical grade petrolatums, and other products, as well as a variety of fuel and fuel related products, including asphalt and heavy fuel oils. We also blend, package and market high performance specialty products through our Royal Purple, Bel-Ray, and TruFuel brands. Our customers purchase specialty products primarily as raw material components for consumer-facing and industrial products. We are in the process of adding renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/sustainable aviation fuel, and renewable diesel, which we expect our customers will purchase to reduce lifecycle carbon emissions.

The following table depicts a representative sample of the diversity of end-use applications for the products we produce:

Representative Sample of End-Use Applications by Product ⁽¹⁾

| Lubricating Oils 21% | Solvents 10% | Waxes 5% | Packaged and Synthetic Specialty Products 8% | Fuels & Fuel Related Products 56% | Renewable Products (coming in 2022) |
|--|---|--|---|---|---|
| <ul style="list-style-type: none"> • Hydraulic oils • Passenger car motor oils • Railroad engine oils • Cutting oils • Compressor oils • Metalworking fluids • Transformer oils • Rubber process oils • Industrial lubricants • Gear oils • Grease • Automatic transmission fluid • Animal feed dedusting • Baby oils • Bakery pan oils • Catalyst carriers • Gelatin capsule lubricants • Sunscreen | <ul style="list-style-type: none"> • Waterless hand cleaners • Alkyd resin diluents • Automotive products • Calibration fluids • Charcoal lighter fluids • Chemical processing • Drilling fluids • Printing inks • Water treatment • Paint and coatings • Stains | <ul style="list-style-type: none"> • Paraffin waxes • FDA compliant products • Candles • Adhesives • Crayons • Floor care • PVC • Paint strippers • Skin & hair care • Timber treatment • Waterproofing • Pharmaceuticals • Cosmetics | <ul style="list-style-type: none"> • Refrigeration compressor oils • Positive displacement and roto-dynamic compressor oils • Commercial and military jet engine oil • Lubricating greases • Gear oils • Aviation hydraulic oils • High performance small engine fuels • Two cycle and four stroke engine oils • High performance automotive engine oils • High performance industrial lubricants • High temperature chain lubricants • Food contact grade lubricants • Charcoal lighter fluids and other solvents • Engine treatment additives | <ul style="list-style-type: none"> • Gasoline • Diesel • Jet fuel • Marine fuel • Ethanol free fuels • Fluid catalytic cracking feedstock • Asphalt vacuum residuals • Mixed butanes • Roofing flux • Paving asphalt • Heavy fuel oils | <ul style="list-style-type: none"> • Renewable hydrogen • Renewable natural gas • Renewable propane • Renewable naphtha • Renewable kerosene/sustainable aviation fuel • Renewable diesel |

⁽¹⁾ Based on the percentage of total sales for the year ended December 31, 2021. Except for the listed fuel products and certain packaged and synthetic specialty products, we do not produce any of these end-use products.

Marketing

Our salespeople regularly visit customers and work in conjunction with our marketing department, the laboratories at our production facilities and our technical services department, to focus on providing additional value to our customers, such as formulation assistance, regulatory insight, and creating specialized blends and packaging that work optimally for our customers.

Markets

Specialty Products. The specialty products market represents a small portion of the overall petroleum refining industry in the U.S. Of the over 125 refineries currently in operation in the U.S., only a small number of the refineries are considered specialty products producers and only a few compete with us in terms of the number of products produced.

Our specialty products are utilized in applications across a broad range of industries, including:

- industrial goods such as metalworking fluids, belts, hoses, sealing systems, batteries, hot melt adhesives, pressure sensitive tapes, electrical transformers, refrigeration compressors and drilling fluids; and
- consumer goods such as candles, petroleum jelly, creams, tonics, lotions, coating on paper cups, chewing gum base, automotive aftermarket car-care products (e.g., fuel injection cleaners, tire shines and polishes), paints and coatings, charcoal lighter fluids and various aerosol products.

We have the capability to ship our specialty products worldwide. In the U.S., we ship our specialty products via railcars, trucks and barges. We use our fleet of leased railcars to ship our specialty products and a majority of our specialty products sales are shipped in trucks owned and operated by several different third-party carriers. For international shipments, which accounted for less than 10% of our consolidated sales in 2021, we ship via railcars and trucks to several ports where the product is loaded onto vessels for shipment to customers abroad.

Fuel Products. The fuel products market represents a large portion of the overall petroleum refining industry in the U.S. Of the over 125 refineries currently in operation in the U.S., a large number of the refineries are fuel products producers; however, only a few compete with us in our local markets.

Gulf Coast Market (PADD 3)

Fuel products produced at our Shreveport refinery can be sold locally or to the Midwest region of the U.S. through the TEPPCO pipeline. Local sales are made from the TEPPCO terminal in Bossier City, Louisiana, located approximately 15 miles from the Shreveport refinery, as well as from our own Shreveport refinery terminal.

Gasoline, diesel and jet fuel from the Shreveport refinery are sold primarily into the Louisiana, Texas and Arkansas markets, and any excess volumes are sold to marketers further up the TEPPCO pipeline. Should the appropriate market conditions arise, we have the capability to redirect and sell additional volumes into the Louisiana, Texas and Arkansas markets rather than transport them to the Midwest region via the TEPPCO pipeline.

The Shreveport refinery has the capacity to produce approximately 9,000 bpd of commercial jet fuel that can be marketed to the U.S. Department of Defense, sold as Jet-A locally or sold via the TEPPCO pipeline, or transferred to the Cotton Valley refinery to be processed further as a feedstock to produce solvents.

Additionally, we produce a number of fuel-related products including fluid catalytic cracking (“FCC”) feedstock, vacuum residuals and mixed butanes. FCC feedstock is sold to other refiners as a feedstock for their FCC units to make fuel products. Vacuum residuals are blended or processed further to make asphalt products. Volumes of vacuum residuals which we cannot process are sold locally into the fuel oil market or sold via railcar to other refiners. Mixed butanes are primarily available in the summer months and are primarily sold to local marketers. If the mixed butanes are not sold, they are blended into our gasoline production.

Northwest Market (PADD 4)

Fuel and asphalt products produced at our Great Falls refinery can be sold locally and in Missouri, Oklahoma, Texas, Arizona, North Dakota, South Dakota, Idaho, Oregon, Utah, Wyoming, Washington, Nevada, California and Canada. Seasonally, fuel products from the Great Falls refinery are transported to terminals in Washington and Utah.

Customers

Specialty Products. We have a diverse customer base for our specialty products. In fiscal year 2021, we sold our specialty products to approximately 2,300 customers. Many of our customers are long-term customers who use our products in specialty applications, after an approval process ranging from six months to two years.

Fuel Products. We have a diverse customer base for our fuel products. In fiscal year 2021, we sold our fuel products to approximately 200 customers. Our diverse customer base includes wholesale distributors and retail chains. We are able to sell the majority of the fuel products we produce at the Shreveport refinery to the local markets of Louisiana, Texas and Arkansas. We also have the ability to ship additional fuel products from the Shreveport refinery to the Midwest region through the TEPPCO pipeline. The majority of our fuel products produced at our Great Falls refinery are sold to local markets in Montana and Idaho as well as in Canada.

During the years ended December 31, 2021 and 2020, we had no customer that represented 10% or greater of consolidated sales.

Competition

Competition in our markets is from a combination of large, integrated petroleum companies and independent refiners. Many of our competitors are substantially larger than us and are engaged on a national or international basis in many segments of the petroleum products business, including exploration and production, refining, transportation and marketing. These competitors may have greater flexibility in responding to or absorbing market changes occurring in one or more of these business segments. We distinguish our competitors according to the products that they produce. Set forth below is a description of our significant competitors according to product category.

Naphthenic Lubricating Oils. Our primary competitors in producing naphthenic lubricating oils include Ergon Refining, Inc., Cross Oil Refining and Marketing, Inc. and San Joaquin Refining Co., Inc.

Paraffinic Lubricating Oils. Our primary competitors in producing paraffinic lubricating oils include Exxon Mobil Corporation, Motiva Enterprises, LLC, Phillips 66, HollyFrontier Corporation and Chevron Corporation.

Paraffin Waxes. Our primary competitors in producing paraffin waxes include Exxon Mobil Corporation, HollyFrontier Corporation, The International Group Inc. and Ergon, Inc..

Solvents. Our primary competitors in producing solvents include CITGO Petroleum Corporation, ExxonMobil Chemical Company and Total S.A.

Polyol ester-Based Specialty Products. Our primary competitors in producing polyol ester-based specialty products include LANXESS, ExxonMobil Corporation, BASF Corporation, Croda International plc, Nyco Products Corporation and Zschimmer & Schwartz, Inc.

Packaged and Synthetic Specialty Products. Our primary competitors in retail and commercial packaged and synthetic specialty products include Exxon Mobil Corporation (Mobil 1), Valvoline, Inc. and other independent lubricant manufacturers. Our primary competitors in industrial packaged and synthetic specialty products include Exxon Mobil Corporation, Royal Dutch Shell plc, Fuchs and other independent lubricant manufacturers.

Fuel Products and By-Products. Our primary competitors in producing fuel products in the local markets in which we operate include Delek US Holdings, Exxon Mobil Corporation, Phillips 66 and Cenex.

Our ability to compete effectively depends on our responsiveness to customer needs and our ability to maintain competitive prices and product and service offerings. We believe that our flexibility and customer responsiveness differentiates us from many of our larger competitors. However, it is possible that new or existing competitors could enter the markets in which we operate, which could negatively affect our financial performance.

Governmental Regulation

From time to time, we are a party to certain claims and litigation incidental to our business, including claims made by various taxation and regulatory authorities, such as the IRS, the EPA and the U.S. Occupational Safety and Health Administration (“OSHA”), as well as various state environmental regulatory bodies and state and local departments of revenue, as the result of audits or reviews of our business.

Environmental and Occupational Health and Safety Matters

Environmental

We conduct crude oil and specialty refining, blending and terminal operations, certain activities of which are subject to stringent federal, regional, state and local laws and regulations governing worker health and safety, the discharge of materials into the environment and environmental protection. These laws and regulations impose legal standards and obligations that are applicable to our operations, such as requiring the acquisition of permits to conduct regulated activities, restricting the manner in which we may release materials into the environment, requiring mitigation of pollutant discharges from current operations that may include incurring capital expenditures to limit or prevent unauthorized releases from our equipment and facilities, requiring remedial activities to mitigate pollution from former operations, imposing substantial liabilities for pollution resulting from our operations, and requiring the application of specific health and safety criteria addressing worker protection. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties; the imposition of investigatory, remedial or corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects; and the issuance of injunctive relief limiting or prohibiting our activities in a particular area.

Moreover, certain of these laws impose joint and several liability and strict liability for costs required to remediate and restore sites where petroleum hydrocarbons, wastes or other materials have been disposed of or released and areas where any such contamination has come to be located. In addition, new environmental and worker safety laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements, increased governmental enforcement or other developments could significantly increase our operational or compliance expenditures, including as discussed below in more detail.

Remediation of subsurface contamination continues at certain of our refinery sites and is being overseen by the appropriate governmental agencies. Based on current investigative and remedial activities, we believe that the cost to control or remediate the soil and groundwater contamination at these refineries will not have a material adverse effect on our financial condition. However, such costs are often unpredictable and, therefore, there can be no assurance that the future costs of these remedial projects will not become material.

Great Falls Refinery

In connection with the acquisition of the Great Falls refinery from Connacher Oil and Gas Limited (“Connacher”), we became a party to an existing 2002 Refinery Initiative Consent Decree (the “Great Falls Consent Decree”) with the EPA and the Montana Department of Environmental Quality (the “MDEQ”). The material obligations imposed by the Great Falls Consent Decree have been completed. On September 27, 2012, Montana Refining Company, Inc., received a final Corrective Action Order on Consent, replacing the refinery’s previously held hazardous waste permit. This Corrective Action Order on Consent governs the investigation and remediation of contamination at the Great Falls refinery.

We believe the majority of the impacts related to such contamination at the Great Falls refinery are covered by a contractual indemnity provided by a subsidiary of HollyFrontier Corporation (“the Seller”), the owner and operator of the Great Falls refinery prior to its acquisition by Connacher, under an asset purchase agreement between the Seller and Connacher, pursuant to which Connacher acquired the Great Falls refinery.

Under this asset purchase agreement, the Seller agreed to indemnify Connacher and Montana Refining Company, Inc., subject to timely notification, certain conditions and certain monetary baskets and caps, for environmental conditions arising under the Seller’s ownership and operation of the Great Falls refinery and existing as of the date of sale to Connacher. During 2014, HollyFrontier Corporation (“Holly”) provided us a notice challenging our position that the Seller is obligated to indemnify our remediation expenses for environmental conditions to the extent arising under Holly’s ownership and operation of the refinery and existing as of the date of sale to Connacher. On September 22, 2015, we initiated a lawsuit against Holly and the Sellers. The court ordered that all of the claims be addressed in arbitration. The arbitration panel confirmed that the sellers of the Great Falls refinery retained the liability for all pre-closing contamination with respect to third-party claims indefinitely and with respect to first party claims for which the sellers received notice within five years after the sale of the refinery, which claims are subject to the requirements otherwise set forth in the asset purchase agreement. Among other things, the panel denied the Company’s demands for reimbursement for costs already incurred by the Company prior to the arbitration but left open the Company’s ability to make future claims. The Company expects that it may incur costs to remediate other environmental conditions at the Great Falls refinery. The Company currently believes that these other costs it may incur will not be material to its financial position or results of operations.

Air Emissions

Our operations are subject to the federal Clean Air Act, as amended (“CAA”), and comparable state and local laws. Amendments made to the CAA in 1990 require most industrial operations in the U.S. to incur capital expenditures to meet the air emission control standards that are developed and implemented by the EPA and state environmental agencies. Under the CAA, facilities that emit regulated air pollutants are subject to stringent regulations, including requirements to install various levels of control technology on sources of pollutants. In addition, in recent years, the petroleum refining sector has become subject to stringent federal regulations that impose maximum achievable control technology (“MACT”) on refinery equipment emitting certain listed hazardous air pollutants. Some of our facilities have been included within the categories of sources regulated by MACT rules. Our refining and terminal operations that emit regulated air pollutants are also subject to air emissions permitting requirements that incorporate stringent control technology requirements for which we may incur significant capital expenditures. Any renewal of those air emissions permits or a need to modify existing or obtain new air emissions permits has the potential to delay the development of our projects. We can provide no assurance that future compliance with existing or any new laws, regulations or permit requirements will not have a material adverse effect on our business, financial position or results of operations. For example, in 2015, the EPA issued a final rule under the CAA making the National Ambient Air Quality Standard (“NAAQS”) for ground-level ozone more stringent. Since that time, the EPA has issued area designations with respect to ground-level ozone and final requirements that apply to state, local and tribal air agencies for implementing the 2015 NAAQS for ground-level ozone. States are expected to implement more stringent requirements as a result of this new final rule, which could apply to our operations. EPA retained the 2015 standards for ground-level ozone after a review completed in 2020. In 2021, EPA announced that it would reconsider this standard, but has not yet taken any steps to do so publicly. Also, in 2015, the EPA published a final rule that amended three refinery standards already in effect, imposing additional or, in some cases, new emission control requirements on subject refineries. The final rule requires, among other things, the monitoring of air concentrations of benzene around the refinery fence line perimeter and submittal of the fence line monitoring data to the EPA on a quarterly basis; upgraded emissions controls for storage tanks, including controls for smaller capacity storage vessels and storage vessels storing materials with lower vapor pressures than previously regulated; enhanced performance requirements for flares including the use of a minimum of three pollution prevention measures, continuous monitoring of flares and pressure release devices and analysis and remedy of flare release events; and compliance with emissions standards for delayed coking units. These final rules and any other future air emissions rulemakings could impact us by requiring installation of new emission controls on some of our equipment, resulting in longer permitting timelines, and significantly increasing our capital expenditures and operating costs, which could adversely impact our business.

From time to time the CAA authorizes the EPA to require modifications in the formulation of the refined transportation fuel products we manufacture in order to limit the emissions associated with the fuel product’s final use. For example, in February 2000, the EPA published regulations limiting the sulfur content allowed in gasoline. These regulations, referred to as “Tier 2 Standards,” required the phase-in of gasoline sulfur standards beginning in 2004, with special provisions for small refiners and for refiners serving those western U.S. states exhibiting lesser air quality problems. Similarly, the EPA published regulations that limit the sulfur content of highway diesel beginning in 2006 from its former level of 500 parts per million (“ppm”) to 15 ppm (the “ultra-low sulfur standard”). Our Shreveport and Great Falls refineries have implemented the sulfur standard with respect to produced gasoline and produced diesel meeting the ultra-low sulfur standard.

In 2014, the EPA published more stringent sulfur standards, referred to as “Tier 3 Standards,” including requiring that motor gasoline will not contain more than 10 ppm of sulfur on an annual average basis by January 1, 2017, except in those instances where refineries received a “small refinery” exemption, in which event the deadline was extended to January 1, 2020. Our Shreveport and Great Falls refineries are fully compliant with the 10 ppm sulfur standard with respect to produced gasoline. In addition, we are required to meet the Mobile Source Air Toxics (“MSAT”) II Standards adopted by the EPA to reduce the benzene content of motor gasoline produced at our facilities and have completed capital projects at our Shreveport and Great Falls refineries to comply with those fuel quality requirements.

The EPA has issued RFS mandates, requiring refiners such as us to blend renewable fuels into the petroleum fuels they produce and sell in the United States. We, and other refiners subject to RFS, may meet the RFS requirements by blending the necessary volumes of renewable transportation fuels produced by us or purchased from third parties. To the extent that refiners are unable to blend renewable fuels into the products they produce in the quantities required to satisfy their obligations under the RFS program, those refiners may purchase renewable credits, referred to as RINs, to maintain compliance. To the extent that we exceed the minimum volumetric requirements for blending of renewable transportation fuels, we generate our own RINs for which we have the option of retaining the RINs for current or future RFS compliance or selling those RINs on the open market. It is possible we could find ourselves unable to blend sufficient quantities of ethanol and biodiesel to meet our requirements and would, therefore, have to purchase an increasing number of RINs. It is not possible at this time to predict with certainty what those volumes or costs may be. Existing laws and regulations could change, and the minimum volumes of renewable fuels that must be blended with refined petroleum fuels may increase. For more information on the RFS program, our participation in the program and risks associated with the program, see the following risk factor under Part I, Item 1A of this Form 10-K: *“The availability and cost of renewable identification numbers and results of litigation related to our SRE petitions could have a material adverse effect on our results of operations and financial condition and our ability to make payments on our debt obligations.”*

Climate Change

Climate change continues to attract considerable public, governmental and scientific attention in the U.S. and foreign countries. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of greenhouse gases (“GHG”) or to control such future emissions. Consequently, it is possible that our operations as well as the operations of our customers may become subject to a series of regulatory, political, litigation and financial risks associated with the processing of fossil fuels and/or emissions of GHGs. The adoption of international, federal, regional or state legislation or regulations or other regulatory initiatives that impose more stringent standards for GHG emissions could require us to incur increased compliance costs or affect the price or availability of certain of our feedstocks or products.

At the federal level, no comprehensive climate change legislation has been implemented to date. However, the EPA has determined that GHG emissions present a danger to public health and the environment and has adopted regulations under existing provisions of the federal CAA that, among other things: establish that Prevention of Significant Deterioration (“PSD”) construction permit programs and Title V operating permit programs will include reviews for GHG emissions from certain large stationary sources that are also potential major sources of criteria pollutant emissions; require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources; implement CAA emission new source performance standards (“NSPS”) directing the reduction of methane from certain new, modified or reconstructed facilities in the oil and natural gas sector; and together with the U.S. Department of Transportation (“DOT”), implement GHG emissions limits on vehicles manufactured for operation in the United States. Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, there exists the United Nations-sponsored “Paris Agreement,” which calls upon nations to limit their GHG emissions through individually determined reduction goals every five years after 2020.

There are also increasing financial risks for fossil fuel producers, as stockholders and bondholders currently invested in fossil-fuel energy companies may elect in the future to shift some or all of their investments into non-fossil fuel energy related sectors. Institutional lenders who provide financing to fossil-fuel energy companies are beginning to define sustainable lending practices and there is the possibility that financial institutions will adopt policies that limit funding for fossil fuel energy companies, as governmental and nongovernmental institutions focus on addressing climate-related risks in the financial sector. Although we are not an oil or gas producer, it is possible that limitation of investments in and financings for fossil fuel energy companies could result in the restriction, delay or cancellation of drilling programs or development or production activities which could affect the price or availability of certain of our feedstocks.

It should also be noted that some scientists have concluded that increasing concentrations of GHG in the earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on our operations.

Hazardous Substances and Wastes

The Comprehensive Environmental Response, Compensation and Liability Act, as amended (“CERCLA”), also known as the “Superfund” law, and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. Such classes of persons include the current and past owners and operators of sites where a hazardous substance was released and companies that disposed or arranged for disposal of hazardous substances at offsite locations, such as landfills. Under CERCLA, these “responsible persons” may be subject to joint and several, strict liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. Separately, it is not uncommon for neighboring landowners and other third parties to file claims under relevant state laws for personal injury and property damage allegedly caused by the release of hazardous substances into the environment. In the course of our operations, we generate wastes or handle substances that may be regulated as hazardous substances, and we could become subject to liability under CERCLA and comparable state laws.

We also may incur liability under the Resource Conservation and Recovery Act, as amended (“RCRA”), and comparable state laws, which impose requirements related to the handling, storage, treatment and disposal of hazardous and non-hazardous wastes. In the course of our operations, we generate petroleum product wastes and ordinary industrial wastes that may be regulated as hazardous wastes. In addition, our operations also generate non-hazardous solid wastes, which are regulated under RCRA and state laws. Historically, our environmental compliance costs under the existing requirements of RCRA and similar state and local laws have not had a material adverse effect on our results of operations, and the cost involved in complying with these requirements is not material.

We currently own or operate, and have in the past owned or operated, properties that for many years have been used for refining and terminal activities. These properties in the past may have been operated by third parties whose treatment and disposal or release of petroleum hydrocarbons and wastes were not under our control. Although we used operating and disposal practices that were standard in the industry at the time, petroleum hydrocarbons or wastes have been released on or under the properties owned or operated by us. These properties and the materials disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes or property contamination or to perform remedial activities to prevent future contamination.

In addition, new laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements, increased governmental enforcement or other developments could significantly increase our operational or compliance expenditures.

Water Discharges

The Federal Water Pollution Control Act of 1972, as amended, also known as the federal Clean Water Act, and analogous state laws impose restrictions and stringent controls on the discharge of pollutants, including oil, into regulated waters. Such discharges are prohibited, except in accordance with the terms of a permit issued by the EPA or the appropriate state agencies. Any unpermitted release of pollutants, including crude oil or hydrocarbon specialty oils as well as refined products, could result in penalties, as well as significant remedial obligations. Spill prevention, control, and countermeasure requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture, or leak. Historically, our environmental compliance costs under the existing requirements of the federal Clean Water Act and similar state laws have not had a material adverse effect on our results of operations but these laws and their implementing regulations are subject to change and there can be no assurance that such future costs will not be material.

The primary federal law for oil spill liability is the Oil Pollution Act of 1990, as amended (“OPA”), which addresses three principal areas of oil pollution — prevention, containment and cleanup. The OPA applies to vessels, offshore facilities and onshore facilities, including refineries, terminals and associated facilities that may affect waters of the U.S. Under the OPA, responsible parties, including owners and operators of onshore facilities, may be subject to oil cleanup costs and natural resource damages as well as a variety of public and private damages from oil spills. Historically, our past environmental compliance costs under the existing requirements of the OPA have not had a material adverse effect on our results of operations but this law and its implementing regulations are subject to change and there can be no assurance that such future costs will not be material.

Occupational Health and Safety

We are subject to various laws and regulations relating to occupational health and safety, including the federal Occupational Safety and Health Act, as amended, and comparable state laws. These laws and regulations strictly govern the protection of the health and safety of employees. In addition, OSHA's hazard communication standard, the EPA's community right-to-know regulations under Title III of CERCLA and similar state statutes require that we maintain information about hazardous materials used or produced in our operations and provide this information to employees, contractors, state and local government authorities and customers. We maintain safety and training programs as part of our ongoing efforts to ensure compliance with applicable laws and regulations. We conduct periodic audits of Process Safety Management ("PSM") systems at each of our locations subject to the PSM standard. Our compliance with applicable health and safety laws and regulations has required, and continues to require, substantial expenditures. Changes in occupational safety and health laws and regulations or a finding of non-compliance with current laws and regulations could result in additional capital expenditures or operating expenses, as well as civil penalties and, in the event of a serious injury or fatality, criminal charges.

Other Environmental and Maintenance Items

We perform preventive and normal maintenance on most, if not all, of our refining and terminal assets and make repairs and replacements when necessary or appropriate. We also conduct inspections of these assets as required by law or regulation.

Insurance

Our operations are subject to certain hazards of operations, including fire, explosion and weather-related perils. We maintain insurance policies, including business interruption insurance for each of our facilities, with insurers in amounts and with coverage and deductibles that we, with the advice of our insurance advisors and brokers, believe are reasonable and prudent. We cannot, however, ensure that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices. We are not fully insured against certain risks because such risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures.

Seasonality

The fuel and fuel related products that we manufacture, including asphalt products, are subject to seasonal demand and trends. Asphalt demand is generally lower in the first and fourth quarters of the year, as compared to the second and third quarters, due to the seasonality of the road construction and roofing industries we supply. Demand for gasoline and diesel is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic and agricultural activity. In addition, our natural gas costs can be higher during the winter months, as demand for natural gas as a heating fuel increases during the winter. As a result, our operating results for the first and fourth calendar quarters may be lower than those for the second and third calendar quarters of each year due to seasonality related to these and other products that we produce and sell.

Properties

We own and lease the principal properties listed below. The principal properties which we own, as well as others not listed below, are pledged as collateral under our Collateral Trust Agreement as discussed in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Master Derivative Contracts and Collateral Trust Agreement.” We believe that all properties are suitable for their intended purpose, are being efficiently utilized and provide adequate capacity to meet demand for the next several years.

| Property | Business Segment(s) | Acres | Owned / Leased | Location |
|---------------------------------------|----------------------------------|-------|----------------|--------------------------|
| Shreveport refinery | Specialty Products and Solutions | 240 | Owned | Shreveport, Louisiana |
| Great Falls specialty refinery | Montana/Renewables | 65 | Owned | Great Falls, Montana |
| Great Falls renewable diesel facility | Montana/Renewables | 21 | Owned | Great Falls, Montana |
| Princeton refinery | Specialty Products and Solutions | 208 | Owned | Princeton, Louisiana |
| Cotton Valley refinery | Specialty Products and Solutions | 77 | Owned | Cotton Valley, Louisiana |
| Burnham terminal | Specialty Products and Solutions | 11 | Owned | Burnham, Illinois |
| Karns City facility | Specialty Products and Solutions | 225 | Owned | Karns City, Pennsylvania |
| Dickinson facility | Specialty Products and Solutions | 28 | Owned | Dickinson, Texas |
| Missouri facility | Specialty Products and Solutions | 22 | Owned | Louisiana, Missouri |
| Calumet Packaging facility | Performance Brands | 10 | Leased | Shreveport, Louisiana |
| Royal Purple facility | Performance Brands | 20 | Owned | Porter, Texas |

In addition to the items listed above, we lease or own a number of storage tanks, railcars, warehouses, equipment, land, crude oil loading facilities and precious metals.

Intellectual Property

Our patents relating to our refining operations are not material to us as a whole. Our patents include composition patents that are integral to certain products in the Specialty Products and Solutions segment. We own, have registered or have applied for registration of a variety of tradenames, service marks and trademarks for use in our business. The trademarks, tradenames and design marks under which we conduct our branded business (including Penreco, Orchem, Royal Purple, Bel-Ray and TruFuel) and other trademarks employed in the marketing of our products are integral to our marketing operations. We also license intellectual property rights from third parties. We are not aware of any facts as of the date of this filing which would negatively impact our continuing use of intellectual property or our licensed intellectual property.

Office Facilities

In addition to our principal properties discussed above, as of December 31, 2021, we were a party to a number of cancelable and noncancelable leases for certain properties, including our corporate headquarters in Indianapolis, Indiana. The corporate headquarters lease is for 58,501 square feet of office space. The lease term expires in August 2024. Please read Note 5 “Leases” in Part II, Item 8 “Financial Statements and Supplementary Data” of this Annual Report for additional information regarding our leases.

While we may require additional office space as our business expands, we believe that our existing facilities are adequate to meet our needs for the immediate future and that additional facilities will be available on commercially reasonable terms as needed.

Employees

As of March 4, 2022, our general partner employed approximately 1,450 people who provide direct support to our operations. Of these employees, approximately 550 are covered by collective bargaining agreements.

Employees at the following locations are covered by the following separate collective bargaining agreements:

| Facility/ Refinery | Union | Expiration Date |
|--------------------|--|-------------------|
| Cotton Valley | International Union of Operating Engineers | January 15, 2023 |
| Princeton | International Union of Operating Engineers | August 20, 2024 |
| Dickinson | International Union of Operating Engineers | December 12, 2024 |
| Shreveport | United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union | April 30, 2022 |
| Missouri | United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union | April 30, 2022 |
| Karns City | United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union | January 31, 2023 |
| Great Falls | United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union | July 31, 2022 |

None of the employees at the Calumet Packaging facility, the Royal Purple facility or at the Burnham terminal are covered by collective bargaining agreements. Our general partner considers its employee relations to generally be good, with no history of work stoppages.

Address, Internet Website and Availability of Public Filings

Our principal executive offices are located at 2780 Waterfront Parkway East Drive, Indianapolis, Indiana, 46214 and our telephone number is (317) 328-5660. Our website is located at www.calumetspecialty.com.

Our Securities and Exchange Commission (“SEC”) filings are available on our website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We make available, free of charge on our website, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These documents are located on our website at www.calumetspecialty.com by selecting the “Investor Relations” link, and then selecting the “Financial Reporting” link and then selecting the “SEC Filings” link. We also make available, free of charge on our website, our charters for the Audit and Finance Committee, Compensation Committee, and Conflicts Committee, and our Related Party Transactions Policy and Code of Business Conduct and Ethics. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the Code of Business Conduct and Ethics applicable to our executive officers and directors by posting such information on our website. These documents are located on our website at www.calumetspecialty.com by selecting the “Investor Relations” link, then selecting the “Governance” link, and then selecting “Governance Documents.” All reports and documents filed with the SEC are also available via the SEC website, www.sec.gov.

The above information is available to anyone who requests it and is free of charge either in print from our website or upon request by contacting Investor Relations using the contact information listed above. Information on our website is not incorporated into this Annual Report or our other securities filings and is not a part of them.

Item 1A. Risk Factors

An investment in our common units involves a significant degree of risk. Before you invest in our common units, you should carefully consider the risk factors discussed or referenced below. If any of the risks discussed below were actually to occur, our business, financial position or results of operations could be materially adversely affected.

Risks Related to our Business

Results of Operations and Financial Condition

Our business depends on supply and demand fundamentals, which can be adversely affected by numerous macroeconomic factors outside of our control and which may in turn impact our operational and financial performance, including our ability to execute our business strategies in the expected time frame.

Such macroeconomic factors include:

- Reduction in the demand for, and the marketability of, our specialty products due to governmental regulations, including travel bans and restrictions, quarantines, shelter in place orders, and shutdowns;
- increased volatility in product margins;
- the health of our workforce and their access to our facilities due to a pandemic, epidemic or widespread outbreak of an infectious disease, which could result in a full or partial shutdown of our facilities if a significant portion of the workforce at a facility is impacted;
- the ability or willingness of our suppliers to provide raw materials, equipment, services or supplies for our operations or otherwise fulfill their contractual obligations, which could reduce our production levels or otherwise impact our ability to deliver refined or finished lubricant products timely or at all;
- the ability or willingness of our customers to fulfill their contractual obligations or any material reduction in, or loss of, orders or revenue from our customers;
- occurrence of operational hazards, including terrorism, cyberattacks or domestic vandalism, as well as information system failures or communication network disruptions;
- increased cost and reduced availability of capital for growth or maintenance expenditures;
- availability and operability of terminals, tankage and pipelines that store and transport our feedstocks and products;
- the amount of our borrowing base under our revolving credit facility and our ability to issue letters of credit or the requirement that we post substantial amounts of credit support;
- the impairment of our long-lived assets or goodwill, which could reduce our earnings;
- the impact of any economic downturn, recession or other disruption of the U.S. and global economies and financial and commodity markets;
- political tensions, conflicts and war, such as the ongoing conflict in Ukraine; and
- the effects of the COVID-19 pandemic could impact supply, demand, and the availability of employees required to operate our assets.

While it is not possible to predict their extent or duration, the effects of the COVID-19 pandemic could have a negative impact on our business, financial condition, and results of operations.

Our business has exposure to some commodities which are volatile, and a reduction in our margins will adversely affect the amount of cash we will have available to operate our business and for payments of our debt obligations.

In many cases, specialty products are produced from intermediate that ultimately originate from crude oil. Typically, we enjoy a cost advantage from processing crude oil into intermediates that are used as specialty feedstocks. This process also creates fuels and other by-products, which carry a margin to crude prices. Typically, the total margin of fuels and other by-products to crude oil is a positive, but in extreme demand scenarios, such as those seen during the height of the COVID-19 pandemic, this cost advantage can turn into a short-term disadvantage. When the margin between product sales prices and feedstock costs tightens, our earnings, profitability and cash flows are negatively impacted.

A widely used benchmark to track margins in the fuel products industry is the Gulf Coast 2/1/1 crack spread (“Gulf Coast crack spread”), which represents the gross margin assuming that two barrels of a benchmark crude oil are converted, or cracked, into one barrel of gasoline and one barrel of diesel. The Gulf Coast 2/1/1 crack spread ranged from a high of \$22.43 per barrel to a low of \$10.34 per barrel during 2021 and averaged \$17.54 per barrel during 2021 compared to an average of \$9.40 in 2020.

Our actual fuels product margins may vary from the Gulf Coast crack spread due to the actual crude oil used and products produced, transportation costs, regional differences, and the timing of the purchase of the feedstock and sale of the refined products, but we use the Gulf Coast crack spread as an indicator of the volatility and general levels of fuels refining margins.

Our specialty product margins are influenced by the price of our feedstocks, many of which are commodities. If feedstock prices increase, our margins would fall unless we are able to pass through these price increases to our customers.

Our hedging activities may not be effective in reducing our exposure to commodity price risk and may reduce our earnings, profitability and cash flows.

From time to time, we utilize derivative financial instruments related to the future price of crude oil, natural gas and refined products to manage expected outcomes involving commodity price risk. We typically do not enter into derivative financial instruments to reduce our exposure to prices of the specialty products we sell as there is no established derivative market for such products.

We limit our derivative transactions to only a portion of the volume of our expected purchase and sales requirements and, as a result, we will continue to have direct commodity price exposure to the unhedged portion of our expected purchase and sales requirements. Thus, we could be exposed to significant increases in commodity prices, which would increase the cost for a portion of our feedstock purchases.

Our actual future purchase and sales requirements may be significantly higher or lower than we estimate at the time we enter into derivative transactions for such period. If the actual amount is higher than we estimate, we will have greater commodity price exposure than we intended. If the actual amount is lower than the amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, which may result in a substantial diminution of our liquidity. As a result, our hedging activities may not be as effective as we intend in reducing our exposure to price risk. In addition, our hedging activities are subject to the risks that a counterparty may not perform its obligations under the applicable derivative instrument, the terms of the derivative instruments are imperfect, and our risk management policies and procedures are not properly followed. It is possible that the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

Decreases in the price of inventory and products may lead to a reduction in the borrowing base under our revolving credit facility and our ability to issue letters of credit or the requirement that we post substantial amounts of cash collateral for derivative instruments, which could adversely affect our liquidity, financial condition and our ability to make payments on our debt obligations.

We rely on borrowings and letters of credit under our revolving credit facility to purchase feedstocks for our facilities, and to lease certain precious metals for use in our operations. The borrowing base under our revolving credit facility is determined weekly or monthly depending upon availability levels or the existence of a default or event of default. Reductions in the value of our inventories as a result of lower crude oil prices could result in a reduction in our borrowing base, which would reduce the amount of financial resources available to meet our operating requirements. If, under certain circumstances, our available capacity under our revolving credit facility falls below certain threshold amounts, or a default or event of default exists, then our cash balances in a dominion account established with the administrative agent will be applied on a daily basis to our outstanding obligations under our revolving credit facility. In addition, decreases in the price of crude oil or increases in crack spreads may require us to post substantial amounts of cash collateral to our hedging counterparties in order to maintain our derivative instruments. If, due to our financial condition or other reasons, the borrowing base under our revolving credit facility decreases, we are limited in our ability to issue letters of credit or we are required to post substantial amounts of cash collateral to our hedging counterparties, our liquidity, financial condition and our ability to make payments on our debt obligations could be materially and adversely affected. Please read Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Debt and Credit Facilities” for additional information.

We depend on certain third-party pipelines for transportation of feedstocks and products, and if these pipelines become unavailable to us, our revenues and cash available for payment of our debt obligations could decline.

Our Shreveport facility is interconnected to a pipeline that supplies a portion of its crude oil and a pipeline that ships a portion of its refined fuel products to customers, such as pipelines operated by subsidiaries of Enterprise Products Partners L.P. and Plains. Our Great Falls facility receives crude oil through the Front Range pipeline system via the Bow River Pipeline in Canada. Since we do not own or operate any of these pipelines, their continuing operation is not within our control.

The unavailability of any of these third-party pipelines for the transportation of crude oil or our refined fuel products, because of acts of God, accidents, earthquakes or hurricanes, government regulation, terrorism or other third-party events, could lead to disputes or litigation with certain of our suppliers or a decline in our sales, net income and cash available for payments of our debt obligations.

The price volatility of utility services may result in decreases in our earnings, profitability and cash flows.

The volatility in costs of natural gas and other utility services, principally electricity, used by our facilities and other operations affect our net income and cash flows. Natural gas and utility prices are affected by factors outside of our control, such as supply and demand in both local and regional markets. Natural gas prices have historically been volatile.

For example, daily prices for natural gas as reported on the NYMEX ranged between \$6.31 and \$2.45 per million British thermal unit (“MMBtu”) in 2021, and between \$3.35 and \$1.48 per MMBtu in 2020. Typically, electricity prices fluctuate with natural gas prices. Future increases in natural gas and utility prices may have a material adverse effect on our results of operations. However, international natural gas prices have been more volatile, and more expensive, than domestic prices, which can provide a competitive advantage to domestic plants. This dynamic means that market product prices may increase more than our utility costs, creating higher margins when natural gas and utility costs increase less than international competitors’ utility prices. Natural gas and utility costs constituted approximately 12.1% and 10.1% of our total operating expenses included in cost of sales for the years ended December 31, 2021 and 2020, respectively. As prices and industry competitive dynamics change, it could adversely affect our profitability and the amount of cash available for payments of our debt obligations.

Our facilities incur operating hazards, and the potential limits on insurance coverage could expose us to potentially significant liability costs.

Our facilities are subject to certain operating hazards, and our cash flow from those operations could decline if any of our facilities experience a major accident, pipeline rupture or spill, explosion or fire, is damaged by severe weather or other natural disaster, or otherwise is forced to curtail its operations or shut down. These operating hazards could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage. One or more of these developments may result in significant curtailment or suspension of our related operations.

Although we maintain insurance policies, including personal and property damage and business interruption insurance for each of our facilities, we cannot ensure that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or significant interruption of operations. Our business interruption insurance will not apply unless a business interruption exceeds 60 days. Furthermore, we may be unable to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. In addition, we are not fully insured against all risks incident to our business because certain risks are not fully insurable, coverage is unavailable, or premium costs, in our judgment, do not justify such expenditures. For example, we are not insured for all environmental liabilities, including, but not limited to, product spills and other releases at all of our facilities. If we were to incur a significant liability for which we are not insured or fully insured, it could affect our financial condition and diminish our ability to make distributions to our unitholders and payments of our debt obligations.

Downtime for maintenance at our refineries and facilities will reduce our revenues and could limit our ability to make payments of our debt obligations.

Our facilities consist of many processing units, a number of which have been in operation for extended periods of time. One or more of the units may require additional unscheduled downtime for unanticipated maintenance or repairs that are more frequent than our scheduled turnaround for each unit every one to five years. Scheduled and unscheduled maintenance reduce our revenues and increase our operating expenses during the period of time that our processing units are not operating and could limit our ability to make payments of our debt obligations.

An impairment of our long-lived assets or goodwill could reduce our earnings or negatively impact our financial condition and results of operations.

We continually monitor our business, the business environment and the performance of our operations to determine if an event has occurred that indicates that a long-lived asset or goodwill may be impaired. If an event occurs, which is a determination that involves judgment, we may be required to utilize cash flow projections to assess our ability to recover the carrying value based on the ability to generate future cash flows. Our long-lived assets and goodwill impairment analyses are sensitive to changes in key assumptions used in our analysis, such as expected future cash flows, the degree of volatility in equity and debt markets and our unit price. If the assumptions used in our analysis are not realized, it is possible a material impairment charge may need to be recorded in the future.

We cannot accurately predict the amount and timing of any impairment of long-lived assets or goodwill. Further, as we continue to develop our strategy regarding certain of our non-core assets, we will need to continue to evaluate the carrying value of those assets. Any additional impairment charges that we may take in the future could be material to our results of operations and financial condition.

Competition in our industry is intense, and an increase in competition in the markets in which we sell our products could adversely affect our earnings and profitability.

We compete with a broad range of companies within our industry. Because of some of our competitors' geographic diversity, larger and more complex refineries, integrated operations and greater resources, some of our competitors may be better able to withstand volatile market conditions, to obtain crude oil in time of shortage and to bear the economic risks inherent in all areas of the refining industry.

In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual consumers. The more successful these alternatives become as a result of governmental regulations, technological advances, consumer demand, improved pricing or otherwise, the greater the impact on pricing and demand for our products and our profitability. There are presently significant governmental and consumer pressures to increase the use of alternative fuels in the United States. While in some areas of our business these pressures are helpful, in other areas they can pose a significant risk.

We depend on unionized labor for the operation of many of our facilities. Any work stoppages or labor disturbances at these facilities could disrupt our business and negatively impact our financial condition and results of operations.

Substantially all of our operating personnel at our Shreveport, Great Falls, Princeton, Cotton Valley, Karns City, Dickinson and Missouri facilities are employed under collective bargaining agreements. If we are unable to renegotiate these agreements as they expire, any work stoppages or other labor disturbances at these facilities could have an adverse effect on our business and impact our ability to make payments of our debt obligations. In addition, employees who are not currently represented by labor unions may seek union representation in the future, and any renegotiation of current collective bargaining agreements may result in terms that are less favorable to us.

Our method of valuing inventory may result in decreases in net income.

The nature of our business requires us to maintain substantial quantities of inventories. Some of our inventory is commodity based, providing us little control over the changing market value of these inventories. Because our inventory is valued at the lower of cost or market ("LCM") value, if the market value of our inventory were to decline to an amount less than our cost, we would record a write-down of inventory and a non-cash charge to cost of sales. In a period of decreasing crude oil or refined product prices, our inventory valuation methodology may result in decreases in net income. For example, due to the decrease in crude oil prices in 2020, we recorded an unfavorable LCM inventory adjustment of \$24.0 million.

We depend on key personnel for the success of our business and the loss of those persons could adversely affect our business and our ability to make payments of our debt obligations.

The loss of the services of any member of senior management or key employee could have an adverse effect on our business and reduce our ability to make payments of our debt obligations. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or other key employees if their services were no longer available. We do not maintain any key-man life insurance.

We are subject to cybersecurity risks and other cyber incidents resulting in disruption.

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. We depend on information technology systems. In addition, our use of the internet, cloud services and other public networks, as well as having more of our workforce working remotely due to the COVID-19 pandemic, exposes our business and that of other third parties with whom we do business to security incidents and cyber-attacks. Such incidents could lead to unauthorized access to data and systems, intentional or inadvertent releases of confidential information, including personally identifiable information, corruption of data and disruption of critical systems and operations. Despite the security measures we have in place and any additional measures we may implement in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, ransomware attacks, phishing attacks, lost or misplaced data, programming errors, human errors, acts of vandalism or other events. During 2021, we experienced a minor security incident at one of our operating locations, which was effectively contained. Any disruption of our systems or security breach or event resulting in the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us directly or our third-party service providers, could damage our reputation, expose us to the risks of litigation and liability or regulatory fines, penalties or intervention, disrupt our business or otherwise affect our results of operations, which could materially and adversely affect our business, results of operations or financial condition. In addition, as cyber-attacks continue to evolve in magnitude and sophistication, and our reliance on digital technologies continues to grow, we have expended and expect to continue to expend additional resources in order to continue to enhance our cybersecurity measures and to investigate and remediate any digital systems, related infrastructure, technologies and network security vulnerabilities.

We previously identified a material weakness in our internal control over financial reporting and if we fail to maintain an effective system of internal control, we may not be able to accurately and timely report our financial results.

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 consolidated financial statements may not be prevented or detected on a timely basis. As previously disclosed, we identified a material weakness in internal control over financial reporting that pertains to the untimely and insufficient operation of controls in the financial statement close process, including lack of timely account reconciliation, analysis and review related to all financial statement accounts.

We completed remediation measures related to the material weakness and concluded that our internal control over financial reporting was effective as of December 31, 2021. Completion of remediation does not provide assurance that our remediation or other controls will continue to operate properly or remain adequate and we cannot assure you that we will not identify additional material weaknesses in our internal control over financial reporting in the future.

If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected. This failure could negatively affect the market price and trading liquidity of our common units, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties and generally materially and adversely impact our business and financial condition.

Customers and Suppliers

Our arrangement with Macquarie exposes us to Macquarie-related credit and performance risk as well as potential refinancing risks.

In March 2017, we entered into several agreements with Macquarie Energy North America Trading Inc. (“Macquarie”) to support the operations of the Great Falls facility (the “Great Falls Supply and Offtake Agreements”). In June 2017, we entered into similar agreements with Macquarie to support the operations of the Shreveport facility (the “Shreveport Supply and Offtake Agreements”, and together with the Great Falls Supply and Offtake Agreements, the “Supply and Offtake Agreements”). Pursuant to the Supply and Offtake Agreement, Macquarie has agreed to intermediate crude oil supplies and refined product inventories at our Great Falls and Shreveport facilities. Macquarie will own all of the crude oil in our tanks and substantially all of our refined product inventories prior to our sale of the inventories.

When we executed the Supply and Offtake Agreements, the inventories associated with such agreements were taken out of our revolving credit facility borrowing base. As such, these inventories are not part of our revolving credit facility. Should Macquarie choose to exercise its option to terminate the Supply and Offtake Agreements by giving nine months' notice any time prior to June 2023 of such termination, we would need to seek alternative sources of financing, including putting the inventory back into our revolving credit facility, to meet our obligation to repurchase the inventory at then current market prices. In addition, the cost of repurchasing the inventory may be at higher prices than we sold the inventory. If the price of crude oil is well above the price at which we sold the inventory, we would have to pay more for the inventory than the price we sold the inventory for. If this is the case at the time of termination and we are unable to include the inventory in our borrowing base, we could suffer significant reductions in liquidity when Macquarie terminates the Supply and Offtake Agreements and we have to repurchase the inventories.

Indebtedness; Financing

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.

We had approximately \$1.4 billion of outstanding indebtedness as of December 31, 2021, and availability for borrowings of approximately \$296.0 million under our senior secured revolving credit facility. Following the amendment to our senior secured revolving credit facility on January 20, 2022, we have the ability to incur additional debt, including the ability to borrow up to an aggregate principal amount of \$500.0 million at any time, subject to borrowing base limitations, under our revolving credit facility. A tranche of the revolving credit facility includes a \$35.0 million senior secured first loaned in and last to be repaid out ("FILO") revolving credit facility. Our substantial indebtedness could adversely affect our results of operations, business and financial condition, and our ability to meet our debt obligations. In addition, our level of indebtedness could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms;
- covenants contained in our existing and future credit and debt arrangements will require us to meet financial tests that may affect our flexibility in planning for and reacting to changes in our business, including possible acquisition opportunities;
- we will need a substantial portion of our cash flow to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations, future business opportunities and payments of our debt obligations;
- our ability to execute our acquisition and divestiture strategy; and
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy in general.

Any of these factors could result in a material adverse effect on our business, financial conditions, results of operations, business prospects and ability to satisfy our obligations under our senior notes and revolving credit facility.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as continuing the suspension of distributions to our unitholders, reducing or delaying our business activities, acquisitions, investments and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all. Please read Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Debt and Credit Facilities" for additional information regarding our indebtedness.

Our financing arrangements contain operating and financial provisions that restrict our business and financing activities.

The operating and financial restrictions and covenants in our financing arrangements, including our revolving credit facility, indentures governing each series of our outstanding senior notes and master derivative contracts, do currently restrict, and any future financing agreements could restrict, our ability to finance future operations or capital needs or to engage, expand or pursue our business activities, including restrictions on our ability to, among other things:

- sell assets, including equity interests in our subsidiaries;
- pay distributions on or redeem or repurchase our units or redeem or repurchase any subordinated debt and, in the case of the 9.25% Senior Secured First Lien Notes due 2024 (the "2024 Secured Notes"), our unsecured notes;

- incur or guarantee additional indebtedness or issue preferred units;
- create or incur certain liens;
- make certain acquisitions and investments;
- redeem or repay other debt or make other restricted payments;
- enter into transactions with affiliates;
- enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us;
- create unrestricted subsidiaries;
- enter into sale and leaseback transactions;
- enter into a merger, consolidation or transfer or sale of assets, including equity interests in our subsidiaries; and
- engage in certain business activities.

Our revolving credit facility also contains a springing financial covenant which provides that, if availability under the revolving credit facility falls below the sum of the amount of FILO loans outstanding plus the greater of (i) 10.0% of the Borrowing Base (as defined in the Credit Agreement) then in effect, and (ii) \$35.0 million (which amount is subject to increase in proportion to revolving commitment increases), then we will be required to maintain as of the end of each fiscal quarter a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of at least 1.0 to 1.0.

Our existing indebtedness imposes, and any future indebtedness may impose, a number of covenants on us regarding collateral maintenance and insurance maintenance. As a result of these covenants and restrictions, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

Our ability to comply with the covenants and restrictions in our revolving credit facility, the MRL Credit Facility, our secured hedge agreements and the indentures governing our senior notes may be affected by events beyond our control.

If market or other economic conditions deteriorate, our ability to comply with these covenants and restrictions may be impaired. A failure to comply with the covenants, ratios or tests in our revolving credit facility, our secured hedge agreements, the indentures governing our senior notes or any future indebtedness could result in an event of default under our revolving credit facility, the MRL Credit Facility, our secured hedge agreements, the indentures governing our senior notes or our future indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. Among other things, in the event of any default on our indebtedness, our debt holders and lenders:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- could elect to require that all obligations accrue interest at the default rate, if such rate has not already been imposed;
- may have the ability to require us to apply all of our available cash to repay these borrowings;
- may prevent us from making debt service payments under our other agreements, any of which could result in an event of default under our notes; or
- in the event of a default by Calumet or its restricted subsidiaries, could foreclose on the collateral pledged pursuant to the terms of the revolving credit facility or the indenture and security documents governing the 2024 Secured Notes, respectively, or in the event of a default by Montana Renewables Holdings or MRL, could foreclose on substantially all of the assets of MRL and the equity in MRL held by Montana Renewables Holdings LLC (“Montana Renewables Holdings”).

If our existing indebtedness were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. Even if new financing were available, it may be on terms that are less attractive to us than our then existing credit facilities or it may not be on terms that are acceptable to us. In addition, our obligations under our revolving credit facility are secured by a first priority lien on our accounts receivable, inventory and substantially all of our cash; the obligations under the MRL Credit Facility are secured by substantially all of the assets of MRL and a pledge of 100% of the equity interests in MRL held by Montana Renewables Holdings; our obligations under our secured hedge agreements and the BP Purchase Agreement are secured by a lien on certain of our real property, plant and equipment, fixtures, intellectual property, certain financial assets, certain investment property, commercial tort claims, chattel paper, documents, instruments and proceeds of the forgoing (including proceeds of hedge agreements); and the 2024 Secured Notes are secured by a first-priority lien on all of the fixed assets that secure our obligations under our secured hedge agreements, and if we are unable to repay our indebtedness under the revolving credit facility, the MRL Credit Facility, the 2024 Secured Notes or satisfy the payment obligations under our secured hedge agreements or the payment obligations under the BP Purchase Agreement or obtain waivers of such defaults, then the lenders under our revolving credit facility and under the MRL Credit Facility, the counterparties to such agreements, and the holders of the 2024 Secured Notes could seek to foreclose on these assets. Please read Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Debt and Credit Facilities,” “— Short-Term Liquidity,” “— Long-Term Financing” and “— Master Derivative Contracts and Collateral Trust Agreement” for additional information regarding our long-term debt.

An increase in interest rates will cause our debt service obligations to increase.

Prior to the amendment of our revolving credit facility on January 20, 2022 (the “Third Amendment”), borrowings under our revolving credit facility bear interest at a rate equal to prime plus a basis points margin or the London Interbank Offered Rate (“LIBOR”) plus a basis points margin, at our option. In light of announcements by the Chief Executive of the United Kingdom Financial Conduct Authority (the “FCA”), which regulates LIBOR, that it intends to stop persuading or requiring banks to submit rates for the calculation of LIBOR after 2021, the Third Amendment provided for the replacement of the LIBOR borrowing option with a daily Secured Overnight Financing Rate (“SOFR”) borrowing option. As of December 31, 2021, we had no outstanding borrowings under our revolving credit facility and \$32.7 million in standby letters of credit were issued under our revolving credit facility. The interest rate is subject to adjustment based on fluctuations in daily SOFR or the prime rate, as applicable. An increase in the interest rates associated with our floating-rate debt would increase our debt service costs and affect our results of operations. In addition, an increase in interest rates could adversely affect our future ability to obtain financing or materially increase the cost of any additional financing.

A change of control could result in us facing substantial repayment obligations under our revolving credit facility, the MRL Credit Facility, our senior notes, our secured hedge agreements and our Supply and Offtake Agreements.

There is no restriction in our partnership agreement on the ability of our general partner to enter into a transaction which would trigger the change of control provisions of our revolving credit facility agreement, the MRL Credit Facility, the indentures governing our senior notes, our Collateral Trust Agreement or our Supply and Offtake Agreements. Certain events relating to a change of control of our general partner, our partnership and our operating subsidiaries would constitute an event of default under our revolving credit facility, our Collateral Trust Agreement and our Supply and Offtake Agreements. In addition, an event of default under our revolving credit facility would likely constitute an event of default under the indentures governing our senior notes, our master derivatives contracts and the BP Purchase Agreement. As a result, upon a change of control event, we may be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by us under our revolving credit facility, the senior notes and Supply and Offtake Agreements and the outstanding payment obligations under our master derivatives contracts and the BP Purchase Agreement. In addition, if a change of control event occurs under the MRL Credit Facility, MRL may be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by MRL under the MRL Credit Facility. The source of funds for these repayments would be our available cash or cash generated from other sources and there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness and other payment obligations in full.

In addition, our obligations under our revolving credit facility are secured by a first-priority lien on our accounts receivable, inventory and substantially all of our cash; the obligations under the MRL Credit Facility are secured by substantially all of the assets of MRL and a pledge of 100% of the equity interests in MRL held by Montana Renewables Holdings; our 2024 Secured Notes are secured by a first-priority lien on all of the fixed assets that secure our obligations under our secured hedge agreements; and our obligations under our master derivatives contracts and the BP Purchase Agreement are secured by a first-priority lien on our and our subsidiaries’ real property, plant and equipment, fixtures, intellectual property, certain financial assets, certain investment property, commercial tort claims, chattel paper, documents, instruments and proceeds of the forgoing (including proceeds of hedge agreements). If we are unable to repay our indebtedness under the revolving credit facility, the 2024 Secured Notes, or satisfy the payment obligations under our master derivative contracts or the payment obligations under the BP Purchase Agreement or obtain waivers of such defaults, then the lenders under our revolving credit facility, the holders of our 2024 Secured Notes, the derivative counterparties under our master derivative contracts and BP, respectively, would

have the right to foreclose on those assets, which would have a material adverse effect on us. Additionally, if we are unable to repay our indebtedness under the MRL Credit Facility, Oaktree would have the right to foreclose on substantially all of the assets of MRL and 100% of the equity interests in MRL held by Montana Renewables Holdings.

Capital Projects and Future Growth

We make capital expenditures in our facilities to maintain their reliability and efficiency. If we are unable to complete capital projects at their expected costs and/or in a timely manner, or if the market conditions assumed in our project economics deteriorate, results of operations or cash flows could be adversely affected.

Delays or cost increases related to the engineering, procurement and construction of new facilities, or improvements and repairs to our existing facilities and equipment, could have a material adverse effect on our business, financial condition, results of operations or our ability to make payments on our debt obligations. Such delays or cost increases may arise as a result of unpredictable factors in the marketplace, many of which are beyond our control, including:

- denial or delay in obtaining regulatory approvals and/or permits;
- changes in government regulations, including environmental and safety regulations;
- unplanned increases in the cost of equipment, materials or labor;
- disruptions in transportation of equipment and materials;
- severe adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities, or those of our vendors and suppliers;
- shortages of sufficiently skilled labor, or labor disagreements resulting in unplanned work stoppages;
- market-related increases in a project's debt or equity financing costs; and/or
- nonperformance or declarations of force majeure by, or disputes with, our vendors, suppliers, contractors or sub-contractors.

Equipment, even if properly maintained, may require significant capital expenditures and expenses to keep it operating at optimum efficiency.

Any one or more of these occurrences noted above could have a significant impact on our business or subject us to significant cost overruns. If we were unable to make up the delays or to recover the related costs, or if market conditions change, we may not realize the anticipated benefits of our capital projects and it could materially and adversely affect our financial position, results of operations or cash flows and, as a result, our ability to make payments of our debt obligations.

From time to time, we may seek to divest portions of our business, which could materially affect our results of operations and result in disruption to other parts of the business.

We may dispose of portions of our current business or assets, based on a variety of factors and strategic considerations, consistent with our strategy of preserving liquidity and streamlining our business to better focus on the advancement of our core business. We expect that any potential divestitures of assets will also provide us with cash to reinvest in our business and repay indebtedness. These dispositions, together with any other future dispositions we make, may involve risks and uncertainties, including disruption to other parts of our business, potential loss of employees, customers or revenue, exposure to unanticipated liabilities or result in ongoing obligations and liabilities to us following any such divestiture. In addition, any such divestitures may not yield the targeted improvements in our business. Any of the foregoing could adversely affect our financial condition and results of operations or cash flows and, as a result, our ability to make payments of our debt obligations.

Environmental and Regulatory Matters

We may incur significant environmental remediation costs and liabilities in the operation of our refineries, facilities, terminals and related facilities.

The operation of our refineries, blending and packaging sites, terminals, and related facilities subject us to the risk of incurring significant environmental remediation costs and liabilities due to our handling of petroleum hydrocarbons and wastes or hazardous substances or wastes, because of air emissions and water discharges related to our operations and activities, and as a result of historical operations and waste disposal practices at our facilities or in connection with our activities, some of which may have been conducted by prior owners or operators. We could incur significant remedial costs in the cleanup of any petroleum hydrocarbons or wastes or hazardous substances or wastes that may have been released on, under or from the properties owned or operated by us. We believe we have adequately reserved for these possibilities.

Some environmental laws may impose joint and several, strict liability for releases of petroleum hydrocarbons and wastes or hazardous substances or wastes, which means in some situations, we could be exposed to liability as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Private parties, including the owners of properties adjacent to our operations and facilities where our petroleum hydrocarbons or wastes or hazardous substances or wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. We may not be able to recover some or any of these costs from insurance or other sources of indemnity. To the extent that the costs associated with meeting any or all of these requirements are significant and not adequately secured or indemnified for, there could be a material adverse effect on our business, financial condition and results of operations or cash flows and, as result, our ability to make payments of our debt obligations.

We are subject to operational compliance with stringent environmental and occupational health and safety laws and regulations that may expose us to significant costs and liabilities.

Our refining, blending and packaging site, terminal and related facility operations are subject to stringent federal, regional, state and local laws and regulations governing worker health and safety, the discharge of materials into the environment and environmental protection. These laws and regulations impose legal requirements that are applicable to our operations, including the obligation to obtain permits to conduct regulated activities, the incurrence of significant capital expenditures for air pollution control equipment to limit or prevent releases of pollutants from our facilities, the expenditure of significant monies in the application of specific health and safety criteria addressing worker protection, the requirement to maintain information about hazardous materials used or produced in our operations and to provide this information to required parties, and the incurrence of significant costs and liabilities for pollution resulting from our operations or from those of prior owners or operators of our facilities. Numerous federal and state governmental authorities, such as the U.S. EPA, OSHA and the Louisiana Department of Environmental Quality (“LDEQ”), have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring challenging and costly actions. From time to time, we receive notices of violation, other enforcement proceedings and regulatory inquiries from governmental agencies alleging non-compliance with applicable environmental and occupational health and safety laws and regulations. Failure to comply with such laws and regulations as well as any issued permits and orders may result in the assessment of administrative, civil, and criminal sanctions, including monetary penalties, the imposition of remedial or corrective action obligations or the incurrence of capital expenditures, the occurrence of delays or cancellations in the permitting, development or expansion of projects, litigation, and the issuance of injunctions limiting or preventing some or all of our operations.

New worker safety and environmental laws and regulations, revised interpretations of such existing laws and regulations, increased governmental enforcement or other developments could require us to make additional, unforeseen expenditures. The adoption of more stringent environmental laws or regulations could impact us by requiring installation of new emission controls on some of our equipment, resulting in longer permitting timelines, and significantly increasing our capital expenditures and operating costs, which could adversely impact our business, cash flows and results of operation. Please read Items 1 and 2 “Business and Properties — Environmental and Occupational Health and Safety Matters” for additional information.

The availability and cost of renewable identification numbers and results of litigation related to our SRE petitions could have a material adverse effect on our results of operations and financial condition and our ability to make payments on our debt obligations.

The EPA has issued RFS mandates, requiring refiners to blend renewable fuels into the transportation fuels they produce and sell in the United States. We, and other refiners subject to RFS requirements, may meet the RFS requirements by blending the necessary volumes of renewable transportation fuels into our production. To the extent that refiners cannot blend renewable fuels into the products they produce in the quantities required to satisfy their obligations under the RFS program, those refiners may purchase renewable credits, referred to as RINs, which are created by blending done by others to maintain compliance.

Under the RFS provisions of the Clean Air Act, the volume of renewable fuels that obligated parties are required to blend into their finished petroleum fuels increases annually over time until 2022. Each year the EPA sets or adjusts volume mandates for the percentage of cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel volume to be blended into all gasoline and diesel produced or imported during the applicable year. Most recently, the EPA has established final volume mandates for RFS program year 2020 under final rules published in February 2020. In December 2021, EPA issued a proposal to set volume mandates for program years 2021 and 2022 and to reduce the previously finalized volume mandates for program year 2020.

Our Shreveport and Great Falls refineries are normally subject to compliance with the RFS mandates. However, the EPA granted certain of our refineries the small refinery exemption (“SRE”) under the RFS in past years including, most recently, for the 2018 program year. Exempted refineries were not subject to the requirements of RFS as an “obligated party” for transportation fuels produced at these “small” refineries for those calendar years. We have submitted SRE petitions for our Shreveport and Great Falls refineries for program years 2019 and 2020; however, EPA has not yet responded to these petitions (or to other petitions for compliance years 2019, 2020 and 2021 submitted by other small refineries). The EPA has announced a proposal to deny all currently pending petitions from small refineries seeking SREs, including for program years 2019 and 2020, based on an across-the-board determination that no refinery suffers disproportionate economic hardship from the RFS program. EPA has not yet taken final action on this proposal. The failure to obtain SREs for certain of our refineries could result in the need to purchase RINs to satisfy our obligations under the RFS and it is not possible at this time to predict with certainty what those costs may be. The public comment period on EPA’s proposed denial extends through early February 2022. If EPA finalizes its proposed denial of all SRE petitions following this public comment period, we expect that such decisions will be challenged in litigation by various stakeholders through and beyond 2022. Our involvement in such litigation may strain our resources, increase our costs and distract management, even if we are successful at certain stages. As long as the final outcome of our SRE petitions remains uncertain, we expect to carry a RINs liability on our balance sheet and any changes to such liability will be recognized as a charge or credit to net income. As a result of such charges, investors may have a negative outlook on our financial position regardless of the actual impact these charges have on our business. In addition, on January 27, 2022, EPA extended the compliance reporting deadlines and attestation engagement reporting deadlines for program years 2019, 2020 and 2021, calculated based on the future effective dates of other EPA RFS rulemakings. Nonetheless, we may in the future become subject to civil penalties if we are not in compliance with the RFS by such extended compliance deadlines.

While we received a SRE for certain of our refineries in past years, there is no assurance that such an exemption will be obtained for any of our refineries in future years, which would result in the need for more RINs for the applicable calendar year. Our annual RINs Obligation, which includes RINs that are required to be secured through either our own blending or through the purchase of RINs in the open market, is approximately 65 million RINs spread across four compliance categories (D3, D4, D5 and D6).

The EPA’s implementation of the RFS program has been subject to numerous court challenges in recent years, including with respect to selection of the final volume mandates, movement of the point of compliance, and the granting and denial of certain SREs. In January 2020, the U.S. Court of Appeals for the 10th Circuit vacated EPA orders granting the SRE to three refineries that petitioned for the exemption in 2016, holding that those three refineries were not eligible to receive the exemptions because they had failed to receive continuous exemptions in prior years, and that EPA erred in its consideration of the refineries’ disproportionate economic hardship. The court remanded the matter to the EPA for further proceedings and denied a rehearing in April 2020. The refineries filed a petition for a writ of certiorari which was accepted by the U.S. Supreme Court on the eligibility question only. In June 2021, the Supreme Court reversed the 10th Circuit’s decision on the eligibility question and held that the Act authorizes EPA to exempt a small refinery from compliance even if the refinery had not received an exemption each year since the program commenced.

In separate litigation, the D.C. Circuit Court of Appeals granted a request by the EPA to remand without vacatur its August 2019 decision to grant 31 SREs for program year 2018 for reconsideration and ordered the EPA to take a new action as to those SREs no later than April 7, 2022.

We cannot predict the outcome of these matters or whether they may result in increased RFS program compliance costs. Moreover, the price of RINs remains subject to extreme volatility, with the potential for significant increases in price driven by political decisions rather than fundamentals. There also continues to be a shortage of advanced biofuel production resulting in increased difficulties meeting the original RFS program mandates. Our refineries produce a higher ratio of diesel than national averages, and since ethanol cannot be blended into diesel we therefore have a more difficult “compliance pathway” than average.

The inability to receive an exemption under the RFS program for one or more of our refineries, any increase in the final minimum volumes of renewable fuels that must be blended with refined petroleum fuels, and/or any increase in the cost to acquire RINs may, individually or in the aggregate, have the potential to result in significant costs in connection with RIN compliance, which costs could be material.

Our and our customers' operations are subject to risks arising out of the threat of climate change, including regulatory, political, litigation and financial risks, which could result in increased operating and capital costs for our customers and reduced demand for the products and services we provide.

The threat of climate change continues to attract considerable attention in the United States and foreign countries. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs as well as to eliminate such future emissions. As a result, our operations and potentially the operations of our customers are subject to a series of regulatory, political, physical, litigation and financial risks associated with the production and processing of fossil fuels and emissions of GHGs. Please see Items 1 and 2 "Business and Properties — Environmental and Occupational Health and Safety Matters" for more discussion on the threat of climate change and restriction of GHG emissions.

The adoption and implementation of any international, federal, regional or state executive actions, legislation, regulations or other regulatory initiatives that impose more stringent standards for GHG emissions or put a price on GHG emissions could result in increased compliance costs or reduced demand for some of our services and products. Further, increasing concentrations of GHGs in the Earth's atmosphere may produce climatic changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our operations or the operations of our suppliers and customers. Increasing attention to the risks of climate change has also resulted in an increased possibility of lawsuits or investigations brought by public and private entities against companies in the oil and natural gas sector in connection with their greenhouse gas emissions. While we do not produce oil or natural gas, if we were to be targeted by any such litigation or investigations, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to the causation of or contributions to the asserted damage, or to mitigating factors.

There are also increasing financial risks if stockholders and bondholders concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy related sectors. Additionally, the lending and investment practices of institutional lenders have been the subject of intensive lobbying efforts in recent years pressuring such lenders to not to provide funding for oil and natural gas producers. While we do not produce oil or natural gas, such developments could affect our cost and access to capital. Similarly, political, physical, financial and litigation risks may result in certain companies engaged in the oil and natural gas production business restricting, delaying or canceling production activities, incurring liability for infrastructure damages as a result of climatic changes, or impairing the ability to continue to operate in an economic manner, which also could reduce demand for our products and services.

The occurrence of one or more of these developments could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, the increased competitiveness of alternative energy sources (such as wind, solar, geothermal and tidal), as well as any regulatory or other incentives to conserve energy, could reduce demand for hydrocarbons and therefore for our products, which could lead to a reduction in our revenues and cash flow available for payments on our debt obligations.

We could incur substantial costs or disruptions in our business if we cannot obtain or maintain necessary permits and authorizations or otherwise comply with occupational, environmental and other laws and regulations.

Our operations require numerous permits and authorizations under various occupational, environmental and other laws and regulations. These authorizations and permits are subject to revocation, renewal or modification and can require operational changes to limit impacts or potential impacts on the environment and/or the health or safety of workers. New policy objectives and regulatory initiatives pursued under the Biden Administration as well as changes in leadership or priorities at the state level may result in more stringent conditions with respect to the acquisition of these authorizations and permits. Additionally, a violation of an authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and/or facility shutdowns. Any or all of these matters could have a negative effect on our business, results of operations and cash flow available for payments on our debt obligations.

Subsidiaries

We have a holding company structure in which our subsidiaries conduct our operations and own our operating assets and our ability to resume distributions to our unitholders and make payments of our debt obligations depends on the performance of our subsidiaries and their ability to distribute funds to us.

We are a holding company, and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to make payments of debt obligations depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us is restricted by our revolving credit facility and the indentures governing our senior notes and may be restricted by, among other things, applicable state laws and other laws and regulations. If we are unable to obtain the funds necessary to distribute cash to our unitholders or make payments of debt obligations, we may be required to adopt one or more alternatives, such as a refinancing our indebtedness or incurring borrowings under our revolving credit facility. We cannot assure unitholders that we would be able to refinance our indebtedness or that the terms on which we could refinance our indebtedness would be favorable.

Risks Related to Our Partnership Structure

Cash Distributions to Unitholders

We may not have sufficient cash from operations, following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to resume paying distributions to our unitholders or restore distributions to previous levels.

In April 2016, we announced suspension of our quarterly cash distribution to unitholders and have not paid any quarterly distributions since. We may not have sufficient available cash from operations in the future to enable us to resume payment of a distribution to unitholders. The amount of cash we can distribute on our common units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- overall demand for specialty products;
- the level of foreign and domestic production of crude oil and refined products;
- our ability to produce fuel products and specialty products that meet our customers' unique and precise specifications;
- the marketing of alternative and competing products;
- the extent of government regulation;
- results of our hedging activities;
- global or national health concerns; and
- overall economic and local market conditions.

In addition, the actual amount of cash we have available for distribution will depend on other factors, some of which are beyond our control, including:

- the level of capital expenditures we make, including those for acquisitions, if any;
- our debt service requirements;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets;
- restrictions on distributions and on our ability to make working capital borrowings for distributions contained in our debt instruments; and
- the amount of cash reserves established by our general partner for the proper conduct of our business.

If we generate insufficient cash from our operations for a sustained period of time and/or forecasts demonstrate expectations of continued future insufficiencies, the board of directors of our general partner may determine not to reinstate our distribution to unitholders. Any such continued suspension or elimination of distributions may cause the trading price of our units to decline.

The amount of cash we have available for distribution to unitholders depends primarily on our cash flow and not solely on profitability.

Unitholders should be aware that the amount of cash we have available for distribution depends primarily upon our cash flow from operating activities, cash on hand and working capital borrowings, and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record net losses and may not make cash distributions during periods when we record net income.

General Partner, The Heritage Group and Partnership Agreement

At March 3, 2022, the family of our chairman, The Heritage Group and certain of their affiliates own an approximate 20.7% limited partner interest in us and own and control our general partner, which has sole responsibility for conducting our business and managing our operations. Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to other unitholders' detriment.

At March 3, 2022, the family of our chairman, The Heritage Group and certain of their affiliates own an approximate 20.7% limited partner interest in us. In addition, The Heritage Group and the family of our chairman control our general partner.

Conflicts of interest may arise between our general partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- our general partner is allowed to take into account the interests of parties other than us, such as its affiliates, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to our unitholders;
- our general partner has limited its liability and reduced its fiduciary duties under our partnership agreement and has also restricted the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty. As a result of purchasing common units, unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under Delaware law;
- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities, and reserves, each of which can affect the amount of cash that is distributed to unitholders;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces operating surplus, or a capital expenditure for acquisitions or capital improvements, which does not. This determination can affect the amount of cash that is available for distribution to our unitholders;
- our general partner has the flexibility to cause us to enter into a broad variety of derivative transactions covering different time periods, the net cash receipts or payments from which will increase or decrease operating surplus and adjusted operating surplus, with the result that our general partner may be able to shift the recognition of operating surplus and adjusted operating surplus between periods to increase the distributions it and its affiliates receive on their incentive distribution rights; and
- in some instances, our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions.

The Heritage Group and certain of its affiliates may engage in limited competition with us.

Pursuant to the omnibus agreement we entered into in connection with our initial public offering, The Heritage Group and its controlled affiliates have agreed not to engage in, whether by acquisition or otherwise, the business of refining or marketing specialty lubricating oils, solvents and wax products as well as gasoline, diesel and jet fuel products in the continental U.S. for so long as it controls us. This restriction does not apply to certain assets and businesses which are more fully described under Part III, Item 13 "Certain Relationships and Related Transactions and Director Independence — Omnibus Agreement."

The owners of our general partner, other than The Heritage Group, are not prohibited from competing with us, except to the extent described above. Currently, The Heritage Group is an active marketer of asphalt products and has been engaged in this business for much longer than us. In certain geographical areas, there can be overlap where both The Heritage Group and we market asphalt.

Our partnership agreement limits our general partner's fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of our partnership or amendment of our partnership agreement;
- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be “fair and reasonable” to us. In determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and
- provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that such person’s conduct was criminal.

By purchasing a common unit, a unitholder agrees to be bound by the provisions in the partnership agreement, including the provisions discussed above.

Unitholders have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management’s decisions regarding our business. Unitholders do not elect our general partner or its board of directors, and have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen by the members of our general partner. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, the vote of the holders of at least 66 2/3% of all outstanding units voting together as a single class is required to remove the general partner. At March 3, 2022, the owners of our general partner and certain of their affiliates own approximately 20.7% of our common units. As a result of these limitations, the price at which the common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Our partnership agreement restricts the voting rights of those unitholders owning 20% or more of our common units.

Unitholders’ voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders’ ability to influence the manner or direction of management.

Our general partner interest or control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party. The new members of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and thereby control the decisions taken by the board of directors.

We do not have our own officers and employees and rely solely on the officers and employees of our general partner and its affiliates to manage our business and affairs.

We do not have our own officers and employees and rely solely on the officers and employees of our general partner and its affiliates to manage our business and affairs. We can provide no assurance that our general partner will continue to provide us the officers and employees that are necessary for the conduct of our business nor that such provision will be on terms that are acceptable to us. If our general partner fails to provide us with adequate personnel, our operations could be adversely impacted and our cash available for payments of our debt obligations could be reduced.

We may issue additional common units without unitholder approval, which would dilute our current unitholders' existing ownership interests.

We may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. Our partnership agreement does not give our unitholders the right to approve our issuance of common units or equity securities ranking junior to the common units at any time. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity securities, which may effectively rank senior to the common units. The issuance of additional common units or other equity securities of equal or senior rank to the common units will have the following effects:

- our unitholders' proportionate ownership interest in us may decrease;
- the amount of cash available for distribution on each unit may decrease;
- the relative voting strength of each previously outstanding unit may be diminished;
- the market price of the common units may decline; and
- the ratio of taxable income to distributions, if any may increase.

Our general partner's determination of the level of cash reserves may reduce the amount of available cash for distribution to unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it establishes are necessary to fund our future operating expenditures. In addition, our partnership agreement also permits our general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements to which we are a party, or to provide funds for future distributions to partners. These reserves will affect the amount of cash available for distribution to unitholders.

Cost reimbursements due to our general partner and its affiliates will reduce cash available for payments of our debt obligations.

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. Any such reimbursement will be determined by our general partner and will reduce the cash available for payments of our debt obligations. These expenses will include all costs incurred by our general partner and its affiliates in managing and operating us. Please read Part III, Item 13 "Certain Relationships and Related Transactions and Director Independence."

Our general partner has a limited call right that may require unitholders to sell their units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the issued and outstanding common units, our general partner will have the right, but not the obligation, which right it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, unitholders may be required to sell their common units to our general partner, its affiliates or us at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their common units. At March 3, 2022, our general partner and its affiliates own approximately 20.7% of our common units.

Unitholder liability may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. Unitholders could be liable for any and all of our obligations as if they were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state's partnership statute; or
- unitholders' right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, which we call the Delaware Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Purchasers of units who become limited partners are liable for the obligations of the transferring limited partner to make contributions to the partnership that are known to the purchaser of the units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as not being subject to a material amount of entity-level taxation by individual states or local entities. If the IRS were to treat us as a corporation or we became subject to a material amount of entity-level taxation for state or local tax purposes, our cash available to make payments of our debt obligations could be substantially reduced.

Despite the fact that we are organized as a limited partnership under Delaware law, we would be treated as a corporation for federal income tax purposes unless we satisfy a "qualifying income" requirement. We requested and obtained a favorable private letter ruling from the IRS to the effect that, based on facts presented in the private letter ruling request, our income from refining, blending, processing, packaging, marketing and distribution of lubricants will constitute "qualifying income" within the meaning of Section 7704 of the Code. Based upon our current operations and private letter rulings we have received with respect to certain aspects of our business, we believe we satisfy the qualifying income requirement. However, no ruling has been requested regarding our treatment as a partnership for U.S. Federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate. Because a tax would be imposed upon us as a corporation, our cash available for payment of our other debt obligations could be substantially reduced.

From time to time, members of Congress propose and consider substantive changes to the existing U.S. federal income tax laws that affect publicly-traded partnerships including the elimination of partnership tax treatment for certain publicly traded partnerships. The enactment of such a law or the modification or interpretation of an existing law could subject us to taxation as a corporation or otherwise subjects us to a material amount of entity-level taxation for federal, state or local income tax purposes. At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise, or other forms of taxation. For example, we are required to pay the Texas Margin Tax each year at a maximum effective rate of 0.75% for our "margin," as defined in the law, apportioned to Texas in the prior year. Imposition of these or similar types of federal and state taxes on us in the jurisdictions in which we operate or in other jurisdictions to which we may expand could substantially reduce our cash available for payment of principal and interest on our senior notes and our other debt obligations.

Our tax treatment or the tax treatment of our unitholders could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. From time to time the U.S. government considers substantive changes to the existing federal income tax laws that affect publicly traded partnerships. We are unable to predict whether any such additional legislation or any other tax-related proposals will ultimately be enacted. Moreover, any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Any such changes could materially adversely impact a unitholder's investment in our common units.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to our unitholders or to make payments of our debt obligations.

We have not requested a ruling from the IRS, and the IRS has not otherwise made any determination, regarding our status as a partnership for federal income tax purposes. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to attempt to sustain some or all of the positions we take, and a court may not ultimately agree with some or all of our positions. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders as the costs will reduce our cash available for distribution and for payments of our debt obligations.

The IRS may challenge aspects of our proration method, and, if successful, we would be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first business day of each month, instead of on the basis of the date a particular unit is transferred. The U.S. Department of Treasury and the IRS issued Treasury Regulations that permit publicly traded partnerships to use a monthly simplifying convention that is similar to ours, but they do not specifically authorize all aspects of the proration method we have adopted. If the IRS were to successfully challenge this method, we could be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, and such a challenge could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, including when we issue additional units, we must determine the fair market value of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the amount, character and timing of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of our common units and could have a negative impact on the value of our common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

Our unitholders may be required to pay taxes on their share of our income even if they do not receive any distributions from us.

Our unitholders will be required to pay any federal income taxes and, in some cases, state and local income taxes on their share of our taxable income even if they receive no distributions from us. Our unitholders may not receive distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

We may engage in transactions to de-lever the Partnership and manage our liquidity that may result in income and gain to our unitholders. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, our unitholders may be allocated taxable income and gain resulting from the sale. The ultimate effect of any such allocations will depend on the unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences of potential transactions that may result in income and gain to unitholders.

Tax gain or loss on the disposition of our common units could be more or less than expected.

If our unitholders sell their common units, they will recognize a gain or loss equal to the difference between the amount realized and their tax basis in those common units. Prior distributions to our unitholders in excess of the total net taxable income they were allocated for a common unit, which decreased their tax basis in that common unit, will, in effect, become taxable income to our unitholders if the common unit is sold at a price greater than their tax basis in that common unit, even if the price they receive is less than their original cost. A substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of nonrecourse liabilities, if our unitholders sell their common units, they may incur a tax liability in excess of the amount of cash received from the sale.

Tax-exempt entities and foreign persons face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in our common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs) raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them.

Non-U.S. unitholders are generally taxed and subject to income tax filing requirements by the United States on income effectively connected with a U.S. trade or business ("effectively connected income"). A unitholder's share of our income, gain, loss and deduction, and any gain from the sale of our units will generally be considered "effectively connected income." As a result, distributions to a non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a non-U.S. unitholder who sells or otherwise disposes of a unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit. Distributions to foreign persons will be reduced by withholding taxes at the highest applicable effective tax rate, and foreign persons will be required to file U.S. federal tax returns and pay tax on their share of our taxable income. Upon the sale, exchange or other disposition of a common unit by a foreign person, the transferee is generally required to withhold 10% of the amount realized on such sale, exchange or other disposition if any portion of the gain on such sale, exchange or other disposition would be treated as effectively connected with a U.S. trade or business. The U.S. Department of the Treasury and the IRS have recently issued final regulations providing guidance on the application of these rules for transfers of certain publicly traded partnership interests, including transfers of our common units. Under these regulations, the "amount realized" on a transfer of our common units will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and such broker will generally be responsible for the relevant withholding obligations. Distributions to foreign persons may also be subject to additional withholding under these rules to the extent a portion of a distribution is attributable to an amount in excess of our cumulative net income that has not previously been distributed. The U.S. Department of the Treasury and the IRS have provided that these rules will generally not apply to transfers of, or distributions on, our common units occurring before January 1, 2023.

Our unitholders may be subject to state and local taxes and return filing requirements in states where they do not live as a result of investing in our common units.

In addition to federal income taxes, our unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if they do not live in any of those jurisdictions. Our unitholders may be required to file tax returns and pay taxes in some or all of these various jurisdictions or be subject to penalties for failure to comply with those requirements. We currently own assets and conduct business in 32 states, most of which impose a personal income tax.

If the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, in which case our cash available for distribution to our unitholders or to make payments of our debt obligations might be substantially reduced.

If the IRS makes audit adjustments to our income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. Generally, we expect to elect to have our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, but there can be no assurance that such election will be made, or applicable, in all circumstances. If we are unable to have our unitholders take such audit adjustment into account in accordance with their interests in us during the tax year under audit, our current unitholders may bear some or all of the economic burden resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders and for payments of our debt obligations might be substantially reduced.

A unitholder whose common units are the subject of a securities loan (e.g., a loan to a “short seller” to cover a short sale of common units) may be considered as having disposed of those common units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequence of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from lending their common units.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

We are not a party to, and our property is not the subject of, any pending legal proceedings other than ordinary routine litigation incidental to our business. Our operations are subject to a variety of risks and disputes normally incident to our business. As a result, we may, at any given time, be a defendant in various legal proceedings and litigation arising in the ordinary course of business. Please read Items 1 and 2 “Business and Properties — Environmental and Occupational Health and Safety Matters” for a description of our current regulatory matters related to the environment, health and safety. Additionally, the information provided under Note 7 - “Commitments and Contingencies” in Part II, Item 8 “Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements” is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our common units are quoted and traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "CLMT." As of March 3, 2022, there were approximately 23 unitholders of record of our common units. As of March 3, 2022, there were 78,676,262 common units outstanding. The last reported sale price of our common units by Nasdaq on March 3, 2022, was \$15.53.

Cash Distribution Policy

General. Within 45 days after the end of each quarter, we distribute our available cash (as defined in our partnership agreement), if any, to unitholders of record on the applicable record date.

Available Cash. Available cash generally means, for any quarter, all cash on hand at the end of the quarter:

- less the amount of cash reserves established by our general partner to:
 - provide for the proper conduct of our business;
 - comply with applicable law, any of our debt instruments or other agreements; and
 - provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters.
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made. Working capital borrowings are generally borrowings that will be made under our revolving credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Cash Distribution Policy. We distribute to the holders of common units on a quarterly basis at least the minimum quarterly distribution of \$0.45 per unit, or \$1.80 in aggregate per year, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner. However, since April 2016, we have not paid, and there is no guarantee that we will pay the minimum quarterly distribution on the units in any quarter. Please read "— Distribution Suspension." Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. We will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default exists, under our debt instruments, including our Credit Agreement and the indentures governing our 2024 Secured Notes, 11.00% Senior Notes due 2025 (the "2025 Notes"), and 8.125% Senior Notes due 2027 (the "2027 Notes"). Please read Note 9 - "Long-Term Debt" in Part II, Item 8 "Financial Statements and Supplementary Data" for a discussion of the restrictions in our debt instruments that restrict our ability to make distributions.

General Partner Interest and Incentive Distribution Rights. Our general partner is entitled to 2% of all quarterly distributions since inception that we make prior to our liquidation. This general partner interest is represented by 1,605,636 general partner units. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner's 2% interest in these distributions may be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2% general partner interest. Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 50%, of the cash we distribute from operating surplus (as defined in our partnership agreement) in excess of \$0.495 per unit. The maximum distribution of 50% includes distributions paid to our general partner on its 2% general partner interest, and assumes that our general partner maintains its general partner interest at 2%. The maximum distribution of 50% does not include any distributions that our general partner may receive on units that it owns. Our general partner earned no incentive distribution rights for the years ended December 31, 2021 and 2020.

Our general partner is entitled to incentive distributions if the amount we distribute to unitholders with respect to any quarter exceeds specified target levels shown below:

| | Total Quarterly Distribution Target Amount Per Common Unit | Marginal Percentage Interest in Distributions | |
|--------------------------------|---|--|-----------------|
| | | Unitholders | General Partner |
| Minimum Quarterly Distribution | \$0.45 | 98 % | 2 % |
| First Target Distribution | up to \$0.495 | 98 % | 2 % |
| Second Target Distribution | above \$0.495 up to \$0.563 | 85 % | 15 % |
| Third Target Distribution | above \$0.563 up to \$0.675 | 75 % | 25 % |
| Thereafter | above \$0.675 | 50 % | 50 % |

Distribution Suspension

In April 2016 and effective beginning the first quarter 2016, the board of directors of our general partner suspended payment of our quarterly cash distribution. The board of directors of our general partner will continue to evaluate our ability to reinstate the distribution and we currently are not permitted to resume cash distributions pursuant to the terms of the indentures governing our senior notes.

Equity Compensation Plans

The equity compensation plan information required by Item 201(d) of Regulation S-K in response to this Item 5 is incorporated by reference from Part III, Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters” of this Annual Report.

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. *Reserved*

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

The historical consolidated financial statements included in this Annual Report reflect all of the assets, liabilities and results of operations of Calumet Specialty Products Partners, L.P. and its consolidated subsidiaries ("Calumet," the "Company," "we," "our," or "us"). The following discussion analyzes the financial condition and results of operations of the Company for the years ended December 31, 2021 and 2020. Unitholders should read the following discussion and analysis of the financial condition and results of operations of the Company in conjunction with the historical consolidated financial statements and notes included elsewhere in this Annual Report.

Overview

We manufacture, formulate and market a diversified slate of specialty products to customers across a broad range of consumer-facing and industrial markets. We also own what we believe will be one of North America's leading renewable diesel manufacturing facilities, which is expected to be commissioned in the fourth quarter of 2022. We are headquartered in Indianapolis, Indiana and operate twelve facilities through North America.

During 2021, we reorganized our business segments as a result of a change in how the chief operating decision maker ("CODM") allocates resources, makes operating decisions and assesses the performance of the business. As a result, as of January 1, 2021, our operations are managed by the CODM using the following reportable segments: Specialty Products and Solutions; Performance Brands; Montana/Renewables; and Corporate. Segment information presented herein reflects the impact of this reorganization for all periods presented. For additional information, see Note 19 - "Segments and Related Information" under Part II, Item 8 "Financial Statements and Supplementary Data." In our Specialty Products and Solutions segment, we manufacture and market a wide variety of solvents, waxes, customized lubricating oils, white oils, petrolatums, gels, esters, and other products. Our specialty products are sold to domestic and international customers who purchase them primarily as raw material components for consumer-facing and industrial products. In our Performance Brands segment, we blend, package and market high performance products through our Royal Purple, Bel-Ray, and TruFuel brands. Our Montana/Renewables segment is comprised of two businesses - renewable diesel and specialty asphalt. When our Great Falls renewable diesel facility is operational, we will process a variety of geographically advantaged renewable feedstocks into renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/aviation fuel, and renewable diesel that we expect to distribute into renewable markets in the western half of North America. At our Montana specialty asphalt facility, we continue to process Canadian crude oil into conventional gasoline, diesel, jet fuel and specialty grades of asphalt, with production sized to serve local markets. Our Corporate segment primarily consists of general and administrative expenses not allocated to the Specialty Products and Solutions, Performance Brands or Montana/Renewables segments.

2021 Update

Outlook and Trends

The world continues to navigate the COVID-19 pandemic. Global economic conditions have improved compared to the outset of the pandemic, driven by increases in vaccination rates in the U.S. and across the world, which has resulted in increased demand and higher prices for many industrial and consumer goods products, as well as energy prices. Despite this, most industries have continued to see supply chain disruptions during the fourth quarter of 2021, and while this global dynamic is receiving elevated attention in all areas, it's difficult to predict when all challenges will be fully resolved. These challenges have impacted Calumet's businesses in various ways. Currently, our businesses continue to see strong, growing demand for products across our segments. Our Performance Brands segment has been most impacted by the global supply chain disruption. As we navigate this environment in a time of rapidly growing demand, our order backlog has grown. Our Specialty Products and Solutions segment is experiencing record specialty unit margins and fuels margins have increased for the fourth straight quarter as the industry reacts to a global economic recovery and a shortage of hydrocarbon products in certain markets. These fundamentals allowed for healthy unit margins in the fourth quarter of 2021 compared to the fourth quarter of 2020, despite a significantly higher price environment during this quarter. The following factors have impacted our results of operations during 2021 or may impact our results of operations in the future:

- We continue to see an increase in demand for our products as the domestic and global economies recover from the COVID-19 pandemic. We continue to monitor the impact of COVID-19 variants, any increase in cases and/or the reinstatement of lockdowns and other restrictions, each of which could negatively impact the recovery from the COVID-19 pandemic.
- Supply chains are improving, but we expect disruption to remain, which is expected to continue to provide challenges to the availability and pricing of feedstocks, additives, packaging materials and transportation.
- We continue to focus on improving operations. Our total feedstock runs were 75,818 barrels per day ("bpd") in 2021 compared to 84,829 bpd in 2020. This decrease is primarily attributed to lower production volumes at our Shreveport facility as a result of major turnaround activity and damages caused by Winter Storm Uri.

- Our Specialty Products and Solutions margins have remained strong but certain of our end markets are susceptible to changes in Gross Domestic Product. As markets and results improve, we expect to make small investments in this segment that we believe are low-risk, high-return investments.
- It is not possible to predict what future Renewable Identification Numbers (“RINs”) costs may be given prices are directly tied to unpredictable government actions, but RINs continue to have the potential to remain a significant non-cash expense in our results of operations. The approximate 40% increase in the 2021 period-end market price of RINs in comparison to the 2020 period-end market price of RINs unfavorably affected our financial results. Please read Item 7 “Management’s Discussion and Analysis - Renewable Fuel Standard Update” below for additional information.
- We continue to evaluate opportunities to improve our capital structure and better focus on the advancement of our core business through asset divestitures. Also, we may pursue acquisitions of assets that management believes will be financially accretive and consistent with our strategic goals.

We developed and executed a plan to manage health and safety risks and business continuity to help protect our workforce and business during the COVID-19 pandemic. Comprehensive guidelines and requirements for the return to work of personnel to their locations have been implemented and these will continue to be monitored as we manage COVID-19. To reinforce cost control and preserve cash, we expect to continue to diligently manage operating and capital costs. As markets continue to improve, high-return low risk projects may be added opportunistically. Furthermore, the Company’s conversion of our Great Falls, MT asset into a leading Renewable Diesel facility is on track.

Contingencies

For a summary of litigation and other contingencies, please read Note 7 — “Commitments and Contingencies” under Part II, Item 8 “Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.” Based on information available to us at the present time, we do not believe that any liabilities beyond the amounts already accrued, which may result from these contingencies, will have a material adverse effect on our liquidity, financial condition or results of operations.

Financial Results

We reported a net loss of \$260.1 million in 2021, versus a net loss of \$149.0 million in 2020. We reported Adjusted EBITDA (as defined in Item 7 “Management’s Discussion and Analysis — Non-GAAP Financial Measures”) of \$110.3 million in 2021, versus \$217.3 million in 2020. We used cash from operating activities of \$44.0 million in 2021 versus generating cash from operating activities of \$62.8 million in 2020, driven by a larger net loss and increases in the cash required for working capital and turnaround costs.

Please read Item 7 “Management’s Discussion and Analysis — Non-GAAP Financial Measures” for a reconciliation of EBITDA, Adjusted EBITDA and Distributable Cash Flow to Net income (loss), our most directly comparable financial performance measure calculated and presented in accordance with U.S. generally accepted accounting principles (“GAAP”).

Specialty Products and Solutions segment Adjusted EBITDA was \$104.6 million in 2021 compared to \$151.0 million in the prior year. Compared to the prior year, Specialty Products and Solutions 2021 segment Adjusted EBITDA was favorably impacted by an increase in specialty products net unit margins as a result of higher specialty product pricing and continued fuels market recovery, the impact of which was more than offset by lower production volumes stemming largely from a planned full plant turnaround at our Shreveport facility in the first quarter of 2021 and impacts from Winter Storm Uri, \$30.1 million in realized gains on derivative instruments in the prior year comparative period that did not recur in 2021 and higher non-cash RINs incurrence expense.

Montana/Renewables segment Adjusted EBITDA was \$44.4 million in 2021 compared to \$71.4 million in 2020. Compared to the prior year, Montana/Renewables 2021 segment Adjusted EBITDA was unfavorably impacted by lower production volumes due to planned maintenance, some of which was pulled forward to de-risk the Renewable Diesel project, \$19.5 million in realized gains on derivative instruments in the prior year comparative period that did not recur in 2021 and higher non-cash RINs incurrence expense. These impacts were partially offset by the favorable impacts of an increase in net unit margins as a result of a wider WCS-WTI crude spread and improved crack spreads for transportation fuels.

Performance Brands segment Adjusted EBITDA was \$33.8 million in 2021 compared to \$61.1 million in 2020. Compared to the prior year, Performance Brands segment Adjusted EBITDA was unfavorably impacted by an \$11.3 million decrease in gross profit due to the natural lag in passing increasing costs through to customers in these branded and consumer markets, increased operating costs due to supply chain related production inefficiencies, and high costs associated with replacing grease and additive supply that was unavailable due to force majeure. Supply chain difficulties, including packaging availability, difficult logistics markets, and additive and grease supply shortages continue to challenge our ability to keep pace with strong demand. Despite these difficulties, we have seen favorable improvements in pricing and demand for our TruFuel, Royal Purple, and Bel-Ray brands. Unfortunately, much of the demand currently sits in our backorder queue pending our industry's supply chains returning to normal.

Corporate segment Adjusted EBITDA was negative \$72.5 million in 2021 versus negative \$66.2 million in 2020 primarily due to higher labor and benefit expenses. This falls in line with previously announced guidance of \$70.0 million to \$80.0 million of annual labor and benefits expenses.

Liquidity Update

As of December 31, 2021, we had total liquidity of \$334.1 million comprised of \$38.1 million of unrestricted cash and \$296.0 million of availability under our revolving credit facility. As of December 31, 2021, our revolving credit facility had a \$328.7 million borrowing base, \$32.7 million in outstanding standby letters of credit and no outstanding borrowings. We believe we will continue to have sufficient liquidity from cash on hand, projected cash flow from operations, borrowing capacity and other means by which to meet our financial commitments, debt service obligations, contingencies, and anticipated capital expenditures for at least the next 12 months. Please read Item 7 "Management's Discussion and Analysis - Liquidity and Capital Resources" and Part I, Item 1A. "Risk Factors" for additional information.

Renewable Fuel Standard Update

Along with the broader refining industry, we remain subject to compliance costs under the RFS unless or until we receive a small refinery exemption from the EPA, which we have historically received. Under the regulation of the EPA, the RFS provides annual requirements for the total volume of renewable transportation fuels that are mandated to be blended into finished transportation fuels. If a refiner does not meet its required annual Renewable Volume Obligation, the refiner can purchase blending credits in the open market, referred to as RINs.

For the year ended December 31, 2021, our non-cash RINs expense was \$116.0 million, as compared to a non-cash RINs expense for the year ended December 31, 2020 of \$110.8 million. Our annual gross RINs Obligation, which includes RINs that are required to be secured through either our own blending or through the purchase of RINs in the open market, is approximately 65 million RINs spread across four compliance categories (D3, D4, D5 and D6). The gross RINs obligations exclude our own renewables blending as well as the potential for receiving any subsequent small refinery exemptions.

Expenses related to RFS compliance have the potential to remain a significant expense for our two segments containing fuels products. If legal or regulatory changes occur that have the effect of increasing our RINs Obligation or eliminating or narrowing the availability of the small refinery exemption under the RFS program, we could be required to purchase additional RINs in the open market, which may materially increase our costs related to RFS compliance and could have a material adverse effect on our results of operations and liquidity.

See Note 7 - "Commitments and Contingencies" under Part II, Item 8 "Financial Statements — Notes to Consolidated Financial Statements" for further information on the Company's RINs obligation.

Unrestricted Subsidiaries

See Note 20 - "Unrestricted Subsidiaries" under Part II, Item 8 "Financial Statements — Notes to Consolidated Financial Statements" for further information regarding certain financial information of our unrestricted subsidiaries.

Key Performance Measures

Our sales and results of operations are principally affected by demand for specialty products, fuel product demand, global fuel crack spreads, the price of natural gas used as fuel in our operations, our ability to operate our production facilities at high utilization, and our results from derivative instrument activities.

Our primary raw materials are crude oil and other specialty feedstocks, and our primary outputs are specialty consumer facing and industrial products, specialty branded products, and fuel products. The prices of crude oil, specialty products and fuel products are subject to fluctuations in response to changes in supply, demand, market uncertainties and a variety of factors beyond our control. We monitor these risks and from time-to-time enter into derivative instruments designed to help mitigate the impact of commodity price fluctuations on our business. The primary purpose of our commodity risk management activities is to economically hedge our cash flow exposure to commodity price risk. We also may hedge when market conditions exist that we believe to be out of the ordinary and particularly supportive of our financial goals. We enter into derivative contracts for future periods in quantities that do not exceed our projected purchases of crude oil and natural gas and sales of fuel products. Please read Note 10 — “Derivatives” under Part II, Item 8 “Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements.”

Our management uses several financial and operational measurements to analyze our performance. These measurements include the following:

- sales volumes;
- segment gross profit;
- segment Adjusted gross profit;
- segment Adjusted EBITDA; and
- selling, general and administrative expenses.

Sales volumes. We view the volumes of Specialty Products and Solutions products, Montana/Renewables products and Performance Brands products sold as an important measure of our ability to effectively utilize our operating assets. Our ability to meet the demands of our customers is driven by the volumes of feedstocks that we run at our facilities. Higher volumes typically improve profitability both through the spreading of fixed costs over greater volumes and the additional gross profit achieved on the incremental volumes.

Segment gross profit. Specialty Products and Solutions, Montana/Renewables and Performance Brands products’ gross profit are important measures of profitability of our segments. We define gross profit as sales less the cost of crude oil and other feedstocks, LCM/LIFO adjustments, and other production-related expenses, the most significant portion of which includes labor, plant fuel, utilities, contract services, maintenance, transportation, RINs, depreciation and amortization and processing materials. We use gross profit as an indicator of our ability to manage margins in our business over the long-term. The increase or decrease in selling prices typically lags behind the rising or falling costs, respectively, of feedstocks throughout our business. Other than plant fuel, RINs mark-to-market adjustments, and LCM/LIFO adjustments, production related expenses generally remain stable across broad ranges but can fluctuate depending on maintenance activities performed during a specific period.

Segment Adjusted gross profit. Specialty Products and Solutions, Montana/Renewables and Performance Brands products’ segment Adjusted gross profit measures are useful as they exclude transactions not related to our core cash operating activities and provide metrics to analyze the profitability of the core cash operations of our segments. We define segment Adjusted gross profit as segment gross profit excluding the impact of (a) LCM inventory adjustments; (b) the impact of liquidation of inventory layers calculated using the LIFO method; (c) RINs mark-to-market adjustments; and (d) depreciation and amortization.

Segment Adjusted EBITDA. We believe that Specialty Products and Solutions, Montana/Renewables and Performance Brands segment Adjusted EBITDA measures are useful as they exclude transactions not related to our core cash operating activities and provide metrics to analyze our ability to pay interest to our noteholders. Adjusted EBITDA allows us to meaningfully analyze the trends and performance of our core cash operations as well as to make decisions regarding the allocation of resources to segments. Corporate Adjusted EBITDA primarily reflects general and administrative costs.

Results of Operations

Production Volume. The following table sets forth information about our continuing operations. Facility production volume differs from sales volume due to changes in inventories and the sale of purchased blendstocks such as ethanol and specialty blendstocks, as well as the resale of crude oil.

| | Year Ended December 31, | |
|--|-------------------------|--------|
| | 2021 | 2020 |
| | (In bpd) | |
| Total sales volume ⁽¹⁾ | 79,281 | 86,727 |
| Total feedstock runs ⁽²⁾ | 75,818 | 84,829 |
| Facility production: ⁽³⁾ | | |
| Specialty Products and Solutions: | | |
| Lubricating oils | 9,867 | 10,143 |
| Solvents | 6,833 | 6,819 |
| Waxes | 1,335 | 1,318 |
| Fuels, asphalt and other by-products | 27,869 | 35,052 |
| Total Specialty Products and Solutions | 45,904 | 53,332 |
| Montana/Renewables: | | |
| Gasoline | 4,907 | 5,369 |
| Diesel | 9,711 | 10,389 |
| Jet fuel | 901 | 647 |
| Asphalt, heavy fuel oils and other | 10,379 | 10,337 |
| Total Montana/Renewables | 25,898 | 26,742 |
| Performance Brands | 1,304 | 1,381 |
| Total facility production ⁽³⁾ | 73,106 | 81,455 |

⁽¹⁾ Total sales volume includes sales from the production at our facilities and certain third-party facilities pursuant to supply and/or processing agreements, sales of inventories and the resale of crude oil to third-party customers. Total sales volume includes the sale of purchased blendstocks.

⁽²⁾ Total feedstock runs represent the barrels per day of crude oil and other feedstocks processed at our facilities and at certain third-party facilities pursuant to supply and/or processing agreements.

⁽³⁾ The difference between total facility production and total feedstock runs is primarily a result of the time lag between the input of feedstocks and production of finished products and volume loss.

The following table reflects our consolidated results of operations and includes the non-GAAP financial measures EBITDA, Adjusted EBITDA and Distributable Cash Flow. For a reconciliation of EBITDA, Adjusted EBITDA and Distributable Cash Flow to Net income (loss), our most directly comparable financial performance measure calculated and presented in accordance with GAAP, please read “Non-GAAP Financial Measures.”

| | Year Ended December 31, | |
|---|--------------------------------|-------------------|
| | 2021 | 2020 |
| | (In millions) | |
| Sales | \$ 3,148.0 | \$ 2,268.2 |
| Cost of sales | 3,005.1 | 2,169.1 |
| Gross profit | <u>142.9</u> | <u>99.1</u> |
| Operating costs and expenses: | | |
| Selling | 52.8 | 47.8 |
| General and administrative | 151.1 | 91.1 |
| Taxes other than income taxes | 12.5 | 9.8 |
| Loss on impairment and disposal of assets | 4.1 | 6.8 |
| Gain on sale of business, net | (0.2) | (1.0) |
| Other operating expense | 8.2 | 16.5 |
| Operating loss | <u>(85.6)</u> | <u>(71.9)</u> |
| Other income (expense): | | |
| Interest expense | (149.5) | (125.9) |
| Gain (loss) on derivative instruments | (23.3) | 52.4 |
| Other expense | (0.2) | (2.5) |
| Total other expense | <u>(173.0)</u> | <u>(76.0)</u> |
| Net loss before income taxes | <u>(258.6)</u> | <u>(147.9)</u> |
| Income tax expense | 1.5 | 1.1 |
| Net loss | <u>\$ (260.1)</u> | <u>\$ (149.0)</u> |
| EBITDA | <u>\$ (1.4)</u> | <u>\$ 83.1</u> |
| Adjusted EBITDA | <u>\$ 110.3</u> | <u>\$ 217.3</u> |
| Distributable Cash Flow | <u>\$ (120.1)</u> | <u>\$ 41.1</u> |

Non-GAAP Financial Measures

We include in this Annual Report the non-GAAP financial measures EBITDA, Adjusted EBITDA and Distributable Cash Flow. We provide reconciliations of EBITDA, Adjusted EBITDA and Distributable Cash Flow to Net income (loss), our most directly comparable financial performance measure calculated and presented in accordance with GAAP.

EBITDA, Adjusted EBITDA and Distributable Cash Flow are used as supplemental financial measures by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others, to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

We believe that these non-GAAP measures are useful to analysts and investors as they exclude transactions not related to our core cash operating activities and provide metrics to analyze our ability to pay interest to our noteholders. However, the indentures governing our senior notes contain covenants that, among other things, restrict our ability to pay distributions. We believe that excluding these transactions allows investors to meaningfully analyze trends and performance of our core cash operations.

We define EBITDA for any period as net income (loss) plus interest expense (including amortization of debt issuance costs), income taxes and depreciation and amortization.

During the first quarter of 2021, the CODM changed the definition and calculation of Adjusted EBITDA, which we use for evaluating performance, allocating resources and managing the business. The revised definition and calculation of Adjusted EBITDA now excludes RINs mark-to-market adjustments (see item (j) below), which were previously included. We believe this revised definition and calculation better reflects the performance of our Company's business segments including cash flows and core operating activities. Adjusted EBITDA has been revised for all periods presented to reflect this change.

We define Adjusted EBITDA for any period as EBITDA adjusted for (a) impairment; (b) unrealized gains and losses from mark-to-market accounting for hedging activities; (c) realized gains and losses under derivative instruments excluded from the determination of net income (loss); (d) non-cash equity-based compensation expense and other non-cash items (excluding items such as accruals of cash expenses in a future period or amortization of a prepaid cash expense) that were deducted in computing net income (loss); (e) debt refinancing fees, extinguishment costs, premiums and penalties; (f) any net gain or loss realized in connection with an asset sale that was deducted in computing net income (loss); (g) amortization of turnaround costs; (h) LCM inventory adjustments; (i) the impact of liquidation of inventory layers calculated using the LIFO method; (j) RINs mark-to-market adjustments; and (k) all extraordinary, unusual or non-recurring items of gain or loss, or revenue or expense.

We define Distributable Cash Flow for any period as Adjusted EBITDA less replacement and environmental capital expenditures, turnaround costs, cash interest expense (consolidated interest expense less non-cash interest expense), gain (loss) from unconsolidated affiliates, net of cash distributions and income tax expense (benefit).

We define Adjusted EBITDA Margin as Adjusted EBITDA divided by sales.

The definition of Adjusted EBITDA presented in this Annual Report is similar to the calculation of "Consolidated Cash Flow" contained in the indentures governing our senior notes. We are required to report Consolidated Cash Flow to the holders of our senior notes and Adjusted EBITDA to the lenders under our revolving credit facility, and these measures are used by them to determine our compliance with certain covenants governing those debt instruments. Please read "Liquidity and Capital Resources — Debt and Credit Facilities" for additional details regarding the covenants governing our debt instruments.

EBITDA, Adjusted EBITDA and Distributable Cash Flow should not be considered alternatives to Net income (loss) or Operating income (loss) or any other measure of financial performance presented in accordance with GAAP. In evaluating our performance as measured by EBITDA, Adjusted EBITDA and Distributable Cash Flow, management recognizes and considers the limitations of these measurements. EBITDA and Adjusted EBITDA do not reflect our liabilities for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA, Adjusted EBITDA and Distributable Cash Flow are only three of several measurements that management utilizes. Moreover, our EBITDA, Adjusted EBITDA and Distributable Cash Flow may not be comparable to similarly titled measures of another company because all companies may not calculate EBITDA, Adjusted EBITDA and Distributable Cash Flow in the same manner.

The following tables present a reconciliation of Net income (loss), our most directly comparable GAAP financial performance measure to EBITDA, Adjusted EBITDA and Distributable Cash Flow, for each of the periods indicated.

| | Year Ended December 31, | |
|---|--------------------------------|-----------------|
| | 2021 | 2020 |
| (In millions) | | |
| Reconciliation of Net loss to EBITDA, Adjusted EBITDA and Distributable Cash Flow: | | |
| Net loss | \$ (260.1) | \$ (149.0) |
| Add: | | |
| Interest expense | 149.5 | 125.9 |
| Depreciation and amortization | 107.7 | 105.1 |
| Income tax expense | 1.5 | 1.1 |
| EBITDA | <u>\$ (1.4)</u> | <u>\$ 83.1</u> |
| Add: | | |
| LCM / LIFO (gain) loss | \$ (50.3) | \$ 28.5 |
| Unrealized (gain) loss on derivative instruments | 24.4 | (2.8) |
| Amortization of turnaround costs | 17.0 | 14.6 |
| Loss on impairment and disposal of assets | 4.1 | 6.8 |
| RINs mark-to-market loss | 57.7 | 75.8 |
| Gain on sale of business, net | (0.2) | (1.0) |
| Other non-recurring expenses | 8.3 | 2.4 |
| Equity based compensation and other items | 50.7 | 9.9 |
| Adjusted EBITDA | <u>\$ 110.3</u> | <u>\$ 217.3</u> |
| Less: | | |
| Replacement and environmental capital expenditures ⁽¹⁾ | \$ 29.0 | \$ 31.8 |
| Cash interest expense ⁽²⁾ | 138.9 | 119.9 |
| Turnaround costs | 61.0 | 23.4 |
| Income tax expense | 1.5 | 1.1 |
| Distributable Cash Flow | <u>\$ (120.1)</u> | <u>\$ 41.1</u> |

⁽¹⁾ Replacement capital expenditures are defined as those capital expenditures which do not increase operating capacity or reduce operating costs and exclude turnaround costs. Environmental capital expenditures include asset additions to meet or exceed environmental and operating regulations.

⁽²⁾ Represents consolidated interest expense less non-cash interest expense.

Year Ended December 31, 2021, Compared to Year Ended December 31, 2020

Sales. Sales increased \$879.8 million, or 38.8%, to \$3,148.0 million in 2021 from \$2,268.2 million in 2020. Sales for each of our principal product categories in these periods were as follows:

| | Year Ended December 31, | | |
|--|-------------------------|-------------------|---------------|
| | 2021 | 2020 | % Change |
| (In millions, except barrel and per barrel data) | | | |
| Sales by segment: | | | |
| Specialty Products and Solutions: | | | |
| Lubricating oils | \$ 658.7 | \$ 473.5 | 39.1 % |
| Solvents | 303.7 | 236.2 | 28.6 % |
| Waxes | 151.7 | 129.1 | 17.5 % |
| Fuels, asphalt and other by-products ⁽¹⁾ | 997.3 | 690.1 | 44.5 % |
| Total Specialty Products and Solutions | \$ 2,111.4 | \$ 1,528.9 | 38.1 % |
| Total Specialty Products and Solutions sales volume (in barrels) | 18,394,000 | 20,803,000 | (11.6)% |
| Average Specialty Products and Solutions sales price per barrel | \$ 114.79 | \$ 73.49 | 56.2 % |
| Montana/Renewables: | | | |
| Gasoline | \$ 188.3 | \$ 135.9 | 38.6 % |
| Diesel | 324.9 | 204.1 | 59.2 % |
| Jet fuel | 27.5 | 14.6 | 88.4 % |
| Asphalt, heavy fuel oils and other ⁽²⁾ | 243.0 | 150.6 | 61.4 % |
| Total Montana/Renewables | \$ 783.7 | \$ 505.2 | 55.1 % |
| Total Montana/Renewables sales volume (in barrels) | 10,038,000 | 10,435,000 | (3.8)% |
| Average Montana/Renewables sales price per barrel | \$ 78.07 | \$ 48.41 | 61.3 % |
| Total Performance Brands ⁽³⁾ | \$ 252.9 | \$ 234.1 | 8.0 % |
| Total Performance Brands sales volume (in barrels) | 505,000 | 504,000 | 0.2 % |
| Average Performance Brands sales price per barrel | \$ 500.79 | \$ 464.48 | 7.8 % |
| Total sales | \$ 3,148.0 | \$ 2,268.2 | 38.8 % |
| Total sales volume (in barrels) | 28,937,000 | 31,742,000 | (8.8)% |

⁽¹⁾ Represents (a) by-products, including fuels and asphalt, produced in connection with the production of specialty products at the Princeton and Cotton Valley refineries and Dickinson and Karns City facilities, (b) polyol ester synthetic lubricants produced at the Missouri facility, and (c) fuels products produced at the Shreveport refinery.

⁽²⁾ Represents asphalt, heavy fuel oils and other products produced in connection with the production of fuels at the Great Falls refinery.

⁽³⁾ Represents packaged and synthetic specialty products at our Royal Purple, Bel-Ray and Calumet Packaging facilities.

The components of the \$582.5 million increase in Specialty Products and Solutions segment sales in 2021, as compared to 2020, were as follows:

| | Dollar Change (In millions) |
|--|--------------------------------|
| Sales price | \$ 759.6 |
| Volume | (177.1) |
| Total Specialty Products and Solutions segment sales increase | \$ 582.5 |

Specialty Products and Solutions segment sales increased period over period, primarily due to the significantly higher price environment in the current year period. The favorable price impact was partially offset by a decrease in sales volumes as a result of the planned turnaround at our Shreveport facility in the first quarter of 2021, unplanned downtime resulting from the polar vortex and supply chain disruptions.

The components of the \$278.5 million increase in Montana/Renewables segment sales in 2021, as compared to 2020, were as follows:

| | Dollar Change | |
|--|----------------------|--------------|
| | (In millions) | |
| Sales price | \$ | 297.7 |
| Volume | | (19.2) |
| Total Montana/Renewables segment sales increase | \$ | 278.5 |

Montana/Renewables segment sales increased primarily due to increased sales prices as a result of the significantly higher price environment in the current year, in-line with the overall improvement in market conditions. The favorable price impact was partially offset by a decrease in sales volumes as a result of the planned turnaround at our Great Falls facility in the fourth quarter of 2021.

The components of the \$18.8 million increase in Performance Brands segment sales in 2021, as compared to 2020, were as follows:

| | Dollar Change | |
|--|----------------------|-------------|
| | (In millions) | |
| Sales price | \$ | 18.1 |
| Volume | | 0.7 |
| Total Performance Brands segment sales increase | \$ | 18.8 |

Performance Brands segment sales increased due to increases in volumes and prices, which were both driven by continued growth in the business for our TruFuel, Royal Purple, and Bel-Ray brands.

Gross Profit. Gross profit increased \$43.8 million, or 44.2%, to \$142.9 million in 2021 from \$99.1 million in 2020. Gross profit for our business segments were as follows:

| | Year Ended December 31, | | |
|--|--------------------------------|----------------|-----------------|
| | 2021 | 2020 | % Change |
| (Dollars in millions, except per barrel data) | | | |
| Gross profit by segment: | | | |
| Specialty Products and Solutions: | | | |
| Gross profit | \$ 62.6 | \$ 18.7 | 234.8 % |
| Percentage of sales | 3.0 % | 1.2 % | 1.8 % |
| Specialty Products and Solutions gross profit per barrel | \$ 3.40 | \$ 0.90 | 277.8 % |
| Montana/Renewables: | | | |
| Gross profit | \$ 12.0 | \$ 0.8 | 1,400.0 % |
| Percentage of sales | 1.5 % | 0.2 % | 1.3 % |
| Montana/Renewables gross profit per barrel | \$ 1.20 | \$ 0.08 | 1,400.0 % |
| Performance Brands: | | | |
| Gross profit | \$ 68.3 | \$ 79.6 | (14.2)% |
| Percentage of sales | 27.0 % | 34.0 % | (7.0)% |
| Performance Brands gross profit per barrel | \$ 135.25 | \$ 157.94 | (14.4)% |
| Total gross profit | \$ 142.9 | \$ 99.1 | 44.2 % |
| Percentage of sales | 4.5 % | 4.4 % | 0.1 % |

The components of the \$43.9 million increase in Specialty Products and Solutions segment gross profit in 2021, as compared to 2020, were as follows:

| | Dollar Change |
|----------------------------------|----------------------|
| | (In millions) |
| 2020 reported gross profit | \$ 18.7 |
| Sales price | 759.6 |
| RINs | (3.2) |
| Operating costs | (52.5) |
| LCM / LIFO inventory adjustments | 58.7 |
| Volume | (42.7) |
| Cost of materials | (676.0) |
| 2021 reported gross profit | <u>\$ 62.6</u> |

The increase in Specialty Products and Solutions segment gross profit for the year ended December 31, 2021, as compared to the same period in 2020, was primarily due to stronger net unit margins as a result of strong specialty market demand. These factors were partially offset by the unfavorable volumes impact resulting from the planned turnaround at our Shreveport facility in the first quarter of 2021 and unplanned downtime resulting from the polar vortex and logistics disruptions. Higher operating costs were due to expenses for freeze-related repairs and higher utility costs.

The components of the \$11.2 million increase in Montana/Renewables segment gross profit in 2021, as compared to 2020, were as follows:

| | Dollar Change |
|----------------------------------|----------------------|
| | (In millions) |
| 2020 reported gross profit | \$ 0.8 |
| Sales price | 297.7 |
| RINs | (5.8) |
| Operating costs | (16.3) |
| Volume | (5.3) |
| LCM / LIFO inventory adjustments | 14.7 |
| Cost of materials | (273.8) |
| 2021 reported gross profit | <u>\$ 12.0</u> |

The increase in Montana/Renewables segment gross profit for the year ended December 31, 2021, as compared to the same period in 2020, was primarily due to stronger net unit margins. These factors were partially offset by an increase in operating costs driven by higher utility costs.

The components of the \$11.3 million decrease in Performance Brands segment gross profit in 2021, as compared to 2020, were as follows:

| | Dollar Change |
|----------------------------------|----------------------|
| | (In millions) |
| 2020 reported gross profit | \$ 79.6 |
| Sales price | 18.1 |
| Operating costs | 1.6 |
| LCM / LIFO inventory adjustments | 5.3 |
| Volume | 0.4 |
| Cost of materials | (36.7) |
| 2021 reported gross profit | <u>\$ 68.3</u> |

The decrease in Performance Brands segment gross profit for the year ended December 31, 2021, as compared to the same period in 2020, was primarily driven by higher material and feedstock costs and supply chain challenges that resulted in a growing order backlog. The impact of these items were partially offset by higher volumes and sales prices as a result of our continued growth in the business for our TruFuel, Royal Purple, and Bel-Ray brands.

General and administrative. General and administrative expenses increased \$60.0 million, or 65.9%, to \$151.1 million in 2021 from \$91.1 million in 2020. The increase was due primarily to a \$45.2 million increase in equity-based compensation related expenses, which was primarily the result of an increase in the Company's unit price, and a \$9.0 million increase in labor and benefits expenses in the current year in comparison to the prior year.

Interest expense. Interest expense increased \$23.6 million, or 18.7%, to \$149.5 million in 2021 from \$125.9 million in 2020. The increase was primarily due to higher financing costs related to our Supply and Offtake Agreements in the current year in comparison to the prior year.

Gain on derivative instruments. There was a \$23.3 million loss on derivative instruments in 2021, compared to a \$52.4 million gain in the same period in 2020. We had a \$49.6 million realized gain on derivative instruments in the prior year comparative period compared to a \$1.1 million realized gain in the current year. This decrease was due to the settlement of our crack spread swaps and WCS crude oil basis swaps positions during 2020; whereas we did not enter into any new hedge contracts during 2021. In addition, the unrealized loss on the inventory financing embedded derivative was \$25.7 million in the current year period, compared to an unrealized gain of \$5.1 million in the prior year comparative period.

Liquidity and Capital Resources

Our principal sources of cash have historically included cash flow from operations, proceeds from public equity offerings, proceeds from notes offerings, bank borrowings and other financial arrangements. Principal uses of cash have included capital expenditures, acquisitions, distributions to our limited partners and general partner and debt service. We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, tender offers or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In general, we expect that our short-term liquidity needs, including debt service, working capital, replacement and environmental capital expenditures and capital expenditures related to internal growth projects, will be met primarily through projected cash flow from operations, borrowings under our revolving credit facility and asset sales.

On February 12, 2021, we entered into a sale and leaseback transaction with Stonebriar Commercial Finance LLC ("Stonebriar"), whereby we sold and leased back certain of our fuels terminal assets at the Shreveport refinery. We received gross proceeds of \$70.0 million from the sale, with the leaseback having a term of seven years.

In 2021, we redeemed \$150.0 million in aggregate principal amount of our 7.625% Senior Notes due 2022 (the "2022 Notes") at a redemption price of par, plus accrued and unpaid interest. In conjunction with the redemption, we incurred debt extinguishment costs of \$0.5 million.

On November 18, 2021, we entered into a Credit Agreement with Oaktree Fund Administration, LLC (the "MRL Credit Facility"), which provided us a \$300.0 million senior secured term loan facility. We drew \$300.0 million under the MRL Credit Facility to finance the transfer for value of various assets at our Great Falls refinery to MRL, including the hydrocracker, a hydrogen plant, and several products tanks. Borrowings under the MRL Credit Facility are obligations of our unrestricted subsidiaries MRL and Montana Renewables Holdings solely, and are non-recourse to the Company and its restricted subsidiaries.

On December 31, 2021, MRL entered into a Master Lease Agreement (the "Lease Agreement") and an Interim Funding Agreement (the "Funding Agreement") with Stonebriar Commercial Finance LLC ("Stonebriar") for \$50.0 million related to financing of certain equipment for the construction of a new renewable hydrogen plant. As of December 31, 2021, no amounts have been funded under the Master Lease. However, we expect amounts to be funded under the Master Lease in the first quarter of 2022.

In 2020, we consummated a transaction whereby we exchanged approximately \$200.0 million aggregate principal amount of our outstanding 2022 Notes for \$200.0 million aggregate principal amount of newly issued 2024 Secured Notes (the "Exchange Transaction").

We expect to fund planned capital expenditures in 2022 of approximately \$115 million to \$135 million, excluding MRL capital expenditures, primarily with cash on hand, and cash flows from operations. Future internal growth projects or acquisitions may require expenditures in excess of our then-current cash flow from operations and borrowing availability under our revolving credit facility and may require us to issue debt or equity securities in public or private offerings or incur additional borrowings under bank credit facilities to meet those costs.

The borrowing base on our revolving credit facility increased from approximately \$286.1 million as of December 31, 2020, to approximately \$328.7 million at December 31, 2021, resulting in a corresponding increase in our borrowing availability from approximately \$154.4 million at December 31, 2020, to approximately \$296.0 million at December 31, 2021. Total liquidity, consisting of unrestricted cash and available funds under our revolving credit facility, increased from \$263.8 million at December 31, 2020 to \$334.1 million at December 31, 2021.

Cash Flows from Operating, Investing and Financing Activities

We believe that we have sufficient liquid assets, cash flow from operations, borrowing capacity and adequate access to capital markets to meet our financial commitments, debt service obligations and anticipated capital expenditures for at least the next 12 months. We continue to seek to lower our operating costs, selling expenses and general and administrative expenses as a means to further improve our cash flow from operations with the objective of having our cash flow from operations support all of our capital expenditures and interest payments. However, we are subject to business and operational risks that could materially adversely affect our cash flows. A material decrease in our cash flow from operations including a significant, sudden decrease in crude oil prices would likely produce a corollary effect on our borrowing capacity under our revolving credit facility and potentially our ability to comply with the covenants under our revolving credit facility. A significant, sudden increase in crude oil prices, if sustained, would likely result in increased working capital requirements which would be funded by borrowings under our revolving credit facility. In addition, our cash flow from operations may be impacted by the timing of settlement of our derivative activities. Gains and losses from derivative instruments that do not qualify as cash flow hedges are recorded in unrealized gain (loss) on derivative instruments until settlement and will impact operating cash flow in the period settled.

The following table summarizes our primary sources and uses of cash in each of the most recent two years:

| | Year Ended December 31, | |
|---|--------------------------------|-------------|
| | 2021 | 2020 |
| | (In millions) | |
| Net Cash provided by (used in) operating activities | \$ (44.0) | \$ 62.8 |
| Net Cash used in investing activities | (82.8) | (46.3) |
| Net Cash provided by financing activities | 139.3 | 73.8 |
| Net increase in cash and cash equivalents | \$ 12.5 | \$ 90.3 |

Operating Activities. Operating activities used cash of \$44.0 million in 2021 compared to providing cash of \$62.8 million in 2020. The change was impacted by an increase in net loss of \$111.1 million and increases in the cash required for working capital and turnaround costs.

Investing Activities. Investing activities used cash of \$82.8 million in 2021 compared to a use of cash of \$46.3 million in 2020. The change is related to increases in cash expenditures for additions to property, plant and equipment in the current year in comparison to the prior year. The cash expenditures for additions to property, plant and equipment in the current year are mainly related to our renewable diesel project.

Financing Activities. Financing activities provided cash of \$139.3 million in 2021 compared to providing cash of \$73.8 million in 2020. The change is primarily due to \$70.0 million of proceeds received from our Shreveport terminal asset financing arrangement and \$300.0 million of net proceeds received from the MRL Credit Facility in the current year, partially offset by the redemption of \$150.0 million of our 2022 Notes and \$108.0 million of lower borrowings on our revolving credit facility in the current year compared to the prior year.

Capital Expenditures

Our property, plant and equipment capital expenditure requirements consist of capital improvement expenditures, replacement capital expenditures, environmental capital expenditures and turnaround capital expenditures. Capital improvement expenditures include the acquisition of assets to grow our business, facility expansions, or capital initiatives that reduce operating costs. Replacement capital expenditures replace worn out or obsolete equipment or parts. Environmental capital expenditures include asset additions to meet or exceed environmental and operating regulations. Turnaround capital expenditures represent capitalized costs associated with our periodic major maintenance and repairs.

The following table sets forth our capital improvement expenditures, replacement capital expenditures, environmental capital expenditures and turnaround capital expenditures in each of the periods shown (including capitalized interest):

| | Year Ended December 31, | |
|------------------------------------|-------------------------|----------------|
| | 2021 | 2020 |
| | (In millions) | |
| Capital improvement expenditures | \$ 53.9 | \$ 12.2 |
| Replacement capital expenditures | 24.0 | 24.7 |
| Environmental capital expenditures | 5.0 | 7.1 |
| Turnaround capital expenditures | 61.0 | 23.4 |
| Total | \$ 143.9 | \$ 67.4 |

2022 Capital Spending Forecast

Excluding MRL capital expenditures, we are forecasting total capital expenditures of approximately \$115 million to \$135 million in 2022. Forecasted capital expenditures related to our Montana Renewable Diesel project will be funded, in part, by restricted cash on hand and cash flows from operations. In addition to this, our forecasted capital expenditures include amounts for the construction of a new renewable hydrogen plant, \$50.0 million of which will be financed through our Master Lease Agreement with Stonebriar. We anticipate that capital expenditure requirements will be provided primarily through cash flow from operations, cash on hand, available borrowings under our revolving credit facility and by accessing capital markets as necessary. If future capital expenditures require expenditures in excess of our then-current cash flow from operations and borrowing availability under our revolving credit facility, we may be required to issue debt or equity securities in public or private offerings or incur additional borrowings under bank credit facilities to meet those costs.

Debt and Credit Facilities

As of December 31, 2021, our primary debt and credit instruments consisted of:

- \$600.0 million senior secured revolving credit facility maturing in February 2023 (before giving effect to the Third Amendment to our revolving credit facility (the “Credit Facility Amendment”)), subject to borrowing base limitations, with a maximum letter of credit sub-limit equal to \$300.0 million, which amount may be increased to 90% of revolver commitments in effect with the consent of the Agent (as defined in the Credit Agreement) (“revolving credit facility”);
- \$303.5 million senior secured term loan facility (the “MRL Credit Facility”);
- \$325.0 million of 7.75% Senior Notes due 2023;
- \$200.0 million of 9.25% Senior Secured First Lien Notes due 2024; and
- \$550.0 million of 11.00% Senior Notes due 2025.

We were in compliance with all covenants under our debt instruments in place as of December 31, 2021, and believe we have adequate liquidity to conduct our business.

On January 20, 2022, we issued and sold \$325.0 million in aggregate principal amount of our 2027 Notes, in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933 to eligible purchasers at par. We received net proceeds of \$319.1 million, after deducting the initial purchasers’ discount and offering expenses.

On January 12, 2022, we issued a notice of conditional redemption for \$325.0 million in aggregate principal amount of the 2023 Notes at a redemption price of par, plus accrued and unpaid interest to the redemption date of February 11, 2022, conditioned on the completion of an offering of at least \$300.0 million aggregate principal amount of senior debt securities on or before February 11, 2022. As the conditions precedent were met on January 20, 2022, we funded the redemption of the 2023 Notes with the net proceeds from the offering of the 2027 Notes and the remainder from cash on hand. In conjunction with the redemption, we incurred debt extinguishment costs of \$2.5 million.

On January 20, 2022, we entered into the Credit Facility Amendment governing our senior secured revolving credit facility, which among other changes, (a) extends the term of the revolving credit facility for five years from the date of the Credit Facility Amendment, (b) reduces aggregate commitments under the revolving credit facility to \$500.0 million, which includes a FILO tranche, and (c) replaces LIBOR as a reference interest rate with a new reference interest rate based on daily SOFR.

Inventory Financing

Please refer to Note 8 - “Inventory Financing Agreements” in Part II, Item 8 “Financial Statements and Supplementary Data” for additional information regarding our Supply and Offtake Agreements.

Short-Term Liquidity

As of December 31, 2021, our principal sources of short-term liquidity were (i) approximately \$296.0 million of availability under our revolving credit facility, (ii) inventory financing agreements related to our Great Falls and Shreveport refineries and (iii) \$38.1 million of unrestricted cash on hand. Borrowings under our revolving credit facility can be used for, among other things, working capital, capital expenditures, and other lawful partnership purposes including acquisitions. For additional information regarding our revolving credit facility, please read Note 9 “Long-Term Debt” in Part II, Item 8 “Financial Statements and Supplementary Data.”

Long-Term Financing

In addition to our principal sources of short-term liquidity listed above, subject to market conditions, we may meet our cash requirements (other than distributions of Available Cash (as defined in our partnership agreement) to our common unitholders) through the issuance of long-term notes or additional common units.

From time to time, we issue long-term debt securities referred to as our senior notes. All of our outstanding senior notes, other than the 2024 Secured Notes, are unsecured obligations that rank equally with all of our other senior debt obligations to the extent they are unsecured. As of December 31, 2021, we had \$303.5 million in secured loan facility, \$325.0 million in 2023 Notes, \$200.0 million in 2024 Secured Notes and \$550.0 million in 2025 Notes outstanding. The 2024 Secured Notes and the related guarantees are secured by a first priority lien (subject to certain exceptions) on all the fixed assets that secure our obligations under the secured hedge agreements, as governed by the Collateral Trust Agreement, which governs how secured hedging counterparties and holders of the 2024 Secured Notes share collateral pledged as security for the payment obligations owed by us to the secured hedging counterparties under their respective master derivatives contracts and the holders of the 2024 Secured Notes. In addition, as of December 31, 2021, we had \$303.5 million of debt outstanding for the MRL Credit Facility and \$64.3 million of other debt outstanding for the Shreveport terminal asset financing arrangement. The MRL Credit Facility is secured by substantially all of the assets of MRL and a pledge of 100% of the equity interest in MRL held by Montana Renewables Holdings. Borrowings under the MRL Credit Facility are obligations of our unrestricted subsidiaries MRL and Montana Renewables Holdings solely, and are non-recourse to the Company and its restricted subsidiaries.

In January 2022, we issued and sold \$325.0 million in aggregate principal amount of the 2027 Notes, the proceeds of which were used, together with cash on hand, to fund the redemption of the 2023 Notes.

To date, our debt balances have not adversely affected our operations, our ability to repay or refinance our indebtedness. Based on our historical record, we believe that our capital structure will continue to allow us to achieve our business objectives.

For more information regarding our senior notes, please read Note 9 — “Long-Term Debt” under Part II, Item 8 “Financial Statements and Supplementary Data” in this Annual Report.

Master Derivative Contracts and Collateral Trust Agreement

Under our credit support arrangements, our payment obligations under all of our master derivatives contracts for commodity hedging generally are secured by a first priority lien on our and our subsidiaries’ real property, plant and equipment, fixtures, intellectual property, certain financial assets, certain investment property, commercial tort claims, chattel paper, documents, instruments and proceeds of the foregoing (including proceeds of hedge arrangements). We had no additional letters of credit or cash margin posted with any hedging counterparty as of December 31, 2021. Our master derivatives contracts and Collateral Trust Agreement (as defined below) continue to impose a number of covenant limitations on our operating and financing activities, including limitations on liens on collateral, limitations on dispositions of collateral and collateral maintenance and insurance requirements. For financial reporting purposes, we do not offset the collateral provided to a counterparty against the fair value of our obligation to that counterparty. Any outstanding collateral is released to us upon settlement of the related derivative instrument liability.

Our various hedging agreements contain language allowing our hedge counterparties to request additional collateral if a specified credit support threshold is exceeded. However, these credit support thresholds are set at levels that would require a substantial increase in hedge exposure to require us to post additional collateral. As a result, we do not expect further increases in fuel products crack spreads or interest rates to significantly impact our liquidity due to requirements to post additional collateral.

Additionally, we have a collateral trust agreement (the “Collateral Trust Agreement”) which governs how secured hedging counterparties and holders of the 2024 Secured Notes share collateral pledged as security for the payment obligations owed by us to the secured hedging counterparties under their respective master derivatives contracts and the holders of the 2024 Secured Notes. The Collateral Trust Agreement limits to \$150.0 million the extent to which forward purchase contracts for physical commodities are covered by, and secured under, the Collateral Trust Agreement and the Parity Lien Security Documents (as defined in the Collateral Trust Agreement). There is no such limit on financially settled derivative instruments used for commodity hedging. Subject to certain conditions set forth in the Collateral Trust Agreement, we have the ability to add secured hedging counterparties from time to time.

Credit Ratings

In January 2022, S&P reaffirmed a rating of B1 on our senior unsecured notes and upgraded our Company outlook to stable. Also in January 2022, Moody’s reaffirmed a rating of Caa1 on our senior unsecured notes and a Company rating of B3, with the stable outlook maintained. Our 2024 Secured Notes issued in 2020 are rated B+ by S&P and B1 by Moody’s.

Equity Transactions

In April 2016, the board of directors of our general partner suspended payment of our quarterly cash distribution. The board of directors of our general partner will continue to evaluate our ability to reinstate the distribution.

Seasonality Impacts on Liquidity

The fuel and fuel related products that we manufacture, including asphalt products, are subject to seasonal demand and trends. Asphalt demand is generally lower in the first and fourth quarters of the year, as compared to the second and third quarters, due to the seasonality of the road construction and roofing industries we supply. Demand for gasoline and diesel is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic and agricultural activity. In addition, our natural gas costs can be higher during the winter months, as demand for natural gas as a heating fuel increases during the winter. As a result, our operating results for the first and fourth calendar quarters may be lower than those for the second and third calendar quarters of each year due to seasonality related to these and other products that we produce and sell.

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to use estimates and make judgements and assumptions about future events that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. Considerable judgement is often involved in making these determinations. Critical estimates are those that require the most difficult, subjective or complex judgements in the preparation of the financial statements and the accompanying notes. We evaluate these estimates and judgements on a regular basis. We believe our assumptions and estimates are reasonable and appropriate. However, the use of different assumptions could result in significantly different results and actual results could differ from those estimates. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented in Note 3 to our consolidated financial statements in Part II, Item 8.

We consider an accounting estimate to be critical if:

- The accounting estimate requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made; and
- We reasonably could have used different estimates in the current period, or changes in these estimates are reasonably likely to occur from period to period as new information becomes available, and a change in these estimates would have a material impact on our financial condition or results from operations.

Valuation of Goodwill

We assess goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable. The Company tests goodwill either quantitatively or qualitatively for impairment. The Company assessed goodwill for impairment qualitatively and quantitatively during the years ended December 31, 2021 and 2020, respectively.

In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit’s fair value or carrying amount involve significant judgment and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and Company specific events and the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

In the first step of the quantitative assessment, our assets and liabilities, including existing goodwill and other intangible assets, are assigned to the identified reporting units to determine the carrying value of the reporting units. If the carrying value of a reporting unit is in excess of its fair value, an impairment may exist, and we must perform an impairment analysis, in which the implied fair value of the goodwill is compared to its carrying value to determine the impairment charge, if any.

When performing the quantitative assessment, as required in the impairment test, the fair value of the reporting unit is determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, corporate tax structure and product offerings. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the reporting unit. If the carrying value of a reporting unit is in excess of its fair value, an impairment would be recognized in an amount equal to the excess that the carrying value exceeded the estimated fair value, limited to the carrying value of goodwill.

Inputs used to estimate the fair value of the Company’s reporting units are considered Level 3 inputs of the fair value hierarchy and include the following:

- The Company’s financial projections for its reporting units are based on its analysis of various supply and demand factors which include, among other things, industry-wide capacity, planned utilization rates, end-user demand, crack spreads, capital expenditures and economic conditions. Such estimates are consistent with those used in the Company’s planning and capital investment reviews and include recent historical prices and published forward prices.
- The discount rate used to measure the present value of the projected future cash flows is based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. This discount rate is also compared to recent observable market transactions, if possible.

For Level 3 measurements, significant increases or decreases in long-term growth rates or discount rates in isolation or in combination could result in a significantly lower or higher fair value measurement.

Fair values calculated for the purpose of testing our goodwill for impairment are estimated using the expected present value of future cash flows method and comparative market prices when appropriate. Significant judgment is involved in performing these fair value estimates since the results are based on

forecasted assumptions.

Meaningful factors that would significantly impact our financial projections are changes in customer demand levels or loss of significant portions of our business. We believe that the assumptions and estimates used in the assessment of our goodwill as of October 1, 2021 were reasonable.

Valuation of Finite Long-Lived Assets

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. When a decision has been made to dispose of property, plant and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

Estimated undiscounted future cash flows are used for the purpose of testing our finite long-lived assets for impairment. Fair values calculated for the purpose of measuring impairments on finite long-lived assets are estimated using the expected present value of future cash flows method and comparative market prices when appropriate. Significant judgment is involved in estimating undiscounted future cash flows and performing these fair value estimates since the results are based on forecasted assumptions.

We base our estimated undiscounted future cash flows and fair value estimates on projected financial information which we believe to be reasonable. However, actual results may differ from these projections.

Valuation of Renewable Identification Numbers (“RINs”) Obligation

We account for our current period RINs obligation by multiplying the quantity of RINs shortage (based on actual results) by the period end RINs spot price, which is recorded as a RINs obligation in the consolidated balance sheets. This liability is revalued at the end of each subsequent accounting period, which produces non-cash mark-to-market adjustments that are reflected in cost of sales in the consolidated statements of operations (with the exception of RINs for compliance year 2019 related to the San Antonio refinery, which amount is reflected in other operating expense in the consolidated statements of operations). RINs generated by blending renewable fuels may be sold or held to offset future RINs Obligations. Any gains or losses from RINs sales are recorded in cost of sales in the consolidated statements of operations. The liabilities associated with our RINs obligation are considered recurring fair value measurements.

Certain inputs used to estimate the fair value of our RINs Obligation are considered Level 2 inputs of the fair value hierarchy, as the inputs include RINs spot prices obtained from an independent pricing service. However, certain vintage RINs are very thinly traded, and the period end spot prices might not be an accurate reflection of the actual amount that we could purchase RINs in the open market in the quantities that would be required to satisfy our RINs volume obligation.

The RFS allows small refineries to apply at any time for a Small Refinery Exemption (“SRE”) from the renewable blending requirements, and we have applied in respect of compliance years 2019 and 2020. However, the EPA has not taken final action on our 2019 and 2020 SRE petitions (or on other SRE petitions for compliance years 2019, 2020 and 2021 submitted by other small refineries). In December 2021, EPA issued a proposal to deny all currently pending petitions from small refineries seeking SREs, including for program years 2019 and 2020, based on an across the board determination that no refinery suffers disproportionate economic hardship from the RFS program. Please read Note 7 - “Commitments and Contingencies” for further information on our RINs obligation.

We believe that our small refineries (“the refineries”) qualify for SREs on the merits and has asked EPA to approve our petitions. In the event our petitions are denied, management believes that we have viable legal arguments to challenge a denial, including that denial would be inconsistent with the Clean Air Act, the Administrative Procedure Act. EPA’s regulations, the Department of Energy’s analysis and/or the factual record, and we would exercise our legal rights to challenge the denial. If we are ultimately forced to litigate and are successful, a court would likely direct EPA to issue a new decision on the refineries’ SRE petitions. However, as with any legal action, a challenge to an EPA decision denying the refineries’ SRE petitions may ultimately be unsuccessful. This would present a number of uncertainties and complexities caused primarily by the passage of time since we first submitted the SRE petitions, including for example the potential expiration and/or unavailability or limited availability in the market of vintage 2019 and 2020 RINs, the specifics of other potential forthcoming EPA actions, the results of other parties’ potential litigation avenues and outcomes, and post-litigation uncertainties around the timing and magnitude of any resolution.

Based on current information we believe the most likely outcome is either obtaining the refineries’ SREs or reaching an alternative resolution. If we are ultimately successful in obtaining the refineries’ SREs, the value of the liability would be zero. If we are ultimately unsuccessful in obtaining the refineries’ SREs, the timing, amount and form our actual liability may depend upon the resolution obtained, potentially as part of subsequent litigation. For example, if resolution for the 2019 and 2020 compliance years used the market price of RINs on the day the EPA was obligated to rule on the refineries’ 2019 SRE petitions, the value of the liability would be approximately \$50.7 million.

Recent Accounting Pronouncements

For a summary of recently issued and adopted accounting standards applicable to us, please read Note 3 “Summary of Significant Accounting Policies” in Part II, Item 8 “Financial Statements and Supplementary Data.”

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 under the Exchange Act. As a result, pursuant to Item 301(c) of Regulation S-K, we are not required to provide the information required by this item.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Calumet GP, LLC
General Partner and the Partners of Calumet Specialty Products Partners, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Calumet Specialty Products Partners, L.P. (“the Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), partners’ capital (deficit) and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have 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 (2013 framework) and our report dated March 4, 2022, expressed an unqualified opinion thereon.

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 the 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 audit 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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matters or on the account or disclosure to which they relate.

Renewable Identification Numbers (“RINs”) Obligation

Description of the Matter As of December 31, 2021, the Company’s RINs obligation was \$278.9 million, comprised of the current obligation of \$200.1 million and the long-term obligation of \$78.8 million. As described in Notes 3 and 7 to the consolidated financial statements, the RINs obligation is an estimated provision for the purchase of RINs in order to satisfy the U.S. Environmental Protection Agency’s (“EPA”) annual requirement to blend renewable fuels into certain transportation fuel products pursuant to the Renewable Fuel Standard.

Auditing management’s RINs obligation was complex and judgmental due to estimation uncertainty in the Company’s determination of the fair value of the RINs obligation under the Renewable Fuel Standard. The complexity and estimation uncertainty was primarily due to the calculation of the RINs shortage and the independent pricing assumptions, respectively.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the RINs obligation estimation process. For example, we tested controls over management’s review of the methodology used to calculate the obligation and the RINs shortage and independent pricing assumptions, as noted above.

To audit the Company’s RINs obligation, our audit procedures included, among others, evaluating the appropriateness of management’s methodology to calculate the RINs obligation under the Renewable Fuel Standard including testing the completeness and accuracy of the underlying data used by management in estimating the fair value of the obligation. We involved our specialists to assist in our evaluation of management’s methodology. Additionally, we compared the spot prices utilized by the Company in their estimate of the RINs obligation to an independent pricing source.

We have served as the Company’s auditor since 2002.

/s/ Ernst & Young LLP
Indianapolis, Indiana
March 4, 2022

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS

| | Year Ended December 31, | |
|--|-------------------------|-------------------|
| | 2021 | 2020 |
| (In millions, except unit data) | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 38.1 | \$ 109.4 |
| Accounts receivable, net: | | |
| Trade, less allowance for credit losses of \$2.0 million and \$0.8 million, respectively | 216.8 | 152.4 |
| Other | 36.2 | 8.0 |
| | <u>253.0</u> | <u>160.4</u> |
| Inventories | 326.6 | 254.9 |
| Prepaid expenses and other current assets | 14.9 | 10.2 |
| Total current assets | <u>632.6</u> | <u>534.9</u> |
| Property, plant and equipment, net | 949.7 | 919.8 |
| Goodwill | 173.0 | 173.0 |
| Other intangible assets, net | 45.8 | 57.6 |
| Operating lease right-of-use assets | 157.7 | 85.8 |
| Restricted cash | 83.8 | — |
| Other noncurrent assets, net | 85.3 | 37.2 |
| Total assets | <u>\$ 2,127.9</u> | <u>\$ 1,808.3</u> |
| LIABILITIES AND PARTNERS' CAPITAL (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 301.0 | \$ 179.3 |
| Accrued interest payable | 27.7 | 31.7 |
| Accrued salaries, wages and benefits | 93.7 | 27.6 |
| Other taxes payable | 11.6 | 9.5 |
| Obligations under inventory financing agreements | 173.0 | 98.8 |
| Current portion of RINs obligation | 200.1 | 129.4 |
| Other current liabilities | 20.2 | 22.6 |
| Current portion of operating lease liabilities | 65.1 | 41.4 |
| Current portion of long-term debt | 7.4 | 2.9 |
| Derivative liabilities | — | 1.3 |
| Total current liabilities | <u>899.8</u> | <u>544.5</u> |
| Pension and postretirement benefit obligations | 6.7 | 9.3 |
| Other long-term liabilities | 15.8 | 18.9 |
| Long-term operating lease liabilities | 93.1 | 44.8 |
| Long-term RINs obligation, less current portion | 78.8 | — |
| Long-term debt, less current portion | 1,418.8 | 1,319.4 |
| Total liabilities | <u>\$ 2,513.0</u> | <u>\$ 1,936.9</u> |
| Commitments and contingencies | | |
| Partners' capital (deficit): | | |
| Limited partners' interest (78,676,262 units and 78,062,346 units, issued and outstanding at December 31, 2021 and 2020, respectively) | (378.8) | (125.3) |
| General partner's interest | 3.8 | 9.0 |
| Accumulated other comprehensive loss | (10.1) | (12.3) |
| Total partners' capital (deficit) | <u>(385.1)</u> | <u>(128.6)</u> |
| Total liabilities and partners' capital (deficit) | <u>\$ 2,127.9</u> | <u>\$ 1,808.3</u> |

See accompanying notes to consolidated financial statements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended December 31, | |
|---|--|------------|
| | 2021 | 2020 |
| | (In millions, except unit and per unit data) | |
| Sales | \$ 3,148.0 | \$ 2,268.2 |
| Cost of sales | 3,005.1 | 2,169.1 |
| Gross profit | 142.9 | 99.1 |
| Operating costs and expenses: | | |
| Selling | 52.8 | 47.8 |
| General and administrative | 151.1 | 91.1 |
| Taxes other than income taxes | 12.5 | 9.8 |
| Loss on impairment and disposal of assets | 4.1 | 6.8 |
| Gain on sale of business, net | (0.2) | (1.0) |
| Other operating expense | 8.2 | 16.5 |
| Operating loss | (85.6) | (71.9) |
| Other income (expense): | | |
| Interest expense | (149.5) | (125.9) |
| Gain (loss) on derivative instruments | (23.3) | 52.4 |
| Other expense | (0.2) | (2.5) |
| Total other expense | (173.0) | (76.0) |
| Net loss before income taxes | (258.6) | (147.9) |
| Income tax expense | 1.5 | 1.1 |
| Net loss | \$ (260.1) | \$ (149.0) |
| Allocation of net loss: | | |
| Net loss | \$ (260.1) | \$ (149.0) |
| Less: | | |
| General partners' interest in net loss | (5.2) | (3.0) |
| Net loss available to limited partners | \$ (254.9) | \$ (146.0) |
| Weighted average limited partner units outstanding: | | |
| Basic and diluted | 78,980,839 | 78,369,091 |
| Limited partners' interest basic and diluted net loss per unit: | | |
| Limited partners' interest | \$ (3.23) | \$ (1.86) |

See accompanying notes to consolidated financial statements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Year Ended December 31, | |
|--|-------------------------|------------|
| | 2021 | 2020 |
| | (In millions) | |
| Net loss | \$ (260.1) | \$ (149.0) |
| Other comprehensive income (loss): | | |
| Cash flow hedges: | | |
| Cash flow hedge loss | — | (0.2) |
| Defined benefit pension and retiree health benefit plans | 2.2 | (1.5) |
| Total other comprehensive income (loss) | 2.2 | (1.7) |
| Comprehensive loss attributable to partners' capital (deficit) | \$ (257.9) | \$ (150.7) |

See accompanying notes to consolidated financial statements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL (DEFICIT)

| | Accumulated Other Comprehensive Loss | Partners' Capital (Deficit) | | |
|---|--|-----------------------------|------------------|------------|
| | | General Partner | Limited Partners | Total |
| (In millions) | | | | |
| Balance at December 31, 2019 | \$ (10.6) | \$ 12.0 | \$ 20.2 | \$ 21.6 |
| Other comprehensive loss | (1.7) | — | — | (1.7) |
| Net loss | — | (3.0) | (146.0) | (149.0) |
| Settlement of tax withholdings on equity-based incentive compensation | — | — | (0.5) | (0.5) |
| Amortization of phantom units | — | — | 1.0 | 1.0 |
| Balance at December 31, 2020 | \$ (12.3) | \$ 9.0 | \$ (125.3) | \$ (128.6) |
| Other comprehensive income | 2.2 | — | — | 2.2 |
| Net loss | — | (5.2) | (254.9) | (260.1) |
| Settlement of tax withholdings on equity-based incentive compensation | — | — | (0.6) | (0.6) |
| Amortization of phantom units | — | — | 2.0 | 2.0 |
| Balance at December 31, 2021 | \$ (10.1) | \$ 3.8 | \$ (378.8) | \$ (385.1) |

See accompanying notes to consolidated financial statements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|---|-------------------------|------------|
| | 2021 | 2020 |
| | (In millions) | |
| Operating activities | | |
| Net loss | \$ (260.1) | \$ (149.0) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 107.7 | 105.1 |
| Amortization of turnaround costs | 17.0 | 14.6 |
| Non-cash interest expense | 10.6 | 6.0 |
| Debt extinguishment costs | 0.5 | — |
| Unrealized (gain) loss on derivative instruments | 24.4 | (2.8) |
| Loss on impairment and disposal of assets | 4.1 | 6.8 |
| Equity based compensation | 50.7 | 5.5 |
| Lower of cost or market inventory adjustment | (44.7) | 24.0 |
| Other non-cash activities | 2.4 | (2.1) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (91.4) | 25.5 |
| Inventories | (27.0) | 14.0 |
| Prepaid expenses and other current assets | (3.7) | 0.6 |
| Turnaround costs | (61.0) | (23.4) |
| Accounts payable | 71.0 | (38.1) |
| Accrued interest payable | (3.2) | (1.0) |
| Accrued salaries, wages and benefits | 17.1 | (12.5) |
| Other taxes payable | 2.1 | (2.3) |
| Other liabilities | 139.5 | 91.9 |
| Net cash provided by (used in) operating activities | (44.0) | 62.8 |
| Investing activities | | |
| Additions to property, plant and equipment | (82.9) | (44.0) |
| Acquisition of businesses, net of cash acquired | — | (3.3) |
| Proceeds from sale of property, plant and equipment | 0.1 | 0.1 |
| Net cash provided by discontinued operations | — | 0.9 |
| Net cash used in investing activities | (82.8) | (46.3) |
| Financing activities | | |
| Proceeds from borrowings — revolving credit facility | 1,122.1 | 1,130.7 |
| Repayments of borrowings — revolving credit facility | (1,230.1) | (1,022.7) |
| Repayments of borrowings — senior notes | (150.0) | — |
| Payments on finance lease obligations | (0.6) | (0.5) |
| Proceeds from inventory financing | 1,046.7 | 756.1 |
| Payments on inventory financing | (999.2) | (786.0) |
| Proceeds from MRL Credit Facility | 300.0 | — |
| Proceeds from other financing obligations | 70.0 | 31.4 |
| Payments on other financing obligations | (7.6) | (33.4) |
| Debt issuance costs | (12.0) | (1.8) |
| Net cash provided by financing activities | 139.3 | 73.8 |
| Net increase in cash, cash equivalents and restricted cash | 12.5 | 90.3 |
| Cash, cash equivalents and restricted cash at beginning of period | 109.4 | 19.1 |
| Cash, cash equivalents and restricted cash at end of period | \$ 121.9 | \$ 109.4 |
| Cash and cash equivalents | \$ 38.1 | \$ 109.4 |
| Restricted cash | \$ 83.8 | \$ — |
| Supplemental disclosure of non-cash investing activities | | |
| Non-cash property, plant and equipment additions | \$ 51.4 | \$ 4.6 |

See accompanying notes to consolidated financial statements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business

Calumet Specialty Products Partners, L.P. (the “Company”) is a publicly-traded Delaware limited partnership listed on the Nasdaq Global Select Market (“Nasdaq”) under the ticker symbol “CLMT.” The general partner of the Company is Calumet GP, LLC, a Delaware limited liability company. As of December 31, 2021, the Company had 78,676,262 limited partner common units and 1,605,636 general partner equivalent units outstanding. The general partner owns 2% of the Company and all of the incentive distribution rights (as defined in the Company’s partnership agreement, “IDRs”), while the remaining 98% is owned by limited partners.

The Company manufactures, formulates, and markets a diversified slate of specialty branded products to customers in various consumer-facing and industrial markets. Calumet is headquartered in Indianapolis, Indiana and operates twelve facilities throughout North America.

2. Change in Accounting Policy

During the first quarter of fiscal 2021, the Company changed its method of accounting for shipping and handling costs, which are primarily costs paid to third-party shippers for transporting products to customers. Under the new method of accounting, the Company includes shipping costs in cost of sales, whereas previously, they were included in operating costs and expenses under the caption transportation expense.

The Company believes that including these expenses in cost of sales is preferable, as it better aligns these costs with the related revenue in the gross profit calculation and is consistent with the practices of other industry peers. This change in accounting principle has been applied retrospectively, and the consolidated statements of operations reflect the effect of this accounting principle change for all periods presented. This reclassification had no impact on net income (loss) before income taxes, net income (loss) attributable to limited partners, limited partners’ interest basic net income (loss) per unit, or limited partners’ interest diluted net income (loss) per unit. The consolidated balance sheets, consolidated statements of comprehensive income (loss), consolidated statements of partners’ capital (deficit), and consolidated statements of cash flows were not impacted by this accounting principle change.

The consolidated statements of operations for the year ended December 31, 2020 have been adjusted to reflect this change in accounting policy. The impact of the adjustment for the year ended December 31, 2020 was an increase of \$111.0 million to cost of sales and a corresponding decrease to transportation expense in the consolidated statements of operations.

3. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements and related notes reflect the accounts of the Company and its wholly-owned subsidiaries. All intercompany profits, transactions and balances have been eliminated.

Reclassifications

Certain amounts in the prior years’ consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates

The Company’s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash include all highly liquid investments with a maturity of three months or less at the time of purchase.

Restricted cash represents cash that is legally restricted under the MRL Credit Facility, and it is presented as a non-current asset because it is only available for capital additions related to the renewable diesel project.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounts Receivable

The Company performs periodic credit evaluations of customers' financial condition and generally does not require collateral. Accounts receivable are carried at their face amounts. The Company maintains an allowance for credit losses for estimated losses in the collection of accounts receivable. The Company makes estimates regarding the future ability of its customers to make required payments based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, expected future trends and other factors that may affect customers' ability to pay. Individual accounts are written off against the allowance for credit losses after all reasonable collection efforts have been exhausted.

The activity in the allowance for credit losses was as follows (in millions):

| | December 31, | |
|-------------------|---------------|---------------|
| | 2021 | 2020 |
| Beginning balance | \$ 0.8 | \$ 0.9 |
| Provision | 1.2 | (0.1) |
| Write-offs, net | — | — |
| Ending balance | <u>\$ 2.0</u> | <u>\$ 0.8</u> |

Inventories

The cost of inventory is recorded using the last-in, first-out ("LIFO") method. Costs include crude oil and other feedstocks, labor, processing costs and refining overhead costs. Inventories are valued at the lower of cost or market value. The replacement cost of these inventories, based on current market values, would have been \$64.9 million higher than the carrying value of inventory and \$6.7 million lower as of December 31, 2021 and 2020, respectively.

On March 31, 2017 and June 19, 2017, the Company sold inventory comprised of crude oil and refined products to Macquarie Energy North America Trading Inc. ("Macquarie") under Supply and Offtake Agreements as described in Note 8 — "Inventory Financing Agreements" related to the Great Falls and Shreveport refineries, respectively.

Inventories consist of the following (in millions):

| | December 31, 2021 | | | December 31, 2020 | | |
|-----------------|-------------------|--|-----------------|-------------------|--|-----------------|
| | Titled Inventory | Supply & Offtake Agreements ⁽¹⁾ | Total | Titled Inventory | Supply & Offtake Agreements ⁽¹⁾ | Total |
| Raw materials | \$ 41.0 | \$ 19.9 | \$ 60.9 | \$ 30.8 | \$ 11.5 | \$ 42.3 |
| Work in process | 52.5 | 28.5 | 81.0 | 31.8 | 27.4 | 59.2 |
| Finished goods | 121.1 | 63.6 | 184.7 | 114.0 | 39.4 | 153.4 |
| | <u>\$ 214.6</u> | <u>\$ 112.0</u> | <u>\$ 326.6</u> | <u>\$ 176.6</u> | <u>\$ 78.3</u> | <u>\$ 254.9</u> |

⁽¹⁾ Amounts represent LIFO value and do not necessarily represent the value at which the inventory was sold. Please read Note 8 - "Inventory Financing Agreements" for further information.

Under the LIFO inventory method, the most recently incurred costs are charged to cost of sales and inventories are valued at the earliest acquisition costs. For the year ended December 31, 2021, the Company recorded a decrease (exclusive of lower of cost or market ("LCM") adjustments) of \$5.6 million in cost of sales in the consolidated statements of operations due to the liquidation of inventory layers. For the year ended December 31, 2020, the Company recorded an increase (exclusive of LCM adjustments) of \$4.5 million in cost of sales in the consolidated statements of operations due to the liquidation of inventory layers.

In addition, the use of the LIFO inventory method may result in increases or decreases to cost of sales in years that inventory volumes decline as the result of charging cost of sales with LIFO inventory costs generated in prior periods. In periods of rapidly declining prices, LIFO inventories may have to be written down to market value due to the higher costs assigned to LIFO layers in prior periods. During the year ended December 31, 2021, the Company recorded a decrease in cost of sales in the consolidated statements of operations of \$44.7 million due to the sale of inventory previously adjusted through the LCM valuation. During the year ended December 31, 2020, the Company recorded an increase in cost of sales in the consolidated statements of operations of \$24.0 million as a result of declining market prices.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivatives

The Company is exposed to fluctuations in the price of numerous commodities, such as crude oil (its principal raw material), as well as the sales prices of gasoline, diesel, natural gas and jet fuel. Given the historical volatility of commodity prices, these fluctuations can significantly impact sales, gross profit and net income. Therefore, the Company utilizes derivative instruments primarily to minimize its price risk and volatility of cash flows associated with the purchase of crude oil, natural gas, and the sale of fuel products. The Company employs various hedging strategies and does not hold or issue derivative instruments for trading purposes. For further information, please read Note 10 - "Derivatives."

On a regular basis, the Company enters into commodity contracts with counterparties for the purchase or sale of crude oil, blendstocks and various finished products. These contracts usually qualify for the normal purchase / normal sale exemption under ASC 815 and, as such, are not measured at fair value.

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost. Depreciation is calculated using the straight-line method over the estimated useful lives. Assets under finance leases are amortized over the lesser of the useful life of the asset or the term of the lease.

Property, plant and equipment, including depreciable lives, consisted of the following (in millions):

| | December 31, | |
|--|-----------------|-----------------|
| | 2021 | 2020 |
| Land | \$ 8.7 | \$ 8.7 |
| Buildings and improvements (10 to 40 years) | 35.5 | 35.5 |
| Machinery and equipment (10 to 20 years) | 1,649.6 | 1,625.9 |
| Furniture, fixtures and software (5 to 10 years) | 47.9 | 49.1 |
| Assets under finance leases (1 to 14 years) ⁽¹⁾ | 8.3 | 7.4 |
| Construction-in-progress | 116.3 | 28.2 |
| | <u>1,866.3</u> | <u>1,754.8</u> |
| Less accumulated depreciation | (916.6) | (835.0) |
| | <u>\$ 949.7</u> | <u>\$ 919.8</u> |

⁽¹⁾ Assets under finance leases consist of buildings and machinery and equipment. As of December 31, 2021 and 2020, finance lease assets are recorded net of accumulated amortization of \$4.1 million and \$3.4 million, respectively.

Under the composite depreciation method, the cost of partial retirements of a group is charged to accumulated depreciation. However, when there are dispositions of complete groups or significant portions of groups, the cost and related accumulated depreciation are retired, and any gain or loss is reflected in earnings.

During 2021 and 2020, the Company incurred \$151.1 million and \$126.3 million, respectively, of interest expense of which \$1.6 million and \$0.4 million, respectively, was capitalized as a component of property, plant and equipment.

The Company periodically assesses its operations and legal requirements to determine if recognition of an asset retirement obligation is necessary. The Company has not recorded an asset retirement obligation as of December 31, 2021 or 2020 given the timing of any retirement and related costs are currently indeterminable.

During the years ended December 31, 2021 and 2020, the Company recorded \$95.9 million and \$91.1 million, respectively, of depreciation expense on its property, plant and equipment. Depreciation expense included \$0.7 million and \$0.6 million for the years ended 2021 and 2020, respectively, related to the Company's finance lease assets.

The Company capitalizes the cost of computer software developed or obtained for internal use. Capitalized software is amortized using the straight-line method over five years. As of December 31, 2021 and 2020, the Company had \$42.8 million and \$44.1 million, respectively, of capitalized software costs. As of December 31, 2021 and 2020, the Company had \$36.0 million and \$30.5 million, respectively, of accumulated depreciation related to the capitalized software costs. During the years ended December 31, 2021 and 2020, the Company recorded \$7.8 million and \$7.4 million, respectively, of amortization expense on capitalized computer software.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill

Goodwill represents the excess of purchase price over fair value of the net assets acquired in various acquisitions. Please read Note 6 - "Goodwill and Other Intangible Assets" for more information. The Company assesses goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with ASC 350, *Intangibles — Goodwill and Other (Topic 350)* and ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. Under ASC 350, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the impairment test is unnecessary. The Company tests goodwill either quantitatively or qualitatively for impairment. The Company assessed goodwill for impairment qualitatively and quantitatively during the years ended December 31, 2021 and 2020, respectively.

In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgment and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and Company specific events and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

In the first step of the quantitative assessment, the Company's assets and liabilities, including existing goodwill and other intangible assets, are assigned to the identified reporting units to determine the carrying value of the reporting units. Under ASU 2017-04, goodwill impairment testing is done by comparing the fair value of the reporting unit to its carrying value. If the carrying amount exceeds the fair value, the Company would recognize an impairment charge for the amount that the reporting unit's carrying value exceeds the fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

When performing the quantitative assessment, the fair value of the reporting units is determined using the income approach. The income approach focuses on the income-producing capability of the reporting unit, measuring the current value of the reporting unit by calculating the present value of its future economic benefits such as cash earnings, cost savings, corporate tax structure and product offerings. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the reporting unit. For more information, please read Note 6 - "Goodwill and Other Intangible Assets."

Finite-Lived Intangible Assets

Finite-lived intangible assets consist of intangible assets associated with customer relationships, tradenames, trade secrets, patents and royalty agreements that were acquired in various acquisitions. The majority of these assets are being amortized using undiscounted estimated future cash flows over the term of the related agreements. Intangible assets associated with customer relationships are being amortized using the undiscounted estimated future cash flows method based upon assumed rates of annual customer attrition. For more information, please read Note 6 - "Goodwill and Other Intangible Assets."

Other Noncurrent Assets

Other noncurrent assets include turnaround costs. Turnaround costs represent capitalized costs associated with the Company's periodic major maintenance and repairs and the net carrying value of turnaround costs included in other noncurrent assets in the consolidated balance sheets were \$82.3 million and \$34.2 million as of December 31, 2021 and 2020, respectively. The Company capitalizes these costs and amortizes the costs on a straight-line basis over the lives of the turnaround assets which is generally two to five years. These amounts are net of accumulated amortization of \$41.5 million and \$60.5 million at December 31, 2021 and 2020, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Renewable Identification Numbers (“RINs”) Obligation

The Company’s RINs obligation (“RINs Obligation”) is an estimated provision for the future purchase of RINs in order to satisfy the U.S. Environmental Protection Agency’s (“EPA”) requirement to blend renewable fuels into certain transportation fuel products pursuant to the Renewable Fuel Standard (“RFS”). A RIN is a 38-character number assigned to each physical gallon of renewable fuel produced in or imported into the United States. The EPA sets annual volume obligations for the percentage of renewable fuels that must be blended into transportation fuels consumed in the U.S. and, as a producer of transportation fuels from petroleum, the Company is subject to those obligations. Compliance is demonstrated by tendering RINs to the EPA documenting that blending has been accomplished. To the extent the Company is unable to physically blend renewable fuels to satisfy the EPA requirement, it may purchase RINs in the open market to satisfy the annual obligations.

The Company accounts for its current period RINs obligation by multiplying the quantity of RINs shortage (based on actual results) by the period end RINs spot price, which is recorded as a RINs obligation in the consolidated balance sheets. The Company’s RINs obligations for compliance years 2019 and 2020 are presented as a current liability in the consolidated balance sheets and the Company’s RINs obligation for compliance year 2021 is presented as a long-term liability in the consolidated balance sheets. This liability is revalued at the end of each subsequent accounting period, which produces non-cash mark-to-market adjustments that are reflected in cost of sales in the consolidated statements of operations (with the exception of RINs for compliance year 2019 related to the San Antonio refinery, which amount is reflected in other operating expense in the consolidated statements of operations). RINs generated by blending may be sold or held to offset future RINs Obligations. Any gains or losses from RINs sales are recorded in cost of sales in the consolidated statements of operations. The liabilities associated with the Company’s RINs obligation are considered recurring fair value measurements. Please read Note 7 - “Commitments and Contingencies” for further information on the Company’s RINs Obligation.

Impairment of Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including finite-lived intangible assets, when events or circumstances warrant such a review. The carrying value of a long-lived asset to be held and used is considered impaired when the anticipated separately identifiable undiscounted cash flows from such an asset are less than the carrying value of the asset. In such an event, a write-down of the asset would be recorded through a charge to operations, based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using anticipated cash flows assumed by a market participant discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of other than by sale are considered held and used until disposal.

During the years ended December 31, 2021 and 2020, the Company did not identify any impairment indicators that suggested the carrying values of its long-lived assets are not recoverable at the asset groups within the Specialty Products and Solutions, Montana/Renewables, Performance Brands and Corporate segments. As a result of the long-lived asset impairment assessment performed, no impairment charges were recorded for the years ended December 31, 2021 and 2020. For the year ended December 31, 2020, the Company recorded a loss of \$5.1 million for the write-off of an other receivable for payments due from an unconsolidated affiliate, which is included in loss on impairment and disposal of assets in the consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue Recognition*, which states that revenue is recognized when control of the promised goods are transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Please read Note 4 - “Revenue Recognition” for additional information on our revenue recognition accounting policies and elections.

Revenues associated with transactions commonly called buy/sell contracts, in which the purchase and sale of inventory with the same counterparty are entered into “in contemplation” of one another, are combined and reported as a net purchase in cost of sales in the consolidated statements of operations.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Concentrations of Credit Risk

The Company performs periodic credit evaluations of its customers' financial condition and in some instances requires cash in advance or letters of credit prior to shipment for domestic orders. For international orders, letters of credit are generally required, and the Company maintains insurance policies which cover certain export orders. The Company maintains an allowance for credit losses account for estimated losses resulting from the inability of its customers to make required payments. The allowance for credit losses is developed based on several factors including historical experience, the age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions, expected future trends and other factors that may affect customers' ability to pay, which exist as of the balance sheet dates. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company has derivative positions with a limited number of counterparties. The evaluation of these counterparties is performed quarterly in connection with the Company's ASC 820-10, *Fair Value Measurements and Disclosures*, valuations to determine the impact of the counterparty credit risk on the valuation of its derivative instruments.

Earnings per Unit

The Company calculates earnings per unit under ASC 260-10, *Earnings per Share*. The Company treats incentive distribution rights ("IDRs") as participating securities for the purposes of computing earnings per unit in the period that the general partner becomes contractually obligated to receive IDRs. Also, the undistributed earnings are allocated to the partnership interests based on the allocation of earnings to the Company's partners' capital accounts as specified in the Company's partnership agreement. When distributions exceed earnings, net income is reduced by the actual distributions with the resulting net loss being allocated to capital accounts as specified in the Company's partnership agreement.

Unit-Based Compensation

For unit-based compensation equity awards granted, compensation expense is recognized in the Company's consolidated financial statements on a straight-line basis over the awards' vesting periods based on their fair values on the dates of grant. The unit-based compensation awards vest over a period not exceeding four years. The amount of compensation expense recognized at any date is at least equal to the portion of the grant date value of the award that is vested at that date. For more information, please read Note 13 - "Unit-Based Compensation."

Unit-based compensation liability awards are awards that are currently expected to be settled in cash on their vesting dates, rather than in equity units ("Liability Awards"). Liability Awards are recorded in accrued salaries, wages and benefits based on the vested portion of the fair value of the awards on the balance sheet date. The fair value of Liability Awards is updated at each balance sheet date and changes in the fair value of the vested portions of the Liability Awards are recorded as increases or decreases to compensation expense. The Company recognizes forfeitures as they occur. Please read Note 13 - "Unit-Based Compensation" for more information on Liability Awards.

Advertising Expenses

The Company expenses advertising costs as incurred which totaled \$7.4 million and \$4.3 million for the years ended December 31, 2021 and 2020, respectively. Advertising expenses are reported as selling expenses in the consolidated statements of operations.

Recently Adopted Accounting Pronouncements

On January 1, 2020, the Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13") which changed the impairment model for most financial instruments. Previous guidance required the recognition of credit losses based on an incurred loss impairment methodology that reflects losses once the losses are probable. Under ASU 2016-13, the Company is required to use a current expected credit loss ("CECL") model that immediately recognizes an estimate of credit losses that are expected to occur over the life of the financial instruments that are in the scope of the update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit loss estimates. The result of the adoption of ASU 2016-13 was de-minimis and did not result in an adjustment to beginning partners' capital (deficit). The allowance for credit losses for accounts receivable was \$2.0 million and \$0.8 million at December 31, 2021 and 2020, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Revenue Recognition

The following is a description of principal activities from which the Company generates revenue. Revenues are recognized when control of the promised goods are transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods promised within each contract and determines the performance obligations and assesses whether each promised good is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Products

The Company manufactures, formulates, and markets a diversified slate of specialty branded products to customers in various consumer-facing and industrial markets. The Company also produces fuel and fuel related products, including gasoline, diesel, jet fuel, asphalt, and other fuels products. The Company also blends, packages and markets high-performance branded specialty products through its Royal Purple, Bel-Ray, and TruFuel brands.

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be the contracts with a customer. For each contract, the Company considers the promise to transfer products, each of which are distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to variable consideration such as product returns, rebates or other discounts to determine the net consideration to which the Company expects to be entitled. The Company transfers control and recognizes revenue upon shipment to the customer or, in certain cases, upon receipt by the customer in accordance with contractual terms.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied and control of the promised goods are transferred to the customer. The contract with the customer states the final terms of the sale, including the description, quantity and price of each product or service purchased. For fuel products, payment is typically due in full between 2 to 30 days of delivery or the start of the contract term, such that payment is typically collected 2 to 30 days subsequent to the satisfaction of performance obligations. For specialty products, payment is typically due in full between 30 to 90 days of delivery or the start of the contract term, such that payment is typically collected 30 to 90 days subsequent to the satisfaction of performance obligations. In the normal course of business, the Company does not accept product returns unless the item is defective as manufactured. The expected costs associated with a product assurance warranty continues to be recognized as expense when products are sold. The Company does not offer promised services that could be considered warranties that are sold separately or provide a service in addition to assurance that the related product complies with agreed upon specifications. The Company establishes provisions based on the methods described in ASC 606 for estimated returns and warranties as variable consideration when determining the transaction price.

Excise and Sales Taxes

The Company assesses, collects and remits excise taxes associated with the sale of certain of its fuel products. Furthermore, the Company collects and remits sales taxes associated with certain sales of its products to non-exempt customers. The Company excludes excise taxes and sales taxes that are collected from customers from the transaction price in its contracts with customers. Accordingly, revenue from contracts with customers is net of sales-based taxes that are collected from customers and remitted to taxing authorities.

Shipping and Handling Costs

Shipping and handling costs are deemed to be fulfillment activities rather than a separate distinct performance obligation.

Cost of Obtaining Contracts

The Company may incur incremental costs to obtain a sales contract, which under ASC 606 should be capitalized and amortized over the life of the contract. The Company has elected to apply the practical expedient in ASC 340-40-50-5 allowing the Company to expense these costs since the contracts are short-term in nature with a contract term of one year or less.

Contract Balances

Under product sales contracts, the Company invoices customers for performance obligations that have been satisfied, at which point payment is unconditional. Accordingly, a product sales contract does not give rise to contract assets or liabilities under ASC 606. The Company's receivables, net of allowance for expected credit losses from contracts with customers as of December 31, 2021 and 2020 was \$216.8 million and \$152.4 million, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transaction Price Allocated to Remaining Performance Obligations

The Company's product sales are short-term in nature with a contract term of one year or less. The Company has utilized the practical expedient in ASC 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less. Additionally, each unit of product generally represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

5. Leases

The Company has various operating and finance leases primarily for the use of land, storage tanks, railcars, equipment, precious metals and office facilities that have remaining lease terms of greater than one year to eighteen years, some of which include options to extend the lease for up to 34 years, and some of which include options to terminate the lease within one year.

Supplemental balance sheet information related to the Company's leases for the periods presented were as follows (in millions):

| | | December 31, 2021 | December 31, 2020 |
|-------------------------|---|-------------------|-------------------|
| Assets: | Classification: | | |
| Operating lease assets | Operating lease right-of-use assets ⁽¹⁾ | \$ 157.7 | \$ 85.8 |
| Finance lease assets | Property, plant and equipment, net ⁽²⁾ | 4.2 | 4.0 |
| Total leased assets | | <u>\$ 161.9</u> | <u>\$ 89.8</u> |
| Liabilities: | | | |
| Current | | | |
| Operating | Current portion of operating lease liabilities ⁽¹⁾ | \$ 65.1 | \$ 41.4 |
| Finance | Current portion of long-term debt | 0.8 | 0.6 |
| Non-current | | | |
| Operating | Long-term operating lease liabilities ⁽¹⁾ | 93.1 | 44.8 |
| Finance | Long-term debt, less current portion | 3.2 | 3.1 |
| Total lease liabilities | | <u>\$ 162.2</u> | <u>\$ 89.9</u> |

⁽¹⁾ Additions to the Company's operating lease right of use assets and operating lease liabilities for the year ended December 31, 2021 are primarily related to the renewal of a lease agreement with Philips 66 related to the LVT unit at its Lake Charles, Louisiana refinery.

⁽²⁾ As of December 31, 2021 and 2020, finance lease assets are recorded net of accumulated amortization of \$4.1 million and \$3.4 million, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense related to the Company's leases for the periods presented were as follows (in millions):

| Lease Costs: | Classification: | December 31, | |
|--|------------------------------|----------------|----------------|
| | | 2021 | 2020 |
| Fixed operating lease cost | Cost of Sales; SG&A Expenses | \$ 51.5 | \$ 46.2 |
| Short-term operating lease cost ⁽¹⁾ | Cost of Sales; SG&A Expenses | 7.8 | 8.6 |
| Variable operating lease cost ⁽²⁾ | Cost of Sales; SG&A Expenses | 13.8 | 1.9 |
| Finance lease cost: | | | |
| Amortization of finance lease assets | Cost of Sales | 0.7 | 0.6 |
| Interest on lease liabilities | Interest expense | 0.4 | 0.4 |
| Total lease cost | | \$ 74.2 | \$ 57.7 |

⁽¹⁾ The Company's leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

⁽²⁾ The Company's railcar leases typically include a mileage limit the railcar can travel over the life of the lease. For any mileage incurred over this limit, the Company is obligated to pay an agreed upon dollar value for each mile that is traveled over the limit.

Operating lease expense included in the consolidated statements of operations was \$73.1 million and \$56.7 million for the years ended December 31, 2021 and 2020, respectively. Cash paid related to operating lease obligations approximated lease expense for 2021 and 2020, respectively.

As of December 31, 2021, the Company had estimated minimum commitments for the payment of rentals under leases which, at inception, had a noncancelable term of more than one year, as follows (in millions):

| Maturity of Lease Liabilities | Operating Leases ⁽¹⁾ | Finance Leases ⁽²⁾ | Total |
|---|---------------------------------|-------------------------------|-----------------|
| 2022 | \$ 73.5 | \$ 1.0 | \$ 74.5 |
| 2023 | 69.7 | 1.0 | 70.7 |
| 2024 | 11.0 | 1.0 | 12.0 |
| 2025 | 7.9 | 0.7 | 8.6 |
| 2026 | 3.7 | 0.7 | 4.4 |
| Thereafter | 9.5 | 0.3 | 9.8 |
| Total | \$ 175.3 | \$ 4.7 | \$ 180.0 |
| Less: Interest | 17.1 | 0.7 | 17.8 |
| Present value of lease liabilities | \$ 158.2 | \$ 4.0 | \$ 162.2 |
| Less obligations due within one year | 65.1 | 0.8 | 65.9 |
| Long-term lease obligations | \$ 93.1 | \$ 3.2 | \$ 96.3 |

⁽¹⁾ As of December 31, 2021, the Company's operating lease payments included no material options to extend lease terms that are reasonably certain of being exercised. The Company has no legally binding minimum lease payments for leases signed but not yet commenced as of December 31, 2021.

⁽²⁾ As of December 31, 2021, the Company's finance lease payments included no material options to extend lease terms that are reasonably certain of being exercised. In addition, the Company has no legally binding minimum lease payments for leases that have been signed but not yet commenced as of December 31, 2021.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Weighted-Average Lease Term and Discount Rate

The weighted-average remaining lease term and weighted-average discount rate for the Company's operating and finance leases for the periods presented were as follows:

| Lease Term and Discount Rate: | December 31, 2021 | December 31, 2020 |
|---|--------------------------|--------------------------|
| Weighted-average remaining lease term (years): | | |
| Operating leases | 3.1 | 3.8 |
| Finance leases | 4.8 | 5.4 |
| Weighted-average discount rate: | | |
| Operating leases | 7.0 % | 7.3 % |
| Finance leases | 7.3 % | 8.3 % |

6. Goodwill and Other Intangible Assets

For the years ended December 31, 2021 and 2020, the Company performed its annual goodwill assessment for each of the years then ended, respectively, and determined that the fair value of each of its reporting units with goodwill exceeded its carrying value. Thus, no impairment charge for goodwill related to the Specialty Products and Solutions segment or Performance Brands segment was recorded in the consolidated statements of operations within asset impairment for the years ended December 31, 2021 and 2020, respectively. There is no goodwill within the reporting units for the Montana/Renewables segment or the Corporate segment.

Inputs used to estimate the fair value of the Company's reporting units are considered Level 3 inputs of the fair value hierarchy and include the following:

- The Company's financial projections for its reporting units are based on its analysis of various supply and demand factors which include, among other things, industry-wide capacity, its planned utilization rate, end-user demand, crack spreads, capital expenditures and economic conditions. Such estimates are consistent with those used in the Company's planning and capital investment reviews and include recent historical prices and published forward prices.
- The discount rate used to measure the present value of the projected future cash flows is based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. This discount rate is also compared to recent observable market transactions, if possible.

For Level 3 measurements, significant increases or decreases in long-term growth rates or discount rates in isolation or in combination could result in a significantly lower or higher fair value measurement.

Changes in goodwill balances for the periods indicated below are as follows (in millions):

| | Specialty Products and Solutions | Performance Brands | Consolidated Total |
|-------------------------------------|---|---------------------------|---------------------------|
| Net balance as of December 31, 2019 | \$ 47.7 | \$ 123.7 | \$ 171.4 |
| Additions | 1.6 | — | 1.6 |
| Impairment ⁽¹⁾ | — | — | — |
| Net balance as of December 31, 2020 | \$ 49.3 | \$ 123.7 | \$ 173.0 |
| Additions | — | — | — |
| Impairment ⁽¹⁾ | — | — | — |
| Net balance as of December 31, 2021 | \$ 49.3 | \$ 123.7 | \$ 173.0 |

⁽¹⁾ Total accumulated goodwill impairment as of December 31, 2021 and 2020, is \$35.5 million.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other intangible assets consist of the following (in millions):

| | Weighted Average Life (Years) | December 31, 2021 | | December 31, 2020 | |
|------------------------|----------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Customer relationships | 22 | \$ 181.8 | \$ (147.4) | \$ 181.8 | \$ (139.7) |
| Tradenames | 11 | 26.8 | (22.3) | 26.8 | (20.7) |
| Trade secrets | 13 | 52.9 | (48.5) | 52.9 | (46.3) |
| Patents | 12 | 1.6 | (1.6) | 1.6 | (1.6) |
| Royalty agreements | 20 | 6.1 | (3.6) | 6.1 | (3.3) |
| | 19 | \$ 269.2 | \$ (223.4) | \$ 269.2 | \$ (211.6) |

Tradenames, trade secrets, patents and royalty agreements are being amortized to properly match expenses with the undiscounted estimated future cash flows over the terms of the related agreements or the period expected to be benefited. The costs of agreements with terms allowing for the potential extension of such agreements are being amortized based on the initial term only. Customer relationships are being amortized to properly match expenses with the undiscounted estimated future cash flows based upon assumed rates of annual customer attrition. For the years ended December 31, 2021 and 2020, the Company recorded amortization expense of intangible assets of \$11.8 million and \$14.3 million, respectively.

As of December 31, 2021, the Company estimates that amortization of intangible assets for the next five years will be as follows (in millions):

| Year | Amortization Amount |
|------|---------------------|
| 2022 | \$ 9.5 |
| 2023 | \$ 7.8 |
| 2024 | \$ 6.5 |
| 2025 | \$ 4.9 |
| 2026 | \$ 3.8 |

7. Commitments and Contingencies

Contingencies

From time to time, the Company is a party to certain claims and litigation incidental to its business, including claims made by various taxation and regulatory authorities, such as the Internal Revenue Service, the EPA and the U.S. Occupational Safety and Health Administration (“OSHA”), as well as various state environmental regulatory bodies and state and local departments of revenue, as the result of audits or reviews of the Company’s business. In addition, the Company has property, business interruption, general liability and various other insurance policies that may result in certain losses or expenditures being reimbursed to the Company.

Environmental

The Company conducts crude oil and specialty refining, blending and terminal operations and such activities are subject to stringent federal, regional, state and local laws and regulations governing worker health and safety, the discharge of materials into the environment and environmental protection. These laws and regulations impose obligations that are applicable to the Company’s operations, such as requiring the acquisition of permits to conduct regulated activities, restricting the manner in which the Company may release materials into the environment, requiring remedial activities or capital expenditures to mitigate pollution from former or current operations, requiring the application of specific health and safety criteria addressing worker protection and imposing substantial liabilities for pollution resulting from its operations. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties; the imposition of investigatory, remedial or corrective action obligations or the incurrence of capital expenditures; the occurrence of delays in the permitting, development or expansion of projects and the issuance of injunctive relief limiting or prohibiting Company activities. Moreover, certain of these laws impose joint and several, strict liability for costs required to remediate and restore sites where petroleum hydrocarbons, wastes or other materials have been released or disposed. In addition, new laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement or other developments, some of which legal requirements are discussed below, could significantly increase the Company’s operational or compliance expenditures.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Remediation of subsurface contamination is in process at certain of the Company's refinery sites and is being overseen by the appropriate state agencies. Based on current investigative and remedial activities, the Company believes that the soil and groundwater contamination at these refineries can be controlled or remediated without having a material adverse effect on the Company's financial condition. However, such costs are often unpredictable and, therefore, there can be no assurance that the future costs will not become material.

Renewable Identification Numbers Obligation

The RFS allows small refineries to apply at any time for a Small Refinery Exemption ("SRE") from the renewable blending requirements, and Calumet had applied in respect of calendar 2019 and 2020 compliance years. The EPA has not taken a final action on 2019 and 2020 SRE applications. On January 19, 2021, the Company filed a lawsuit against Mr. Andrew Wheeler, who was then Administrator of the EPA, in federal court in the Western District of Louisiana and in the District of Montana seeking an order that the EPA cannot enforce the RINs compliance deadline until the EPA has taken action on the Company's hardship exemption applications. Both cases currently are stayed through June 30, 2022.

Subsequent to the Company filing those lawsuits, EPA extended the deadlines for 2019 RFS compliance to November 30, 2021 and for 2020 RFS compliance to January 31, 2022. On January 27, 2022, EPA further extended the compliance reporting deadlines and attestation engagement reporting deadlines for program years 2019, 2020 and 2021, calculated based on the future effective dates of other EPA RFS rulemakings.

In December 2021, EPA issued a proposal to deny all currently pending petitions from small refineries seeking SREs, including for program years 2019 and 2020, based on an across the board determination that no refinery suffers disproportionate economic hardship from the RFS program. EPA has not yet taken final action on this proposal.

The Company continues to anticipate that RFS compliance may continue to result in a significant expense for the Specialty Products and Solutions and Montana/Renewables segments. If legal or regulatory changes occur that have the effect of increasing the RINs Obligation, increasing the market price of RINs, or eliminating or narrowing the availability of SRE, the Company could be required to purchase additional RINs in the open market, which may materially increase the costs related to RFS compliance and could have a material adverse effect on the results of operations and liquidity.

As of December 31, 2021 and 2020, the Company had a RINs Obligation recorded on the consolidated balance sheets of \$278.9 million and \$129.4 million, respectively. Please read Note 3 - "Summary of Significant Accounting Policies" for additional information.

Occupational Health and Safety

The Company is subject to various laws and regulations relating to occupational health and safety, including the federal Occupational Safety and Health Act, as amended, and comparable state laws. These laws and regulations strictly govern the protection of the health and safety of employees. In addition, OSHA's hazard communication standard, the EPA's community right-to-know regulations under Title III of the federal Comprehensive Environmental Response, Compensation and Liability Act, as amended, and similar state statutes require the Company to maintain information about hazardous materials used or produced in the Company's operations and provide this information to employees, contractors, state and local government authorities and customers. The Company maintains safety and training programs as part of its ongoing efforts to promote compliance with applicable laws and regulations. The Company conducts periodic audits of process safety management systems at each of its locations subject to this standard. The Company's compliance with applicable health and safety laws and regulations has required, and continues to require, substantial expenditures. Changes in occupational safety and health laws and regulations or a finding of non-compliance with current laws and regulations could result in additional capital expenditures or operating expenses, as well as civil penalties and, in the event of a serious injury or fatality, criminal charges.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Labor Matters

The Company has approximately 550 employees covered by various collective bargaining agreements, or approximately 38% of its total workforce of approximately 1,450 employees. These agreements have expiration dates of April 30, 2022, July 31, 2022, January 15, 2023, January 31, 2023, August 20, 2024 and December 12, 2024. The Company has approximately 335 employees, or 23% of its total workforce, who are covered by a collective bargaining agreement which will expire in less than one year and does not expect any work stoppages.

Other Matters, Claims and Legal Proceedings

Beginning in 2017, the Company initiated the first of several claims in Cascade County Circuit Court against the Montana Department of Revenue to recover overpaid taxes resulting from the county's excessive property tax assessment of the Company's Great Falls refinery for the 2017, 2018, and 2019 tax years. For the year ended December 31, 2020, the county had refunded, as the result of various court decisions, \$6.0 million in excessive taxes and interest to the Company. The claims arising from the 2017, 2018, and 2019 tax years are closed. The \$6.0 million was recorded as a reduction of taxes other than income taxes in the consolidated statements of operations for the year ended December 31, 2020.

The Company is subject to other matters, claims and litigation incidental to its business. The Company has recorded accruals with respect to certain of its matters, claims and litigation where appropriate, that are reflected in the audited consolidated financial statements but are not individually considered material. For other matters, claims and litigation, the Company has not recorded accruals because it has not yet determined that a loss is probable or because the amount of loss cannot be reasonably estimated. While the ultimate outcome of matters, claims and litigation currently pending cannot be determined, the Company currently does not expect these outcomes, individually or in the aggregate (including matters for which the Company has recorded accruals), to have a material adverse effect on its financial position, results of operations or cash flows. The outcome of any matter, claim or litigation is inherently uncertain, however, and if decided adversely to the Company, or if the Company determines that settlement of particular litigation is appropriate, the Company may be subject to liability that could have a material adverse effect on its financial position, results of operations or cash flows.

Standby Letters of Credit

The Company has agreements with various financial institutions for standby letters of credit which have been issued primarily to vendors. As of December 31, 2021 and 2020, the Company had outstanding standby letters of credit of \$32.7 million and \$23.7 million, respectively, under its senior secured revolving credit facility (the "revolving credit facility"). Please read Note 9 - "Long-Term Debt" for additional information regarding the Company's revolving credit facility. At December 31, 2021 and 2020, the maximum amount of letters of credit the Company could issue under its revolving credit facility was subject to borrowing base limitations, with a maximum letter of credit sublimit equal to \$300.0 million, which may be increased with consent of the Agent (as defined in the Credit Agreement) to 90% of revolver commitments then in effect (\$600.0 million at December 31, 2021 and 2020).

As of December 31, 2021 and 2020, the Company had availability to issue letters of credit of approximately \$296.0 million and approximately \$154.4 million, respectively, under its revolving credit facility.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Crude Oil Supply, Other Feedstocks and Finished Products

Purchase commitments consist primarily of obligations to purchase fixed volumes of crude oil, other feedstocks and finished products for resale from various suppliers based on current market prices at the time of delivery. The Company is currently purchasing a majority of its crude oil under month-to-month evergreen contracts or on a spot basis. Certain other feedstocks are purchased under long-term supply contracts.

As of December 31, 2021, the estimated minimum purchase commitments under the Company's crude oil, other feedstock supply and finished product agreements were as follows (in millions):

| Year | Commitment |
|--------------|-----------------|
| 2022 | \$ 22.8 |
| 2023 | 22.8 |
| 2024 | 22.9 |
| 2025 | 22.8 |
| 2026 | 22.8 |
| Thereafter | 9.8 |
| Total | \$ 123.9 |

Throughput Contract

Prior to 2020, the Company entered into a long-term agreement to transport crude oil at a minimum of 5,000 bpd through a pipeline, which commenced service in the second quarter of 2020. The agreement also contains a capital recovery charge that increases 2% per annum. The agreement is for seven years.

As of December 31, 2021, the estimated minimum unconditional purchase commitments, including the capital recovery charge, under the agreement were as follows (in millions):

| Year | Commitment ⁽¹⁾ |
|-----------------------------|---------------------------|
| 2022 | \$ 3.9 |
| 2023 | 3.9 |
| 2024 | 4.0 |
| 2025 | 4.0 |
| 2026 | 4.0 |
| Thereafter | 2.0 |
| Total ⁽¹⁾ | \$ 21.8 |

⁽¹⁾ As of December 31, 2021, the estimated minimum payments for the unconditional purchase commitments have been accrued and are included in other current liabilities and other long-term liabilities in the consolidated balance sheets. This liability was accrued due to the fact that the contract was entered into to supply crude to a divested facility.

8. Inventory Financing Agreements

The Company is party to several agreements with Macquarie to support the operations of the Great Falls refinery and the Shreveport refinery (as amended, the "Supply and Offtake Agreements"). Both agreements have an expiration date of June 30, 2023.

The Supply and Offtake Agreements allow the Company to purchase crude oil from Macquarie or one of its affiliates. Per the Supply and Offtake Agreements, Macquarie will provide up to 30,000 barrels per day of crude oil to the Great Falls refinery and 60,000 barrels per day of crude oil to the Shreveport refinery.

While title to certain inventories will reside with Macquarie, the Supply and Offtake Agreements are accounted for by the Company similar to a product financing arrangement; therefore, the inventories sold to Macquarie will continue to be included in the Company's consolidated balance sheets until processed and sold to a third party.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the years ended December 31, 2021 and 2020, the Company incurred an expense of \$15.4 million and received a \$1.1 million benefit, respectively, for financing costs related to the Supply and Offtake Agreements, which are included in interest expense in the Company's consolidated statements of operations.

The Company has provided cash collateral of \$13.1 million related to the initial purchase of the Great Falls and Shreveport inventory to cover credit risk for future crude oil deliveries and potential liquidation risk if Macquarie exercises its rights and sells the inventory to third parties. The collateral was recorded as a reduction to the obligations.

The Supply and Offtake Agreements also include a deferred payment arrangement ("Deferred Payment Arrangement") whereby the Company can defer payments on just-in-time crude oil purchases from Macquarie owed under the agreements up to the value of the collateral provided (90% of the collateral is inventory). The deferred amounts under the Deferred Payment Arrangement will bear interest at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 3.25% per annum for both Shreveport and Great Falls. Amounts outstanding under the Deferred Payment Arrangement are included in obligations under inventory financing agreements in the Company's consolidated balance sheets. Changes in the amount outstanding under the Deferred Payment Arrangement are included within cash flows from financing activities in the consolidated statements of cash flows. As of December 31, 2021 and December 31, 2020, the Company had \$17.0 million and \$15.0 million of deferred payments outstanding, respectively. In addition to the Deferred Payment Arrangement, Macquarie has advanced the Company an additional \$5.0 million which remains outstanding as of December 31, 2021.

9. Long-Term Debt

Long-term debt consisted of the following (in millions):

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| Borrowings under amended and restated senior secured revolving credit agreement with third-party lenders, interest payments quarterly, borrowings due February 2023, weighted average interest rate of 2.4% for the years ended December 31, 2021 and 2020, respectively | \$ — | \$ 108.0 |
| Borrowings under 2022 Notes, interest at a fixed rate of 7.625%, interest payments semiannually, borrowings due January 2022, effective interest rates of 8.3% and 8.1% for the years ended December 31, 2021 and December 31, 2020, respectively ⁽¹⁾ | — | 150.6 |
| Borrowings under 2023 Notes, interest at a fixed rate of 7.75%, interest payments semiannually, borrowings due April 2023, effective interest rates of 8.3% and 8.1% for the years ended December 31, 2021 and December 31, 2020, respectively | 325.0 | 325.0 |
| Borrowings under the 2024 Secured Notes, interest at a fixed rate of 9.25%, interest payments semiannually, borrowings due July 2024, effective interest rate of 9.4% for the years ended December 31, 2021 and December 31, 2020, respectively | 200.0 | 200.0 |
| Borrowings under 2025 Notes, interest at a fixed rate of 11.0%, interest payments semiannually, borrowings due April 2025, effective interest rates of 11.4% and 11.3% for the years ended December 31, 2021 and December 31, 2020, respectively. | 550.0 | 550.0 |
| MRL Credit Facility, interest at a rate as described in Note 9 - "Long-Term Debt", interest payments quarterly, borrowings due November 2024, effective interest rate of 12.5% for the year ended December 31, 2021. | 303.5 | — |
| Shreveport terminal asset financing arrangement | 64.3 | — |
| Other | 0.7 | 2.3 |
| Finance lease obligations, at various interest rates, interest and principal payments monthly through June 2028 | 4.0 | 3.7 |
| Less unamortized debt issuance costs ⁽²⁾ | (17.8) | (14.2) |
| Less unamortized discounts | (3.5) | (3.1) |
| Total debt | 1,426.2 | 1,322.3 |
| Less current portion of long-term debt | 7.4 | 2.9 |
| Total long-term debt | <u>\$ 1,418.8</u> | <u>\$ 1,319.4</u> |

⁽¹⁾ The balance includes a fair value interest rate hedge adjustment, which increased the debt balance by \$0.6 million as of December 31, 2020.

⁽²⁾ Deferred debt issuance costs are being amortized by the effective interest rate method over the lives of the related debt instruments. These amounts are net of accumulated amortization of \$22.5 million and \$20.5 million at December 31, 2021 and 2020, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Senior Notes**11.00% Senior Notes due 2025 (the “2025 Notes”)**

On October 11, 2019, the Company issued and sold \$550.0 million in aggregate principal amount of 11.00% Senior Notes due April 15, 2025, in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), to eligible purchasers at par. The Company received net proceeds of \$539.9 million net of initial purchasers’ fees and estimated expenses, which it used, along with revolver borrowings and cash on hand, to fund the redemption of \$761.2 million in aggregate principal amount of outstanding 6.50% Notes due 2021. Interest on the 2025 Notes is paid semiannually in arrears on April 15 and October 15 of each year.

On July 6, 2020, the Company commenced a consent solicitation to holders of the 2025 Notes for amendments to the indenture governing the 2025 Notes to allow for the consummation of the 2024 Notes Exchange Transaction. On August 5, 2020, the Company executed the First Supplemental Indenture to the indenture governing the 2025 Notes to allow the 2024 Notes Exchange Transaction.

9.25% Senior Secured First Lien Notes due 2024 (the “2024 Secured Notes”)

On August 5, 2020, we consummated a transaction whereby we exchanged approximately \$200.0 million aggregate principal amount of our outstanding 2022 Notes for \$200.0 million aggregate principal amount of newly issued 2024 Secured Notes, approximately at par (the “2024 Notes Exchange Transaction”). Interest on the 2024 Secured Notes is paid semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2021. The 2024 Secured Notes are secured by a first priority lien (subject to certain exceptions) on all the fixed assets that secure the Company’s obligations under their secured hedge agreements, as governed by the Collateral Trust Agreement.

7.75% Senior Notes due 2023 (the “2023 Notes”)

On March 27, 2015, the Company issued and sold \$325.0 million in aggregate principal amount of 7.75% Senior Notes due April 15, 2023 in a private placement pursuant to Section 4(a)(2) of the Securities Act, to eligible purchasers at a discounted price of 99.257 percent of par. The Company received net proceeds of approximately \$317.0 million net of discount, initial purchasers’ fees and expenses, which the Company used to fund the redemption of \$178.8 million in aggregate principal amount of outstanding 9.625% Senior Notes due 2020 on April 28, 2015, to repay borrowings outstanding under its revolving credit facility and for general partnership purposes, including planned capital expenditures at the Company’s facilities and working capital. Interest on the 2023 Notes was paid semiannually in arrears on April 15 and October 15 of each year.

On February 11, 2022, the Company redeemed \$325.0 million in aggregate principal amount of the 2023 Notes at a redemption price of par, plus accrued and unpaid interest. Please read Note 21 - “Subsequent Events” for additional information.

7.625% Senior Notes due 2022 (the “2022 Notes”)

On November 26, 2013, the Company issued and sold \$350.0 million in aggregate principal amount of 7.625% Senior Notes due January 15, 2022, in a private placement pursuant to Section 4(a)(2) of the Securities Act, to eligible purchasers at a discounted price of 98.494 percent of par. The Company received net proceeds of approximately \$337.4 million, net of discount, initial purchasers’ fees and expenses, which the Company used for general partnership purposes, to fund previously announced organic growth projects, the purchase price of the Bel-Ray acquisition and the redemption of \$100.0 million in aggregate principal amount outstanding of 9.375% Senior Notes due 2019. Interest on the 2022 Notes was paid semiannually in arrears on January 15 and July 15 of each year.

On August 5, 2020, the Company consummated the 2024 Notes Exchange Transaction whereby it exchanged approximately \$200.0 million aggregate principal amount of its outstanding 2022 Notes for \$200.0 million aggregate principal amount of newly issued 2024 Secured Notes. In connection with the 2024 Notes Exchange Transaction, the Company incurred \$5.4 million of fees.

In 2021, the Company redeemed \$150.0 million aggregate principal amount of its 2022 Notes at a redemption price of par, plus accrued and unpaid interest. In conjunction with the redemption, the Company recorded debt extinguishment costs of \$0.5 million.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Senior Notes

The 2023 Notes, 2024 Secured Notes and 2025 Notes (collectively, the “Senior Notes”) are subject to certain automatic customary releases, including the sale, disposition, or transfer of capital stock or substantially all of the assets of a subsidiary guarantor, designation of a subsidiary guarantor as unrestricted in accordance with the applicable indenture, exercise of legal defeasance option or covenant defeasance option, liquidation or dissolution of the subsidiary guarantor and a subsidiary guarantor ceases to both guarantee other Company debt and to be an obligor under the revolving credit facility. The Company’s operating subsidiaries may not sell or otherwise dispose of all or substantially all of their properties or assets to, or consolidate with or merge into, another company if such a sale would cause a default under the indentures governing the Senior Notes.

The indentures governing the Senior Notes contain covenants that, among other things, restrict the Company’s ability and the ability of certain of the Company’s subsidiaries to: (i) sell assets; (ii) pay distributions on, redeem or repurchase the Company’s common units or redeem or repurchase its subordinated debt; (iii) make investments; (iv) incur or guarantee additional indebtedness or issue preferred units; (v) create or incur certain liens; (vi) enter into agreements that restrict distributions or other payments from the Company’s restricted subsidiaries to the Company; (vii) consolidate, merge or transfer all or substantially all of the Company’s assets; (viii) engage in transactions with affiliates and (ix) create unrestricted subsidiaries. These covenants are subject to important exceptions and qualifications. At any time when the Senior Notes are rated investment grade by either Moody’s Investors Service, Inc. (“Moody’s”) or S&P Global Ratings (“S&P”) and no Default or Event of Default, each as defined in the indentures governing the Senior Notes, has occurred and is continuing, many of these covenants will be suspended. As of December 31, 2021, the Company was in compliance with all covenants under the indentures governing the Senior Notes.

Third Amended and Restated Senior Secured Revolving Credit Facility

On February 23, 2018, the Company entered into the Third Amended and Restated Credit Agreement (the “Credit Agreement”) governing its senior secured revolving credit facility maturing in February 2023, which provides maximum availability of credit under the revolving credit facility of \$600.0 million, subject to borrowing base limitations, and includes a \$500.0 million incremental uncommitted expansion feature. Lenders under the revolving credit facility have a first priority lien on, among other things, the Company’s accounts receivable and inventory and substantially all of its cash (collectively, the “Credit Agreement Collateral”). In September 2019, the borrowing base was expanded by \$99.6 million by adding the fixed assets of the Company’s Great Falls refinery as collateral under the Credit Agreement. The \$99.6 million expansion amortizes to zero on a straight-line basis over ten quarters starting in the first quarter of 2020. In connection with the transfer of various assets at the Great Falls refinery to MRL on November 18, 2021, the remaining portion of this \$99.6 million expansion was removed from the borrowing base.

The borrowing capacity at December 31, 2021, under the revolving credit facility was approximately \$328.7 million. As of December 31, 2021, the Company had no outstanding borrowings under the revolving credit facility and outstanding standby letters of credit of \$32.7 million, leaving approximately \$296.0 million of unused capacity.

The revolving credit facility contains various covenants that limit, among other things, the Company’s ability to: incur indebtedness; grant liens; dispose of certain assets; make certain acquisitions and investments; redeem or prepay other debt or make other restricted payments such as distributions to unitholders; enter into transactions with affiliates; and enter into a merger, consolidation or sale of assets. Further, the revolving credit facility contains one springing financial covenant which provides that only if the Company’s availability to borrow loans under the revolving credit facility falls below the greater of (i) 10.0% of the Borrowing Base (as defined in the Credit Agreement) then in effect, and (ii) \$35.0 million (which amount is subject to increase in proportion to revolving commitment increases), then we will be required to maintain as of the end of each fiscal quarter a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of at least 1.0 to 1.0. As of December 31, 2021, the Company was in compliance with all covenants under the revolving credit facility.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

MRL Credit Facility

On November 18, 2021 (the “Closing Date”), MRL, Montana Renewables Holdings LLC (“Montana Renewables Holdings”), the parent of MRL and an unrestricted, non-guarantor subsidiary of the Partnership for purposes of the agreements governing the Partnership’s indebtedness, Oaktree Fund Administration, LLC and the lenders from time to time party thereto (the “Oaktree Lenders”) entered into a Credit Agreement, which provides for a \$300.0 million senior secured term loan facility (the “MRL Credit Facility”). On the Closing Date, \$300.0 million was drawn under the MRL Credit Facility to finance the transfer for value of various assets at the Great Falls refinery, including the hydrocracker, a hydrogen plant, and several products tanks to MRL. The MRL Credit Facility is not subject to amortization and matures on November 18, 2024. The MRL Credit Facility is secured by substantially all of the assets of MRL and a pledge of 100% of the equity interest in MRL held by Montana Renewables Holdings.

The interest rate per annum applicable to the MRL Credit Facility is 8.00%. If interest on the MRL Credit Facility is not paid when due on any quarterly interest payment date (each, a “Quarterly Date”), then interest for the immediately preceding quarterly period shall be deemed to have accrued in an amount equal to the product of (i) the percentage of the interest amount that was not paid in cash on the relevant Quarterly Date multiplied by (ii) 2.00% per annum above the interest rate otherwise applicable thereto, which amount, in each case, shall be added to the principal balance of the loans then outstanding under the MRL Credit Facility.

Master Derivative Contracts

The Company’s payment obligations under all of the Company’s master derivatives contracts for commodity hedging generally are secured by a first priority lien on the Company’s real property, plant and equipment, fixtures, intellectual property, certain financial assets, certain investment property, commercial tort claims, chattel paper, documents, instruments and proceeds of the foregoing (including proceeds of hedge arrangements). The Company had no additional letters of credit or cash margin posted with any hedging counterparty as of December 31, 2021. The Company’s master derivatives contracts and Collateral Trust Agreement (as defined below) continue to impose a number of covenant limitations on the Company’s operating and financing activities, including limitations on liens on collateral, limitations on dispositions of collateral and collateral maintenance and insurance requirements.

Collateral Trust Agreement

The Company has a collateral trust agreement (“The Collateral Trust Agreement”) which governs how various secured Company creditors, including secured hedging counterparties, our creditor on a forward purchase contract for physical commodities, and holders of our 2024 Secured Notes share collateral pledged as security for the payment of respective payment obligations to them. The Collateral Trust Agreement limits to \$150.0 million the extent to which forward purchase contracts for physical commodities are covered by, and secured under, the Collateral Trust Agreement and the Parity Lien Security Documents (as defined in the Collateral Trust Agreement). There is no such limit on financially settled derivative instruments used for commodity hedging. Subject to certain conditions set forth in the Collateral Trust Agreement, the Company has the ability to add secured parties from time to time.

Maturities of Long-Term Debt

As of December 31, 2021, principal payments on debt obligations and future minimum rentals on finance lease obligations are as follows (in millions):

| Year | Maturity |
|--------------|-------------------|
| 2022 | \$ 7.7 |
| 2023 | 333.2 |
| 2024 | 512.4 |
| 2025 | 559.3 |
| 2026 | 10.2 |
| Thereafter | 24.7 |
| Total | \$ 1,447.5 |

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. Derivatives

The Company is exposed to price risks due to fluctuations in the price of crude oil, refined products, natural gas and precious metals. The Company uses various strategies to reduce its exposure to commodity price risk. The strategies to reduce the Company's risk utilize both physical forward contracts and financially settled derivative instruments, such as swaps, collars, options and futures, to attempt to reduce the Company's exposure with respect to:

- crude oil purchases and sales;
- fuel product sales and purchases;
- natural gas purchases;
- precious metals purchases; and
- fluctuations in the value of crude oil between geographic regions and between the different types of crude oil such as New York Mercantile Exchange West Texas Intermediate ("NYMEX WTI"), Light Louisiana Sweet, Western Canadian Select ("WCS"), WTI Midland, Mixed Sweet Blend, Magellan East Houston and ICE Brent.

The Company manages its exposure to commodity markets, credit, volumetric and liquidity risks to manage its costs and volatility of cash flows as conditions warrant or opportunities become available. These risks may be managed in a variety of ways that may include the use of derivative instruments. Derivative instruments may be used for the purpose of mitigating risks associated with an asset, liability and anticipated future transactions and the changes in fair value of the Company's derivative instruments will affect its earnings and cash flows; however, such changes should be offset by price or rate changes related to the underlying commodity or financial transaction that is part of the risk management strategy. The Company does not speculate with derivative instruments or other contractual arrangements that are not associated with its business objectives.

Speculation is defined as increasing the Company's natural position above the maximum position of its physical assets or trading in commodities, currencies or other risk bearing assets that are not associated with the Company's business activities and objectives. The Company's positions are monitored routinely by a risk management committee to ensure compliance with its stated risk management policy and documented risk management strategies. All strategies are reviewed on an ongoing basis by the Company's risk management committee, which will add, remove or revise strategies in anticipation of changes in market conditions and/or its risk profiles. Such changes in strategies are to position the Company in relation to its risk exposures in an attempt to capture market opportunities as they arise.

The Company is obligated to repurchase crude oil and refined products from Macquarie at the termination of the Supply and Offtake Agreements in certain scenarios. The Company has determined that the redemption feature on the initially recognized liability related to the Supply and Offtake Agreements is an embedded derivative indexed to commodity prices. As such, the Company has accounted for this embedded derivative at fair value with changes in the fair value, if any, recorded in gain (loss) on derivative instruments in the Company's consolidated statements of operations please read Note 8 - "Inventory Financing Agreements" for additional information. The Company recognizes all derivative instruments at their fair values as either current assets or current liabilities in the consolidated balance sheets (please read Note 11 - "Fair Value Measurements"). Fair value includes any premiums paid or received and unrealized gains and losses. Fair value does not include any amounts receivable from or payable to counterparties, or collateral provided to counterparties. Derivative asset and liability amounts with the same counterparty are netted against each other for financial reporting purposes in accordance with the provisions of our master netting arrangements.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the Company's gross fair values of its derivative instruments, presenting the impact of offsetting derivative assets in the Company's consolidated balance sheets (in millions):

| | Balance Sheet Location | December 31, 2021 | | | December 31, 2020 | | |
|--|---|------------------------------------|---|--|------------------------------------|---|--|
| | | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Assets Presented in the Consolidated Balance Sheets | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Assets Presented in the Consolidated Balance Sheets |
| Derivative instruments not designated as hedges: | | | | | | | |
| Montana/Renewables segment: | | | | | | | |
| WCS crude oil basis swaps | Prepaid expenses and other current assets | \$ — | \$ — | \$ — | \$ 0.4 | \$ (0.4) | \$ — |
| Total derivative instruments | | \$ — | \$ — | \$ — | \$ 0.4 | \$ (0.4) | \$ — |

The following tables summarize the Company's gross fair values of its derivative instruments, presenting the impact of offsetting derivative liabilities in the Company's consolidated balance sheets (in millions):

| | Balance Sheet Location | December 31, 2021 | | | December 31, 2020 | | |
|--|--|---|---|---|---|---|---|
| | | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Liabilities Presented in the Consolidated Balance Sheets | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Net Amounts of Liabilities Presented in the Consolidated Balance Sheets |
| Derivative instruments not designated as hedges: | | | | | | | |
| Specialty Products and Solutions segment: | | | | | | | |
| Inventory financing obligation | Obligations under inventory financing agreements | \$ (17.4) | \$ — | \$ (17.4) | \$ (1.1) | \$ — | \$ (1.1) |
| Montana/Renewables segment: | | | | | | | |
| Inventory financing obligation | Obligations under inventory financing agreements | \$ (10.5) | \$ — | \$ (10.5) | \$ (1.1) | \$ — | \$ (1.1) |
| WCS crude oil basis swaps | Derivative liabilities | — | — | — | (1.7) | 0.4 | (1.3) |
| Total derivative instruments | | \$ (27.9) | \$ — | \$ (27.9) | \$ (3.9) | \$ 0.4 | \$ (3.5) |

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Certain of the Company's outstanding derivative instruments are subject to credit support agreements with the applicable counterparties which contain provisions setting certain credit thresholds above which the Company may be required to post agreed-upon collateral, such as cash or letters of credit, with the counterparty to the extent that the Company's mark-to-market net liability, if any, on all outstanding derivatives exceeds the credit threshold amount per such credit support agreement. The majority of the credit support agreements covering the Company's outstanding derivative instruments also contain a general provision stating that if the Company experiences a material adverse change in its business, in the reasonable discretion of the counterparty, the Company's credit threshold could be lowered by such counterparty. The Company does not expect that it will experience a material adverse change in its business. The cash flow impact of the Company's derivative activities are included within cash flows from operating activities in the consolidated statements of cash flows.

Derivative Instruments Not Designated as Hedges

For derivative instruments not designated as hedges, the change in fair value of the asset or liability for the period is recorded to unrealized gain (loss) on derivative instruments in the consolidated statements of operations. Upon the settlement of a derivative not designated as a hedge, the gain or loss at settlement is recorded to realized gain (loss) on derivative instruments in the consolidated statements of operations. The Company has entered into natural gas swaps, crack spread swaps and crude oil basis swaps that are not designated as cash flow hedges for accounting purposes. However, these instruments provide economic hedges of the purchases and sales of the Company's natural gas, crude oil, gasoline and refined products.

The Company recorded the following gains (losses) in its consolidated statements of operations related to its derivative instruments not designated as hedges (in millions):

| Type of Derivative | Amount of Gain (Loss) Recognized in Realized Gain on Derivative Instruments | | Amount of Gain (Loss) Recognized in Unrealized Gain (Loss) on Derivative Instruments | |
|---|--|---------|--|--------|
| | Year Ended December 31, | | Year Ended December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Specialty Products and Solutions segment: | | | | |
| Inventory financing obligation | \$ — | \$ — | \$ (16.3) | \$ 4.0 |
| Natural gas swaps | — | 0.2 | — | — |
| Crack spread swaps | — | 29.9 | — | (2.2) |
| Montana/Renewables segment: | | | | |
| Inventory financing obligation | — | — | (9.4) | 1.1 |
| WCS crude oil basis swaps | 1.1 | 19.5 | 1.3 | (0.1) |
| Total | \$ 1.1 | \$ 49.6 | \$ (24.4) | \$ 2.8 |

Derivative Positions

As of December 31, 2021, the Company had no outstanding derivative contracts.

11. Fair Value Measurements

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Observable inputs are from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. These tiers include the following:

- Level 1 — inputs include observable unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 — inputs include other than quoted prices in active markets that are either directly or indirectly observable
- Level 3 — inputs include unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

In determining fair value, the Company uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded and other characteristics particular to the instrument. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants and the valuation does not require significant management judgment. For other financial instruments, pricing inputs are less observable in the marketplace and may require management judgment.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recurring Fair Value Measurements**Derivative Assets and Liabilities**

Derivative instruments are reported in the accompanying consolidated financial statements at fair value. The Company's derivative instruments consist of over-the-counter ("OTC") contracts, which are not traded on a public exchange. Substantially all of the Company's derivative instruments are with counterparties that have long-term credit ratings of at least A3 and BBB+ by Moody's and S&P, respectively.

To estimate the fair values of the Company's commodity derivative instruments, the Company uses the forward rate, the strike price, contractual notional amounts, the risk free rate of return and contract maturity. Various analytical tests are performed to validate the counterparty data. The fair values of the Company's derivative instruments are adjusted for nonperformance risk and creditworthiness of the hedging entities through the Company's credit valuation adjustment ("CVA"). The CVA is calculated at the counterparty level utilizing the fair value exposure at each payment date and applying a weighted probability of the appropriate survival and marginal default percentages. The Company uses the counterparty's marginal default rate and the Company's survival rate when the Company is in a net asset position at the payment date and uses the Company's marginal default rate and the counterparty's survival rate when the Company is in a net liability position at the payment date.

Observable inputs utilized to estimate the fair values of the Company's derivative instruments were based primarily on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Based on the use of various unobservable inputs, principally non-performance risk, creditworthiness of the hedging entities and unobservable inputs in the forward rate, the Company has categorized these derivative instruments as Level 3. Significant increases (decreases) in any of those unobservable inputs in isolation would result in a significantly lower (higher) fair value measurement. The Company believes it has obtained the most accurate information available for the types of derivative instruments it holds. Please read Note 10 - "Derivatives" for further information on derivative instruments.

Pension Assets

Pension assets are reported at fair value in the accompanying consolidated financial statements. At December 31, 2021 and 2020, the Company's investments associated with its Pension Plan (as such term is hereinafter defined) consisted of (i) cash and cash equivalents, (ii) fixed income bond funds, (iii) mutual equity funds, and (iv) mutual balanced funds. The fixed income bond funds, mutual equity funds, and mutual balanced funds are measured at fair value using a market approach based on quoted prices from national securities exchanges and are categorized in Level 1 of the fair value hierarchy.

Liability Awards

Unit-based compensation Liability Awards are awards that are currently expected to be settled in cash on their vesting dates, rather than in equity units. The Liability Awards are categorized as Level 1 because the fair value of the Liability Awards is based on the Company's quoted closing unit price as of each balance sheet date.

Renewable Identification Numbers Obligation

The Company's RINs Obligation is categorized as Level 2 and is measured at fair value using the market approach based on prices obtained from an independent pricing service. Please read Note 3 - "Summary of Significant Accounting Policies" for further information on the Company's RINs Obligation.

Precious Metals Obligations

The fair value of precious metals obligations is based upon unadjusted exchange-quoted prices and is, therefore, classified within Level 1 of the fair value hierarchy.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hierarchy of Recurring Fair Value Measurements

The Company's recurring assets and liabilities measured at fair value were as follows (in millions):

| | December 31, 2021 | | | | December 31, 2020 | | | |
|---|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | | | | |
| Pension Plan investments | \$ 34.5 | \$ — | \$ — | \$ 34.5 | \$ 34.4 | \$ — | \$ — | \$ 34.4 |
| Total recurring assets at fair value | <u>\$ 34.5</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 34.5</u> | <u>\$ 34.4</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 34.4</u> |
| Liabilities: | | | | | | | | |
| Derivative liabilities: | | | | | | | | |
| Inventory financing obligation | \$ — | \$ — | \$ (27.9) | \$ (27.9) | \$ — | \$ — | \$ (2.2) | \$ (2.2) |
| WCS crude oil basis swaps | — | — | — | — | — | — | (1.3) | (1.3) |
| Total derivative liabilities | \$ — | \$ — | \$ (27.9) | \$ (27.9) | \$ — | \$ — | \$ (3.5) | \$ (3.5) |
| RINs obligation | — | (278.9) | — | (278.9) | — | (129.4) | — | (129.4) |
| Precious metals obligations | (6.8) | — | — | (6.8) | (7.9) | — | — | (7.9) |
| Liability Awards | (63.1) | — | — | (63.1) | (14.2) | — | — | (14.2) |
| Total recurring liabilities at fair value | <u>\$ (69.9)</u> | <u>\$ (278.9)</u> | <u>\$ (27.9)</u> | <u>\$ (376.7)</u> | <u>\$ (22.1)</u> | <u>\$ (129.4)</u> | <u>\$ (3.5)</u> | <u>\$ (155.0)</u> |

The table below sets forth a summary of net changes in fair value of the Company's Level 3 financial assets and liabilities (in millions):

| | For the Year Ended December 31, | |
|---|---------------------------------|-----------------|
| | 2021 | 2020 |
| Fair value at January 1, | \$ (3.5) | \$ (6.3) |
| Realized gain on derivative instruments | 1.1 | 49.6 |
| Unrealized gain (loss) on derivative instruments | (24.4) | 2.8 |
| Settlements | (1.1) | (49.6) |
| Fair value at December 31, | <u>\$ (27.9)</u> | <u>\$ (3.5)</u> |
| Total gain (loss) included in net loss attributable to changes in unrealized gain (loss) relating to financial assets and liabilities held as of December 31, | <u>\$ (24.4)</u> | <u>\$ 2.8</u> |

Nonrecurring Fair Value Measurements

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The Company assesses goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable. The fair value of the reporting units is determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, corporate tax structure and product offerings. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation and risks associated with the reporting unit. These assets would generally be classified within Level 3, in the event that the Company were required to measure and record such assets at fair value within its consolidated financial statements. Please read Note 6 - "Goodwill and Other Intangible Assets" for further information on goodwill impairment.

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including finite-lived intangible assets and property plant and equipment, when events or circumstances warrant such a review. Fair value is determined primarily using anticipated cash flows assumed by a market participant discounted at a rate commensurate with the risk involved and these assets would generally be classified within Level 3, in the event that the Company was required to measure and record such assets at fair value within its consolidated financial statements. Please read Note 3 - "Summary of Significant Accounting Policies" for further information on long-lived asset impairment.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Fair Value of Financial Instruments

Cash, cash equivalents and restricted cash

The carrying value of cash, cash equivalents and restricted cash are each considered to be representative of their fair value.

Debt

The estimated fair value of long-term debt at December 31, 2021 and 2020, consists primarily of senior notes. The estimated aggregate fair value of the Company's 2022 Notes and 2023 Notes defined as Level 1 was based upon quoted market prices in an active market. The estimated fair value of the Company's 2024 Secured Notes and 2025 Senior Notes defined as Level 2 was based upon quoted prices for identical or similar liabilities in markets that are not active. The carrying value of borrowings, if any, under the Company's revolving credit facility, MRL Credit Facility, finance lease obligations and other obligations are classified as Level 3. Please read Note 9 - "Long-Term Debt" for further information on long-term debt.

The Company's carrying value and estimated fair value of the Company's financial instruments, carried at adjusted historical cost, were as follows (in millions):

| | December 31, 2021 | | | December 31, 2020 | | |
|---|-------------------|------------|----------------|-------------------|----------------|--|
| | Level | Fair Value | Carrying Value | Fair Value | Carrying Value | |
| Financial Instrument: | | | | | | |
| 2022 Notes and 2023 Notes | 1 | \$ 325.6 | \$ 322.3 | \$ 468.6 | \$ 471.9 | |
| 2024 Secured Notes and 2025 Notes | 2 | \$ 815.3 | \$ 742.0 | \$ 780.8 | \$ 739.6 | |
| Revolving credit facility | 3 | \$ — | \$ (2.0) | \$ 108.0 | \$ 104.8 | |
| MRL Credit Facility | 3 | \$ 303.5 | \$ 296.2 | \$ — | \$ — | |
| Shreveport terminal asset financing arrangement | 3 | \$ 64.3 | \$ 63.0 | \$ — | \$ — | |
| Finance leases and other obligations | 3 | \$ 4.7 | \$ 4.7 | \$ 6.0 | \$ 6.0 | |

12. Partners' Capital (Deficit)

Units Authorized

As of December 31, 2021 and 2020, the Company has 91,073,023 of common units authorized for issuance.

Units Outstanding

Of the 78,676,262 common units outstanding at December 31, 2021, 62,022,927 common units were held by the public, with the remaining 16,653,335 common units held by the Company's affiliates (including members of the Company's general partner and their families).

Significant information regarding rights of the limited partners includes the following:

- Rights to receive distributions of available cash within 45 days after the end of each quarter, to the extent the Company has sufficient cash from operations after the establishment of cash reserves.
- Limited partners have limited voting rights on matters affecting the Company's business. The general partner may consider only the interests and factors that it desires and has no duty or obligation to give any consideration of any interests of the Company's limited partners. Limited partners have no right to elect the board of directors of the Company's general partner.
- The vote of the holders of at least 66 2/3% of all outstanding units voting together as a single class is required to remove the general partner. Any holder, other than the general partner or the general partner's affiliates, that owns 20% or more of any class of units outstanding cannot vote on any matter.
- The Company may issue an unlimited number of limited partner interests without the approval of the limited partners.
- Limited partners may be required to sell their units to the general partner if at any time the general partner owns more than 80% of the issued and outstanding common units.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Distributions and Incentive Distribution Rights

The Company's general partner is entitled to incentive distributions if the amount it distributes to unitholders with respect to any quarter exceeds specified target levels shown below:

| | Total Quarterly Distribution Per Common Unit | Marginal Percentage Interest in Distributions | |
|--------------------------------|---|--|-----------------|
| | Target Amount | Unitholders | General Partner |
| Minimum Quarterly Distribution | \$0.45 | 98 % | 2 % |
| First Target Distribution | up to \$0.495 | 98 % | 2 % |
| Second Target Distribution | above \$0.495 up to \$0.563 | 85 % | 15 % |
| Third Target Distribution | above \$0.563 up to \$0.675 | 75 % | 25 % |
| Thereafter | above \$0.675 | 50 % | 50 % |

The Company's ability to make distributions is limited by its debt instruments. The revolving credit facility generally permits the Company to make cash distributions to unitholders as long as immediately after giving effect to such a cash distribution the Company has availability under the revolving credit facility at least the greater of (i) 15% of the Aggregate Borrowing Base (as defined in the credit agreement) then in effect, and (ii) \$60.0 million (which amount is subject to increase in proportion to revolving commitment increases). Further, the revolving credit facility contains one springing financial covenant which provides that only if the Company's availability under the revolving credit facility falls below the greater of (a) 10.0% of the Borrowing Base (as defined in the credit agreement) then in effect, and (b) \$35.0 million (which amount is subject to increase in proportion to revolving commitment increases), the Company will be required to maintain as of the end of each fiscal quarter a Fixed Charge Coverage Ratio (as defined in the credit agreement) of at least 1.0 to 1.0. The indentures governing the Company's various senior notes restrict the Company's ability to make cash distributions. Under the indenture governing the 2023 Notes, the Company may pay distributions to its unitholders in an amount equal to available cash from operating surplus (as defined in the Company's partnership agreement) with respect to its preceding fiscal quarter, subject to certain customary adjustments described in the indentures, if the Company's fixed charge coverage ratio (as defined in the indentures) for the most recently ended four full fiscal quarters is not less than 1.75 to 1.0. If the Company's fixed charge coverage ratio is less than 1.75 to 1.0, the Company will be able to pay distributions to its unitholders up to an amount equal to a \$225.0 million basket, subject to certain customary adjustments described in the indentures. The indentures governing the 2024 Secured Notes and 2025 Notes increase this minimum fixed charge coverage ratio to 3.0 to 1.0, with a basket of \$25.0 million if the minimum is not met, also subject to certain customary adjustments described in the indentures.

The Company's distribution policy is as defined in its partnership agreement. In April 2016, the board of directors of the Company's general partner determined to suspend payment of the Company's quarterly cash distribution to unitholders and the Company is not currently permitted to resume cash distributions pursuant to the terms of the indentures governing the Company's outstanding senior notes. The board of directors of the Company's general partner will continue to evaluate the Company's ability to reinstate the quarterly cash distribution. The Company made no distributions to its partners for the years ended December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the general partner was allocated no incentive distribution rights.

13. Unit-Based Compensation

The Company's general partner originally adopted a Long-Term Incentive Plan on January 24, 2006, which was amended and restated effective December 10, 2015 and further amended effective December 9, 2021 (the "LTIP"), for its employees, consultants and directors and its affiliates who perform services for the Company. The LTIP provides for the grant of restricted units, phantom units, unit options and substitute awards and, with respect to unit options and phantom units, the grant of distribution equivalent rights ("DERs"). Following unitholder approval of the December 9, 2021 amendment to the LTIP, which was obtained on February 16, 2022, an aggregate of 5,283,960 common units may be delivered pursuant to awards under the LTIP. Units withheld to satisfy the Company's general partner's tax withholding obligations are available for delivery pursuant to other awards. The LTIP is administered by the compensation committee of the Company's general partner's board of directors.

Liability Awards are awards that are currently expected to be settled in cash on their vesting dates, rather than in equity units. Phantom unit Liability Awards are recorded in accrued salaries, wages and benefits in the consolidated balance sheets based on the vested portion of the fair value of the awards on the balance sheet date. The fair value of Liability Awards is updated at each balance sheet date and changes in the fair values of the vested portions of the awards are recorded as increases or decreases to compensation expense within general and administrative expense in the consolidated statements of operations.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Phantom Units

Non-employee directors and certain management level employees of the Company's general partner have been granted phantom units under the terms of the LTIP as part of their respective compensation packages related to fiscal years 2021 and 2020. The phantom units granted to non-employee directors related to fiscal year 2021 have a three-year cliff vest on the third anniversary following the grant date. The phantom units granted to non-employee directors related to fiscal year 2020 have a three-year cliff vest on the third December 31 following the grant date. Awards granted to employees related to fiscal years 2021 and 2020 generally vest on the third December 31 following the grant date. Although ownership of common units related to the vesting of such LTIP phantom units does not transfer to the recipients until the phantom units vest, the recipients have DERs on these phantom units from the date of grant.

Non-employee directors and certain senior management level employees of the Company's general partner are eligible to defer their earned director fees or earned annual cash incentive amounts, respectively, into the Deferred Compensation Plan. When such individuals elect to defer any portion of their compensation into the plans, these deferred amounts are credited to the participant in the form of phantom units. The compensation committee may recommend a matching contribution for the deferred amounts at its discretion.

For unit-based compensation equity awards granted, the Company uses the market price of its common units on the grant date to calculate the fair value and related compensation cost of the phantom units. The Company amortizes this compensation cost to partners' capital (deficit) and general and administrative expense in the consolidated statements of operations using the straight-line method over the service period, as it expects these units to fully vest.

A summary of the Company's non-vested phantom units as of December 31, 2021, and the changes during the years ended December 31, 2021 and 2020, are presented below:

| | Number of Phantom Units | Weighted-Average Grant Date Fair Value |
|---------------------------------|----------------------------|--|
| Non-vested at December 31, 2019 | 2,901,288 | \$ 5.21 |
| Granted | 3,210,041 | 2.87 |
| Vested | (2,191,846) | 3.11 |
| Forfeited | (1,548,615) | 4.28 |
| Non-vested at December 31, 2020 | 2,370,868 | \$ 2.21 |
| Granted | 821,964 | 4.71 |
| Vested | (1,002,338) | 3.34 |
| Forfeited | (61,933) | 3.68 |
| Non-vested at December 31, 2021 | 2,128,561 | \$ 2.31 |

For the year ended December 31, 2021, compensation expense of \$50.7 million was recognized in the consolidated statements of operations related to phantom unit grants, including \$48.9 million attributable to Liability Awards for the year ended December 31, 2021. For the year ended December 31, 2020, compensation expense of \$5.5 million was recognized in the consolidated statements of operations related to phantom unit grants, including \$4.5 million attributable to Liability Awards for the year ended December 31, 2020. As of December 31, 2021, there was a total of \$4.9 million of unrecognized compensation costs related to non-vested phantom unit grants, all of which was attributable to Liability Awards. As of December 31, 2020, there was a total of \$5.2 million of unrecognized compensation costs related to non-vested phantom unit grants. These costs are expected to be recognized over a weighted-average period of approximately one year. The total fair value of phantom units vested during the years ended December 31, 2021 and 2020, was \$11.7 million and \$5.3 million, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

14. Employee Benefit Plans

Defined Contribution Plan

The Company has a domestic defined contribution plan administered by its general partner for (i) all full-time employees that are eligible to participate in the plan (the “401(k) Plan”). Participants in the 401(k) Plan are allowed to contribute 1% to 70% of their pre-tax earnings to the plan, subject to government imposed limitations. The Company matches 100% of each 1% of eligible compensation contributed by the participant up to 4% and 50% of each additional 1% of eligible compensation contributed up to 6%, for a maximum contribution by the Company of 5% of eligible compensation contributed per participant. The plan also includes a profit-sharing component for eligible employees. Contributions under the profit-sharing component are determined by the board of directors of the Company’s general partner and are discretionary. The funding policy is consistent with funding requirements of applicable laws and regulations.

The Company recorded the following 401(k) Plan matching contribution expense in the consolidated statements of operations (in millions):

| | Year Ended December 31, | |
|---|--------------------------------|-------------|
| | 2021 | 2020 |
| 401(k) Plan matching contribution expense | \$ 5.9 | \$ 5.6 |

Defined Benefit Pension Plan

The Company has domestic noncontributory defined benefit plans for those salaried employees as well as those employees represented by either the United Steelworkers (the “USW”) or the International Union of Operating Engineers (the “IUOE”); who (i) were formerly employees of Penreco and became employees of the Company as a result of the acquisition of Penreco on January 3, 2008 (the “Penreco Pension Plan”) or (ii) were formerly employees of Montana Refining Company, Inc. and who became employees of the Company as a result of the acquisition of the Great Falls refinery on October 1, 2012 (the “Great Falls Pension Plan” and together with the Penreco Pension Plan, the “Pension Plan”).

Both the Penreco Pension Plan and the Great Falls Pension Plans were last amended in 2009 and 2015 respectively, which curtailed employees covered by the plans from accumulating additional benefits in subsequent years following the amendment date.

During 2021, the Company made an immaterial amount of contributions to its Pension Plan and expects to contribute less than \$0.1 million to its Pension Plan in 2022.

The accumulated and projected benefit obligations for the Pension Plan were \$41.2 million and \$43.6 million as of December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the discount rate used to determine the benefit obligations was 2.72% and 2.34%, respectively, for the Penreco Pension Plan and 2.70% and 2.35%, respectively, for the Great Falls Pension Plan. For the years ended December 31, 2021 and 2020, the expected return on plan assets for the Penreco Pension Plan and Great Falls Pension Plan was 4.50% and 5.00%, respectively. The fair value of plan assets was \$34.5 million and \$34.4 million as of December 31, 2021 and 2020, respectively. The estimated benefit payments for the Pension Plan, which reflect expected future service, as appropriate, are expected to be less than \$2.3 million in each of the next five years.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Accumulated Other Comprehensive Loss

The table below sets forth a summary of changes in accumulated other comprehensive loss by component for the years ended December 31, 2021 and 2020 (in millions):

| | Derivatives | Defined Benefit Pension And Retiree Health Benefit Plans | Total |
|--|-------------|--|-----------|
| Accumulated other comprehensive income (loss) at December 31, 2019 | \$ 0.2 | \$ (10.8) | \$ (10.6) |
| Other comprehensive loss before reclassifications | (0.2) | (1.5) | (1.7) |
| Net current period other comprehensive loss | (0.2) | (1.5) | (1.7) |
| Accumulated other comprehensive loss at December 31, 2020 | \$ — | \$ (12.3) | \$ (12.3) |
| Other comprehensive income before reclassifications | — | 2.2 | 2.2 |
| Net current period other comprehensive income | — | 2.2 | 2.2 |
| Accumulated other comprehensive loss at December 31, 2021 | \$ — | \$ (10.1) | \$ (10.1) |

16. Income Taxes

The Company, as a partnership, is generally not liable for federal and state income taxes on the earnings of Calumet Specialty Products Partners, L.P. and its wholly-owned subsidiaries. However, the Company conducts certain activities through immaterial, wholly-owned subsidiaries that are corporations, which in certain circumstances are subject to federal, state and local income taxes. Additionally, the Company is subject to franchise taxes in certain states. Income taxes on the earnings of the Company, with the exception of the above-mentioned taxes, are the responsibility of its partners, with earnings of the Company included in partners' earnings.

For the years ended December 31, 2021 and 2020, the Company recognized income tax expense of \$1.5 million and \$1.1 million, respectively.

As a result of the Company's analysis, management has determined that the Company does not have any material uncertain tax positions.

17. Earnings per Unit

The following table sets forth the computation of basic and diluted earnings per limited partner unit (in millions, except unit and per unit data):

| | Year Ended December 31, | |
|--|-------------------------|-------------------|
| | 2021 | 2020 |
| Numerator for basic and diluted earnings per limited partner unit: | | |
| Net loss | \$ (260.1) | \$ (149.0) |
| Less: | | |
| General partner's interest in net loss | (5.2) | (3.0) |
| Net loss available to limited partners | <u>\$ (254.9)</u> | <u>\$ (146.0)</u> |
| Denominator for basic and diluted earnings per limited partner unit: | | |
| Weighted average limited partner units outstanding ⁽¹⁾ | 78,980,839 | 78,369,091 |
| Limited partners' interest basic and diluted net loss per unit: | | |
| Limited partners' interest | <u>\$ (3.23)</u> | <u>\$ (1.86)</u> |

⁽¹⁾ Total diluted weighted average limited partner units outstanding excludes a de-minimus amount of potentially dilutive phantom units which would have been anti-dilutive for the year ended December 31, 2020.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. Transactions with Related Parties

During the years ended December 31, 2021 and 2020, the Company had product sales to related parties of \$19.9 million and \$16.4 million, respectively. Trade accounts and other receivables from related parties at December 31, 2021 and 2020 were \$3.1 million and \$0.9 million, respectively. The Company also had purchases from related parties during the years ended December 31, 2021 and 2020 of \$9.7 million and \$16.3 million, respectively. Accounts payable to related parties were \$2.3 million and \$1.6 million, at December 31, 2021 and 2020, respectively.

The general partner employs all of the Company's employees and the Company reimburses the general partner for certain of its expenses.

19. Segments and Related Information**Segment Reporting**

The Company determines its reportable segments based on how the business is managed internally for the products sold to customers, including how results are reviewed and resources are allocated by the chief operating decision makers ("CODM"). Effective January 1, 2021, the Company reorganized its business segments as a result of a change in how the CODM allocates resources, makes operating decisions and assesses the performance of its business. As a result, as of January 1, 2021, the Company's operations are managed by the CODM using the following reportable segments:

- *Specialty Products and Solutions.* The Specialty Products and Solutions segment consists of our customer-focused solutions and formulations businesses, covering multiple specialty product lines, anchored by our unique integrated complex in Northwest Louisiana. In this segment, we manufacture and market a wide variety of solvents, waxes, customized lubricating oils, white oils, petrolatums, gels, esters, and other products. Our specialty products are sold to domestic and international customers who purchase them primarily as raw material components for consumer-facing and industrial products.
- *Montana/Renewables.* The Montana/Renewables segment is composed of our Great Falls refinery and dual-train energy transition project. When our Great Falls renewable diesel facility is operational, we will process a variety of geographically advantaged renewable feedstocks into renewable hydrogen, renewable natural gas, renewable propane, renewable naphtha, renewable kerosene/aviation fuel, and renewable diesel that we expect to distribute into renewable markets in the western half of North America. At our Montana specialty refinery, we process Canadian crude oil into conventional gasoline, diesel, jet fuel and specialty grades of asphalt, with production sized to serve local markets.
- *Performance Brands.* The Performance Brands segment includes our fast-growing portfolio of high-quality, high-performing brands. In this segment, we blend, package, and market high performance products through our Royal Purple, Bel-Ray, and TruFuel brands.
- *Corporate.* The Corporate segment primarily consists of general and administrative expenses not allocated to the Montana/Renewables, Specialty Products and Solutions, or Performance Brands segments.

Segment information presented herein reflects the impact of this reorganization for all periods presented.

During the first quarter of 2021, the CODM changed the definition and calculation of Adjusted EBITDA to exclude RINs mark-to-market adjustments (see item (j) below). The Company's RINs liability is calculated by multiplying the RINs shortage (based on actual results) by the period end spot price and is subsequently revalued as of the last day of each accounting period. The resulting non-cash adjustments are included in cost of sales in the statement of operations, with the exception of RINs for the 2019 compliance year related to the San Antonio refinery, which are included in other operating expense. The Company believes that this revised definition and calculation better reflects the performance of the Company's business segments including cash flows because it excludes these non-cash fluctuations. Adjusted EBITDA has been revised for all periods presented to consistently reflect this change.

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies as disclosed in Note 3 - "Summary of Significant Accounting Policies," except that the disaggregated financial results for the reporting segments have been prepared using a management approach, which is consistent with the basis and manner in which management internally disaggregates financial information for the purposes of assisting internal operating decisions. The Company accounts for inter-segment sales and transfers using market-based transfer pricing. The Company will periodically refine its expense allocation methodology for its segment reporting as more specific information becomes available and the industry or market changes. In addition, the accounting policies of the reporting segments for shipping and handling costs, which are primarily costs paid to third-party shippers for transporting products to customers, are the same as that described in Note 2 - "Change in Accounting Policy." The Company evaluates performance based upon Adjusted EBITDA (a non-GAAP financial measure). The Company defines Adjusted EBITDA for any period as EBITDA adjusted for (a) impairment;

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(b) unrealized gains and losses from mark-to-market accounting for hedging activities; (c) realized gains and losses under derivative instruments excluded from the determination of net income (loss); (d) non-cash equity-based compensation expense and other non-cash items (excluding items such as accruals of cash expenses in a future period or amortization of a prepaid cash expense) that were deducted in computing net income (loss); (e) debt refinancing fees, extinguishment costs, premiums and penalties; (f) any net gain or loss realized in connection with an asset sale that was deducted in computing net income (loss); (g) amortization of turnaround costs; (h) LCM inventory adjustments; (i) the impact of liquidation of inventory layers calculated using the LIFO method; (j) RINs mark-to-market adjustments; and (k) all extraordinary, unusual or non-recurring items of gain or loss, or revenue or expense.

Reportable segment information is as follows (in millions):

| Year Ended December 31, 2021 | Specialty Products and Solutions | Performance Brands | Montana/Renewables | Corporate | Eliminations | Consolidated Total |
|---|---|-------------------------------|---------------------------|------------------|---------------------|-------------------------------|
| Sales: | | | | | | |
| External customers | \$ 2,111.4 | \$ 252.9 | \$ 783.7 | \$ — | \$ — | \$ 3,148.0 |
| Inter-segment sales | 16.1 | — | — | — | (16.1) | — |
| Total sales | \$ 2,127.5 | \$ 252.9 | \$ 783.7 | \$ — | \$ (16.1) | \$ 3,148.0 |
| Adjusted EBITDA | \$ 104.6 | \$ 33.8 | \$ 44.4 | \$ (72.5) | \$ — | \$ 110.3 |
| Reconciling items to net loss: | | | | | | |
| Depreciation and amortization | 68.5 | 13.6 | 34.6 | 8.0 | — | 124.7 |
| LCM / LIFO gain | (35.1) | (3.8) | (11.4) | — | — | (50.3) |
| Loss on impairment and disposal of assets | 3.1 | 0.1 | 0.8 | 0.1 | — | 4.1 |
| Gain on sale of business, net | (0.2) | — | — | — | — | (0.2) |
| Interest expense | 18.5 | 0.3 | 8.3 | 122.4 | — | 149.5 |
| Unrealized loss on derivatives | 16.3 | — | 8.1 | — | — | 24.4 |
| RINs mark-to-market loss | 40.9 | — | 16.8 | — | — | 57.7 |
| Other non-recurring expenses | | | | | | 8.3 |
| Equity based compensation and other items | | | | | | 50.7 |
| Income tax expense | | | | | | 1.5 |
| Net loss | | | | | | \$ (260.1) |
| Capital expenditures | \$ 57.6 | \$ 3.3 | \$ 83.0 | \$ — | \$ — | \$ 143.9 |
| PP&E, net | \$ 375.5 | \$ 34.3 | \$ 531.3 | \$ 8.6 | \$ — | \$ 949.7 |

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| Year Ended December 31, 2020 | Specialty Products and Solutions | Performance Brands | Montana/Renewables | Corporate | Eliminations | Consolidated Total |
|---|---|---------------------------|---------------------------|------------------|---------------------|-------------------------------|
| Sales: | | | | | | |
| External customers | \$ 1,528.9 | \$ 234.1 | \$ 505.2 | \$ — | \$ — | \$ 2,268.2 |
| Inter-segment sales | 12.6 | 0.3 | — | — | (12.9) | — |
| Total sales | \$ 1,541.5 | \$ 234.4 | \$ 505.2 | \$ — | \$ (12.9) | \$ 2,268.2 |
| Adjusted EBITDA | \$ 151.0 | \$ 61.1 | \$ 71.4 | \$ (66.2) | \$ — | \$ 217.3 |
| Reconciling items to net loss: | | | | | | |
| Depreciation and amortization | 60.9 | 16.0 | 35.1 | 7.7 | — | 119.7 |
| LCM / LIFO loss | 23.5 | 1.5 | 3.5 | — | — | 28.5 |
| Loss on impairment and disposal of assets | 0.2 | 1.4 | — | 5.2 | — | 6.8 |
| Gain on sale of business, net | (1.0) | — | — | — | — | (1.0) |
| Interest expense | 0.6 | 0.3 | 0.4 | 124.6 | — | 125.9 |
| Unrealized gain on derivatives | (1.8) | — | (1.0) | — | — | (2.8) |
| RINs mark-to-market loss | 53.7 | — | 22.1 | — | — | 75.8 |
| Other non-recurring expenses | | | | | | 2.4 |
| Equity-based compensation and other items | | | | | | 9.9 |
| Income tax expense | | | | | | 1.1 |
| Net loss | | | | | | \$ (149.0) |
| Capital expenditures | \$ 49.8 | \$ 1.7 | \$ 14.2 | \$ 1.7 | \$ — | \$ 67.4 |
| PP&E, net | \$ 406.0 | \$ 34.0 | \$ 463.2 | \$ 16.6 | \$ — | \$ 919.8 |

Geographic Information

International sales accounted for less than ten percent of consolidated sales in each of the years ended December 31, 2021 and 2020, respectively.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Product Information

The Company offers specialty, fuels, and packaged products primarily in categories consisting of lubricating oils, solvents, waxes, gasoline, diesel, jet fuel, asphalt, heavy fuel oils, high-performance branded specialty products, and other specialty and fuels products. The following table sets forth the major product category sales for each segment (dollars in millions):

| | Year Ended December 31, | | | |
|--|-------------------------|---------|------------|---------|
| | 2021 | | 2020 | |
| Specialty Products and Solutions: | | | | |
| Lubricating oils | \$ 658.7 | 20.9 % | \$ 473.5 | 20.9 % |
| Solvents | 303.7 | 9.7 % | 236.2 | 10.4 % |
| Waxes | 151.7 | 4.8 % | 129.1 | 5.7 % |
| Fuels, asphalt and other by-products | 997.3 | 31.7 % | 690.1 | 30.4 % |
| Total | \$ 2,111.4 | 67.1 % | \$ 1,528.9 | 67.4 % |
| Montana/Renewables: | | | | |
| Gasoline | \$ 188.3 | 6.0 % | \$ 135.9 | 6.0 % |
| Diesel | 324.9 | 10.3 % | 204.1 | 9.0 % |
| Jet fuel | 27.5 | 0.9 % | 14.6 | 0.7 % |
| Asphalt, heavy fuel oils and other | 243.0 | 7.7 % | 150.6 | 6.6 % |
| Total | \$ 783.7 | 24.9 % | \$ 505.2 | 22.3 % |
| Performance Brands: | \$ 252.9 | 8.0 % | \$ 234.1 | 10.3 % |
| Consolidated sales | \$ 3,148.0 | 100.0 % | \$ 2,268.2 | 100.0 % |

Major Customers

During the years ended December 31, 2021 and 2020, the Company had no customer that represented 10% or greater of consolidated sales.

Major Suppliers

During the years ended December 31, 2021 and 2020, the Company had two counterparties that supplied approximately 90.2% and 82.9%, respectively, of its crude oil supply.

20. Unrestricted Subsidiaries

As defined in the indentures governing the Company's outstanding senior notes, an unrestricted subsidiary means Montana Renewables Holdings, MRL and any other subsidiary of the Company, other than Calumet Finance Corp., that is designated by the Company's general partner's board of directors as an unrestricted subsidiary, but only to the extent that such subsidiary:

- has no indebtedness other than non-recourse debt owing to any person other than the Company or any of its restricted subsidiaries, except to the extent permitted by the indentures of the senior notes;
- is not party to any agreement, contract, arrangement or understanding with the Company or any restricted subsidiary of the Company unless the terms of any such agreement, contract, arrangement or other understanding are no less favorable to the Company or such restricted subsidiary than those that might be obtained at the time from persons who are not affiliates of the Company, except to the extent permitted by the indentures of the senior notes;
- is a person with respect to which neither the Company nor any of its restricted subsidiaries has any direct or indirect obligation (a) to subscribe for additional equity interests or (b) to maintain or preserve such person's financial condition or to cause such person to achieve any specified levels of operating results, except to the extent permitted by the indentures of the senior notes; and
- has not guaranteed or otherwise directly or indirectly provided credit support for any indebtedness of the Company or any of its restricted subsidiaries.

CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the year ended December 31, 2021, Montana Renewables Holdings and MRL were the only unrestricted subsidiaries of the Company. The Company had no unrestricted subsidiaries for the year ended December 31, 2020. In accordance with the indentures governing the Company's outstanding senior notes, the following table sets forth certain financial information of (i) the Company and its restricted subsidiaries, on a combined basis, (ii) the Company's unrestricted subsidiaries, on a combined basis, and (iii) the Company and its subsidiaries, on a consolidated basis, in each case, as of December 31, 2021.

| December 31, 2021 | Parent Company and Restricted Subsidiaries | Unrestricted Subsidiaries | Eliminations | Consolidated Total |
|--|---|--------------------------------------|---------------------|---------------------------|
| Accounts receivable - Trade | \$ 216.8 | \$ — | \$ — | \$ 216.8 |
| Accounts receivable - Intercompany | \$ — | \$ 6.9 | \$ (6.9) | \$ — |
| Property, plant and equipment, net | \$ 698.4 | \$ 390.3 | \$ (139.0) | \$ 949.7 |
| Restricted cash | \$ — | \$ 83.8 | \$ — | \$ 83.8 |
| Accounts payable - Intercompany | \$ — | \$ 43.1 | \$ (43.1) | \$ — |
| Long-term debt | \$ 1,122.6 | \$ 296.2 | \$ — | \$ 1,418.8 |
| Partners' capital (deficit) | \$ (379.7) | \$ (5.4) | \$ — | \$ (385.1) |
| Partners' capital (deficit) - Intercompany | \$ — | \$ 146.7 | \$ (146.7) | \$ — |

For the year ended December 31, 2021, the Company's unrestricted subsidiaries had tolling revenue of \$6.9 million, operating costs of \$5.4 million, which was exclusive of depreciation expense of \$1.7 million, and interest expense of \$5.2 million.

21. Subsequent Events

As of March 1, 2022, the fair value of the Company's derivative liabilities has increased by approximately \$16.9 million subsequent to December 31, 2021.

On January 20, 2022, the Company issued and sold \$325.0 million in aggregate principal amount of 2027 Notes, in a private placement pursuant to Section 4(a)(2) of the Securities Act to eligible purchasers at par. The Company received net proceeds of \$319.1 million, after deducting the initial purchasers' discount and offering expenses. Interest on the 2027 Notes is paid semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2022.

On January 12, 2022, the Company issued a notice of conditional redemption for \$325.0 million in aggregate principal amount of the 2023 Notes at a redemption price of par, plus accrued and unpaid interest to the redemption date of February 11, 2022, conditioned on the completion of an offering of at least \$300.0 million aggregate principal amount of senior debt securities on or before February 11, 2022. As the conditions precedent were met on January 20, 2022, the Company funded the redemption of the 2023 Notes with the net proceeds from the offering of the 2027 Notes and the remainder from cash on hand. In conjunction with the redemption, the Company incurred debt extinguishment costs of \$2.5 million.

On January 20, 2022, the Company entered into the Third Amendment to its revolving credit facility (the "Credit Facility Amendment"), which, among other changes, (a) extends the term of the revolving credit facility for five years from the date of the Credit Facility Amendment, (b) reduces aggregate commitments under the revolving credit facility to \$500.0 million, which includes a FILO tranche, and (c) replaces LIBOR as a reference interest rate with a new reference interest rate based on Secured Overnight Financing Rate.

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

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Calumet Specialty Products Partners, L.P. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The 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 U.S. generally accepted accounting principles. 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 the financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and board of 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 and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("COSO"), and has concluded that we maintained effective internal control over financial reporting as of December 31, 2021.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and has issued a report on the effectiveness of internal control over financial reporting, which is included herein.

Remediated Material Weakness

As of December 31, 2021, we have remediated the previously disclosed material weakness related to:

- The untimely and insufficient operation of controls in the financial statement close process, including lack of timely account reconciliation, analysis and review related to all financial statement accounts.

With oversight from senior management, as well as oversight by the audit and finance committee of the board of directors, we implemented changes to our internal control over financial reporting, which contributed to the remediation of the of the material weaknesses described above. Remediation activities included the following:

- Reviewing, analyzing and properly documenting account reconciliations and our processes related to internal controls over financial reporting.
- Design and implementation of effective review and approval controls. These controls addressed the accuracy and completeness of the data used in the performance of the respective controls.

Changes in Internal Control over Financial Reporting

Other than those described above, no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Calumet GP, LLC
General Partner and the Partners of Calumet Specialty Products Partners, L.P.

Opinion on Internal Control over Financial Reporting

We have audited Calumet Specialty Products Partners, L.P.'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 (2013 framework) (the COSO criteria). In our opinion, Calumet Specialty Products Partners, L.P. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), partners' capital (deficit) and cash flows for each of the two years in the period ended December 31, 2021, and the related notes, and our report dated March 4, 2022, which expressed an unqualified opinion thereon.

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 included in the accompanying 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 the 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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/ Ernst & Young LLP
Indianapolis, Indiana
March 4, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers of Our General Partner and Corporate Governance

Management of Calumet Specialty Products Partners, L.P. and Director Independence

Our general partner, Calumet GP, LLC, manages our operations and activities. Unitholders are limited partners and are not entitled to elect the directors of our general partner or directly or indirectly participate in our management or operations. Our general partner owes certain contractual duties to our unitholders pursuant to various provisions of our partnership agreement as well as fiduciary duties to its owners.

The directors of our general partner oversee our operations. The owners of our general partner have appointed nine members to our general partner's board of directors. The directors of our general partner are generally elected by a majority vote of the owners of our general partner on an annual basis. However, as long as trusts established for the benefit of our former executive vice chairman of our general partner, F. William Grube, his family members or Permitted Transferees (as defined in our partnership agreement), continue to own at least 30% of the membership interests in our general partner, the Grube Family Group (as defined in our partnership agreement) has the right to appoint a member of Mr. Grube's family to serve as a director of our general partner. The directors of our general partner hold office until the earlier of their death, resignation, removal or disqualification or until their successors have been elected and qualified.

Pursuant to Section 5615 of the Nasdaq Stock Market, LLC Marketplace Rules ("Nasdaq Rules"), a listed limited partnership like us is not required to have a majority of independent directors on the board of directors of our general partner or to establish a compensation committee or a nominating/governance committee. However, three of our general partner's nine directors are "independent" as that term is defined in the Nasdaq Rules and Rule 10A-3 of the Exchange Act. In determining the independence of each director, our general partner has adopted standards that incorporate the Nasdaq Rules and Exchange Act standards. Our general partner's independent directors as determined in accordance with those standards are: James S. Carter, Robert E. Funk, and Daniel L. Sheets. The board of directors held five meetings during 2021.

The officers of our general partner manage the day-to-day affairs of our business. Officers serve at the discretion of the board of directors.

Directors and Executive Officers

The following table shows information regarding the directors and executive officers of Calumet GP, LLC as of March 4, 2022:

| <u>Name</u> | <u>Age</u> | <u>Position with Calumet GP, LLC</u> |
|-------------------------|------------|---|
| Fred M. Fehsenfeld, Jr. | 71 | Chairman of the Board |
| Stephen P. Mawer | 57 | Chief Executive Officer |
| Todd Borgmann | 39 | Executive Vice President — Chief Financial Officer |
| Bruce A. Fleming | 65 | Executive Vice President — Montana Renewables & Corporate Development |
| Scott Obermeier | 49 | Executive Vice President — Specialty Products & Solutions |
| Vincent Donargo | 61 | Chief Accounting Officer |
| Marc Lawn | 49 | Executive Vice President - Performance Brands |
| James S. Carter | 72 | Director |
| Robert E. Funk | 76 | Director |
| Daniel J. Sajkowski | 62 | Director |
| Amy M. Schumacher | 50 | Director |
| Daniel L. Sheets | 64 | Director |
| Paul C. Raymond III | 56 | Director |
| Jennifer G. Straumins | 48 | Director |

Each director's biographical information set forth below includes the particular experience and qualifications that led the board of directors to conclude that the director is qualified to serve in such capacity.

Fred M. Fehsenfeld, Jr. has served as the chairman of the board of our general partner since September 2005. Mr. Fehsenfeld also served as the vice chairman of the board of our Predecessor from 1990 until our initial public offering. Mr. Fehsenfeld has worked for The Heritage Group in various capacities since 1977, including serving as Chief Executive Officer from 1980 to 2020. Mr. Fehsenfeld currently serves as chairman of The Heritage Group Holdings Company Board as well as managing trustee of The Heritage Group Board of Trustees. Mr. Fehsenfeld received his B.S. in mechanical engineering from Duke University and his M.S. in management from the Massachusetts Institute of Technology Sloan School.

As co-founder of our Predecessor, Mr. Fehsenfeld has an extensive knowledge base regarding the Company's operations and has participated in all major strategic decision making for the Company and our Predecessor since their inception. Mr. Fehsenfeld has served in lead executive roles, including the role of chairman and chief executive officer, for a multitude of different companies within The Heritage Group, providing a breadth of experience in leadership and management across a wide variety of industries, including energy. Since 2008, Mr. Fehsenfeld has served as chairman of the board of directors of Heritage-Crystal Clean, Inc., a publicly-traded environmental services company which is owned in part by The Heritage Group. Mr. Fehsenfeld is the father of Amy M. Schumacher, member of the board of directors of our general partner.

Stephen P. Mawer has served as chief executive officer of our general partner since April 2020 and a board member of our general partner since March 2016. He retired as president of Koch Supply & Trading in 2014 following a 27-year career in commodities trading, risk management and refining operations. While at Koch, Mr. Mawer led global commodities trading and served as a senior member of the Koch Industries management team. Mr. Mawer holds Bachelor's and Master's degrees in chemical engineering from the University of Cambridge, England. Currently, he serves as a member of the Board of Directors at Zenith Energy Management, a midstream company, as well as chairman of ClimeCo Corporation, an environmental commodities development and management company. He previously served as a member of the advisory board of Heritage Environmental Services.

Mr. Mawer brings extensive knowledge of petroleum markets, refining economics, supply/marketing optimization, sustainability and renewable fuels, and risk management.

Todd Borgmann has served as executive vice president - chief financial officer of our general partner since February 2021. Mr. Borgmann has over thirteen years of experience with Calumet, serving the Company across a diverse set of management roles. For the five years preceding the appointment to his current position, Mr. Borgmann served as Senior Vice President - Chief Financial Officer, Senior Vice President - Interim Chief Financial Officer, and Vice President of Supply & Trading, developing extensive knowledge of petroleum markets, refining operations and risk management. Mr. Borgmann has also served as Calumet's Vice President of Business Development and Director of the Partnership's White Oils and Petroleum sales. Mr. Borgmann earned a Bachelor of Science in Industrial Engineering from Purdue University and a Masters of Business Administration from the University of Notre Dame.

Bruce A. Fleming has served as executive vice president — Montana renewables & corporate development of our general partner since February 2021. From March 2016 until the appointment to his current position, Mr. Fleming served as executive vice president - strategy & growth of our general partner. Prior to joining the Company, Mr. Fleming served as the vice president of mergers & acquisitions at Tesoro Corporation and as an officer of Tesoro Companies Inc. since 2004. From 1997 through 2004, Mr. Fleming served as managing director of Hong Kong-based Orient Refining Ltd., and from 1981 through 1996 he held senior operations, business development and planning roles with Amoco Oil and Amoco Corporation where he was most recently vice president of China business development. Mr. Fleming earned a Ph.D. in chemical engineering from Princeton University and a B.S. in chemical engineering from the University of Delaware. He is a member of the Board of M&A Standards.

Scott Obermeier was named executive vice president — Specialty products & solutions in January 2021. Prior to the appointment to his current position, Mr. Obermeier served as executive vice president - commercial. Mr. Obermeier has been a vice president with the Company since November 2017 and has more than 20 years of experience in sales and marketing as well as general management roles focused on the specialty chemicals market. Prior to his work with Calumet, he spent 10 years with Univar Solutions Inc., most recently serving as vice president where he managed the global chemical distributor's organic chemicals business. Mr. Obermeier is a graduate of the University of Northern Iowa, with a degree in chemistry marketing.

Vincent Donargo joined Calumet as our interim Chief Accounting Officer in June 2020, before being appointed to Chief Accounting Officer in August 2020. Mr. Donargo also serves as the Chief Financial Officer of Novus Capital Corporation, a special purpose acquisition corporation, since its inception in March 2020. From December 2019 through March 2020, Mr. Donargo was providing financial advisory and consulting services to private clients. From May 2019 to December 2019, Mr. Donargo served as Executive Vice President and Chief Financial Officer of the Celadon Group Inc. From November 2017 to April 2019, he was Vice President and Chief Accounting Officer of the Celadon Group Inc., where he was brought in to assist with Celadon Group's financial restructuring. The Celadon Group Inc. filed for Chapter 11 bankruptcy in December 2019. From August 2016 to November 2017, Mr. Donargo was Executive Vice President and Chief Financial Officer of Beaulieu Group LLC, a North American carpet and flooring manufacturing company, where he assisted the company with its financial restructuring process. The Beaulieu Group filed for Chapter 11 bankruptcy in July 2017. Prior to joining Beaulieu Group, Mr. Donargo held senior finance positions at several publicly traded companies, including Executive Vice President and Chief Financial Officer of Brightstar Corporation from April 2014 to August 2016 and Executive Vice President, Chief Financial Officer and Treasurer of Brightpoint, Inc. from September 2005 until it was acquired by Ingram Macro Inc. in November 2012. From 1998 to 2005, Mr. Donargo was the strategic business unit controller, director of finance and corporate controller of Aearo Company, a safety product manufacturing company. Mr. Donargo holds a BA in Accounting from Rutgers University.

Marc Lawn has served as executive vice president- Performance Brands since January 2021. Before this role, Mr. Lawn served as the Company's chief of staff. Prior to joining the partnership, Mr. Lawn served in various senior strategy and operations roles in BP's lubricants business between 2010 and 2016. Before that, Mr. Lawn held senior positions with Honda Motor Company operating in the United Kingdom. Mr. Lawn brings a broad range of experience across multiple industries, serving in multiple business functions across sales, marketing, operations and supply chain. Mr. Lawn earned a Doctorate in Business Administration from the University of Wales, an MBA from Leicester University, and an LLB (Hons) degree in Law from University College London.

James S. Carter has served as a member of the board of directors of our general partner since January 2006. Mr. Carter worked in various operations, commercial and business analysis capacities at ExxonMobil including vice president of U.S. marketing and sales of fuels and specialty products, manager of U.S. refining and marketing planning and analysis, manager of U.S. distribution activities, analysis manager of ExxonMobil International, and advisor to ExxonMobil headquarters for European refining and marketing until his retirement in 2003. Mr. Carter is a board member of the Association of Audit Committee Members, Inc. He received his B.S. in mechanical engineering from Clemson University and his M.B.A. in finance and accounting from Tulane University.

Mr. Carter brings extensive managerial experience with one of the largest integrated energy companies in the world. He possesses a broad background in petroleum products marketing, with specific experience in the marketing of fuel products.

Robert E. Funk has served as a member of the board of directors of our general partner since January 2006. Mr. Funk previously served as vice president — corporate planning and economics of CITGO Petroleum Corporation, a refiner and marketer of transportation fuels, lubricants, petrochemicals, refined waxes, asphalt and other industrial products, from 1997 until his retirement in December 2004. Mr. Funk previously served CITGO or its predecessor, Cities Services Company, as general manager — facilities planning from 1988 to 1997, general manager — lubricants operations from 1983 to 1988 and manager — refinery east, Lake Charles refinery from 1982 to 1983. Mr. Funk received his B.S. in chemical engineering from the University of Kansas.

Mr. Funk has extensive refining industry experience including planning, operations and managerial roles for a large multinational refining company. His broad background of experience provides helpful insight to the Company in its implementation of strategic initiatives and its refinery operations in general.

Daniel J. Sajkowski has served as a member of the board of directors of our general partner since September 2014. Mr. Sajkowski has served as executive vice president, Growth and New Ventures of The Heritage Group since 2013. Prior to joining The Heritage Group, Mr. Sajkowski was the senior director — downstream technology at Sapphire Energy from 2010 until 2013. From 2004 to 2010, Mr. Sajkowski served as business unit leader at BP's Whiting, Indiana refinery. During his career with BP/Amoco, Mr. Sajkowski also held positions as the manager of integrated supply and trading from 2002 until 2004 and vice president of refining technology from 2000 until 2002. Mr. Sajkowski earned his B.S. and M.S. degrees in chemical engineering from the University of Michigan and a Ph.D. in chemical engineering from Stanford University. He also completed The General Manager Program at Harvard University.

Mr. Sajkowski has extensive refining industry experience including planning, operations and managerial roles for a large multinational refining company. His broad background of experience provides helpful insight to the Company in its implementation of strategic initiatives and its refinery operations in general.

Amy M. Schumacher has served as a member of the board of directors of our general partner since September 2014. Ms. Schumacher has been part of The Heritage Group family of businesses since 2003, working in various capacities and leading a variety of growth projects along the way. In 2008, Ms. Schumacher founded Monument Chemical and served as President and CEO for eight years. In 2016, Ms. Schumacher transitioned to President of The Heritage Group and was appointed Chief Executive Officer in 2020. From 1998 to 2003, Ms. Schumacher served as a consultant with Accenture. Ms. Schumacher received her B.S. in civil engineering from Purdue University and her M.S. in management from the Massachusetts Institute of Technology Sloan School. Ms. Schumacher currently serves as a trustee for The Heritage Group and sits on a number of private subsidiary boards. Ms. Schumacher is the daughter of Fred M. Fehsenfeld, Jr., the chairman of the board of our general partner.

Ms. Schumacher has extensive managerial experience including planning and strategy. She possesses a broad background within the chemicals industry, with specific experience in strategic growth projects.

Daniel L. Sheets has served as a member of the board of directors of our general partner since October 2018. Mr. Sheets worked in various capacities at Lubrizol including president of Lubrizol Additives from 2009 through his retirement in 2018 and vice president from 2005 to 2008. Prior to that time, Mr. Sheets served as vice president for engine additives and served as global business manager for fuels, refinery and oilfield products at Lubrizol. Mr. Sheets received his B.S. in electrical engineering from Pennsylvania State University.

Mr. Sheets has extensive strategy, supply chain, sales and marketing and value capture experience. He possesses a broad background in petroleum products marketing, with specific experience in the marketing of lubricants, lubricant additives and specialty chemicals.

Paul C. Raymond III has served as a member of the board of directors of our general partner since November 2020. Mr. Raymond brings over three decades of industry experience, which includes serving in his current role of chief executive officer of Monument Chemical and previously as president and chief executive officer of Sonneborn, LLC. Mr. Raymond holds a B.S in chemical engineering from Rice University and earned his Ph.D. in chemical engineering from the University of Texas at Austin.

Mr. Raymond brings extensive specialty chemicals knowledge and strategic insights, and his impressive track record leading and growing similar businesses make him a terrific asset and provides helpful insight to the Partnership's board of directors.

Jennifer G. Straumins has served as a member of the board of directors of our general partner since February 2021. Ms. Straumins is the Chairman of Maverick Performance Products' Board of Directors and a Board member for Wincoram Asset Management. Prior to founding Maverick Performance Product's, Jennifer was an employee of Calumet Specialty Products Partners for 13 years holding various positions. Prior to joining Calumet, Jennifer held financial planning positions with Great Lakes Chemical Company and Exxon Chemical Company. Jennifer received her B.E. in Chemical Engineering from Vanderbilt University and her MBA from the University of Kansas.

Ms. Straumins brings extensive specialty chemicals knowledge and strategic insights. Her background provides helpful insight to the Company in its implementation of strategic initiatives and operations in general.

Board of Directors Committees

Conflicts Committee

Two members of the board of directors of our general partner serve on a conflicts committee to review specific matters that the board believes may involve conflicts of interest. The conflicts committee determines if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be owners, officers or employees of our general partner or directors, officers, or employees of its affiliates, and must meet the independence and experience standards established by Nasdaq and the Exchange Act to serve on an audit committee of a board of directors, and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our general partner of any duties it may owe us or our unitholders. The two independent board members who serve on the conflicts committee are Messrs. James S. Carter and Robert E. Funk. Mr. Funk serves as the chair of the conflicts committee. The conflicts committee held no meetings during 2021.

Compensation Committee

The board of directors of our general partner also has a compensation committee which, among other responsibilities, has overall responsibility for evaluating and either approving or recommending to the board of directors the director, chief executive officer and senior executive compensation plans, policies and programs of the Company. Nasdaq does not require a limited partnership like us to have a compensation committee comprised entirely of independent directors. Accordingly, Messrs. Fred M. Fehsenfeld, Jr., Daniel L. Sheets and Ms. Amy M. Schumacher serve as members of our compensation committee. Mr. Sheets serves as the chair of the compensation committee. Mr. Fehsenfeld and Ms. Schumacher are not independent members of the compensation committee. The compensation committee held four meetings during 2021.

The board of directors has adopted a written charter for the compensation committee which defines the scope of the committee's authority. The committee may form and delegate some or all of its authority to subcommittees comprised of committee members when it deems appropriate. The committee is responsible for reviewing and recommending to the board of directors for its approval the annual salary and other compensation components for the chief executive officer. The committee reviews and makes recommendations to the board of directors for its approval of any of the Company's equity compensation-based plans, including the Long-Term Incentive Plan, or any cash bonus or incentive compensation plans or programs. Also, the committee reviews and approves all annual salary and other compensation arrangements and components for the senior executives of the Company. Further, the compensation committee periodically reviews and makes a recommendation to the board of directors for changes in the compensation of all directors. The committee has the authority to retain or terminate any compensation consultant that assists it in the evaluation of director and senior executive compensation and to obtain independent advice and assistance from internal and external legal, accounting and other advisors. The committee did not engage a compensation consultant for the 2021 year.

Audit and Finance Committee

The board of directors of our general partner has an audit and finance committee comprised of three directors, Messrs. James S. Carter, Robert E. Funk, and Daniel L. Sheets, each of whom the board of directors of our general partner has determined meets the independence and experience standards established by Nasdaq and the SEC. In addition, the board of directors of our general partner has determined that Mr. Carter is an “audit committee financial expert” as defined by the SEC. Mr. Carter serves as the chair of the audit and finance committee. The audit and finance committee held seven meetings during 2021.

The board of directors has adopted a written charter for the audit and finance committee. The audit and finance committee assists the board of directors in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. The audit and finance committee has the sole authority to retain and terminate our independent registered public accounting firm, approves all auditing services and related fees and the terms thereof and pre-approves any non-audit services to be rendered by our independent registered public accounting firm. The audit and finance committee is also responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm is given unrestricted access to the audit and finance committee.

Risk Committee

The board of directors of our general partner has established a risk committee which, among other responsibilities, oversees the Company’s risk assessment practices. Messrs. Robert E. Funk, Daniel J. Sajkowski, Paul C. Raymond III, Stephen P. Mawer, and Ms. Jennifer G. Straumins serve as members of our risk committee. Mr. Sajkowski serves as the chair of the risk committee. The board of directors has adopted a written charter for the risk committee which defines the scope of the committee’s authority. The risk committee held four meetings during 2021.

Strategy and Growth Committee

The board of directors of our general partner has established a strategy and growth committee which, among other responsibilities, oversees our (i) long-term strategy, (ii) risks and opportunities relating to such strategy, (iii) strategic decisions regarding investments, mergers, acquisitions and divestitures, (iv) capitalization, (v) ownership structure and (vi) distribution policy. Messrs. Fred M. Fehsenfeld, Jr., Robert E. Funk, Paul C. Raymond III, Stephen P. Mawer, and Ms. Jennifer G. Straumins serve as members of the strategy and growth committee. The board of directors has adopted a written charter for the strategy and growth committee which defines the scope of the committee’s authority. The strategy and growth committee held five meetings during 2021.

Talent and Leadership Development Committee

The board of directors of our general partner has established a talent and leadership development committee which, among other responsibilities, monitors our strategic, long-term, and sustainable approach to talent and development issues relating to people. Messrs. Daniel J. Sajkowski, Daniel L. Sheets and Ms. Amy M. Schumacher serve as members of our talent and leadership development committee. Ms. Schumacher serves as the chair of the talent and leadership development committee. The board of directors has adopted a written charter for the talent and leadership development committee which defines the scope of the committee’s authority. The talent and leadership development committee held three meetings during 2021.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers, employees and contractors.

Available on our website at www.calumetspecialty.com are copies of our board of director’s committee charters and Code of Business Conduct and Ethics, all of which also will be provided to unitholders without charge upon their written request to: Investor Relations, Calumet Specialty Products Partners, L.P., 2780 Waterfront Parkway East Drive, Indianapolis, Indiana, 46214. We intend to disclose, to the extent required, future amendments to certain provisions of the Code of Business Conduct and Ethics, and waivers of the Code of Business Conduct and Ethics granted to executive officers and directors, on our website within four business days following the date of the amendment or waiver.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act, as amended, requires Calumet’s directors and certain executive officers, as well as beneficial owners of ten percent or more of Calumet’s common units, to report their holdings and transactions in Calumet’s securities. Based on information furnished to Calumet and contained in reports filed pursuant to Section 16(a), as well as written representations that no other reports were required for 2021, Calumet’s directors and executive officers filed all reports required by Section 16(a) with the exception of one late Form 3 filing related to the initial statement of beneficial ownership of securities for Marc Lawn, which was filed on December 30, 2021.

Item 11. Executive and Director Compensation

Overview

We are currently considered a smaller reporting company for purposes of the SEC's executive compensation disclosure rules. In accordance with such rules, we are required to provide a Summary Compensation Table and an Outstanding Equity Awards at Fiscal Year-End Table, as well as limited narrative disclosures. Further, our reporting obligations extend only to the individuals serving as our chief executive officer and our two other most highly compensated executive officers during the 2021 fiscal year (or individuals that would have been our most highly compensated executive officers had they been providing services at the end of the year). For purposes of this executive compensation discussion, the names and positions of our named executive officers for the 2021 fiscal year were:

- Stephen P. Mawer — Chief Executive Officer,
- Bruce A. Fleming — Executive Vice President — Montana Renewables & Corporate Strategy, and
- Scott Obermeier — Executive Vice President — Specialty Products & Solutions.

For the 2021 fiscal year, we are voluntarily providing additional disclosure in this Executive and Director Compensation section regarding the following additional executive officer:

- Todd Borgmann — Executive Vice President — Chief Financial Officer.

The compensation committee of the board of directors of our general partner oversees our compensation programs. Our general partner maintains compensation and benefits programs designed to allow us to attract, motivate and retain the best possible employees to manage us, including executive compensation programs designed to reward the achievement of both short-term and long-term goals necessary to promote growth and generate positive unitholder returns. Our general partner's executive compensation programs are based on a pay-for-performance philosophy, including measurement of our performance against the specified financial target of Adjusted EBITDA (as defined in Item 7 "Management's Discussion and Analysis - Non-GAAP Financial Measures"). Our executive compensation programs include both long-term and short-term compensation elements which, together with base salary and employee benefits, provide a total compensation package intended to be competitive with similar companies.

Under their collective authority, the compensation committee and the board of directors maintain the right to develop and modify compensation programs and policies as they deem appropriate. Factors they may consider in making decisions to materially increase or decrease compensation include our overall financial performance, our growth over time, changes in the complexity of our business operations as well as individual executive job scope, complexity and performance, and changes in competitive compensation practices in our defined labor markets. In determining any forms of compensation other than the base salary for the senior executives, or in the case of the chief executive officer, the recommendation to the board of directors of the forms of compensation for the chief executive officer, the compensation committee considers our financial performance and relative unitholder return, the value of similar incentive awards to senior executives at comparable companies and the awards granted to senior executives in past years.

Summary Compensation Table

The following table sets forth the annual compensation earned by or granted to our named executive officers and the other executive officer identified above for the years ended December 31, 2021 and 2020. Mr. Borgmann was not an executive officer of the Company until February 2021.

| Name and Principal Position | Summary Compensation Table for 2021 | | | | | | Total |
|---|-------------------------------------|-----------------------|----------------------|----------------------------|---------------------------------------|--------------|-------|
| | Year | Salary ⁽¹⁾ | Bonus ⁽²⁾ | Unit Awards ⁽³⁾ | All Other Compensation ⁽⁴⁾ | | |
| Stephen P. Mawer Chief Executive Officer | 2021 | \$ 725,000 | \$ 543,750 | \$ 271,874 | \$ 16,564 | \$ 1,557,188 | |
| | 2020 | \$ 543,750 | \$ — | \$ 61,270 | \$ 70,019 | \$ 675,039 | |
| Bruce A. Fleming Executive Vice President - Montana Renewables & Corporate Strategy | 2021 | \$ 431,197 | \$ 323,498 | \$ 126,823 | \$ 19,830 | \$ 901,348 | |
| | 2020 | \$ 422,742 | \$ — | \$ — | \$ 19,553 | \$ 442,295 | |
| Scott Obermeier Executive Vice President - Specialty Products & Solutions | 2021 | \$ 342,990 | \$ 257,243 | \$ 99,898 | \$ 11,724 | \$ 711,855 | |
| | 2020 | \$ 333,000 | \$ 100,000 | \$ 1,120,126 | \$ 11,980 | \$ 1,565,106 | |
| Todd Borgmann Executive Vice President - Chief Financial Officer | 2021 | \$ 334,100 | \$ 250,575 | \$ 97,498 | \$ 19,897 | \$ 702,070 | |

- (1) As it relates to Mr. Mawer, the amounts reported as salary for fiscal year 2020 represent the pro-rated portion of the annual salary paid to him for the period of time he was employed by our General Partner during the 2020 fiscal year. Mr. Mawer’s annualized salary for fiscal year 2020 was \$725,000. Mr. Mawer declined a salary increase for fiscal years 2021 and 2022.
- (2) The amounts for 2021 reflect the cash portion of discretionary bonuses awarded to the executive officers, as described below under “Narrative Disclosure to Summary Compensation Table and Outstanding Equity Awards at Fiscal Year-end Table - Elements of Executive Compensation - Short-Term Cash Bonus Awards.” The portion of the annual bonuses were settled in phantom units will be reported as 2022 compensation in our 2022 Summary Compensation Table as such equity awards were granted in early 2022.
- (3) The amounts for 2021 include the aggregate grant date fair value of the following phantom unit awards granted in 2021 pursuant to our Long-Term Incentive Plan: (i) 68,310 phantom unit awards granted to Mr. Mawer, (ii) 31,865 phantom unit awards granted to Mr. Fleming, (iii) 25,100 phantom unit awards granted to Mr. Obermeier, and (iv) 24,497 phantom unit awards granted to Mr. Borgmann. The amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, disregarding estimated forfeitures. Please read Note 13 to our consolidated financial statements for the fiscal year ending December 31, 2021 for a discussion of the assumptions used to determine the FASB ASC Topic 718 value of the awards.
- (4) The following table provides the aggregate “All Other Compensation” information for each of the listed executive officers for 2021:

| | Stephen P. Mawer | Bruce A. Fleming | Scott Obermeier | Todd Borgmann |
|---|-------------------------|-------------------------|------------------------|----------------------|
| 401(k) Plan Matching Contributions | \$ 14,500 | \$ 14,501 | \$ 10,018 | \$ 16,298 |
| HSA Plan Matching Contributions | 1,000 | — | — | — |
| Long-Term Disability Insurance Premiums | 253 | 1,431 | 675 | 1,431 |
| Long-Term Disability Insurance Premium Tax Gross-up | 811 | 1,860 | 503 | 1,860 |
| Term Life Insurance Premiums | — | 2,038 | 528 | 308 |
| Total | <u>\$ 16,564</u> | <u>\$ 19,830</u> | <u>\$ 11,724</u> | <u>\$ 19,897</u> |

Outstanding Equity Awards at Fiscal Year-End

The table below reflects information regarding outstanding unit awards held by the listed executive officers as of December 31, 2021. None of the listed executive officers held outstanding option awards.

| Name | Unit Awards | |
|------------------|---|--|
| | Number of Units That Have Not Vested ^{(#)(1)} | Market Value of Units That Have Not Vested ^{(\$)(2)} |
| Stephen P. Mawer | 75,498 | \$ 996,574 |
| Bruce A. Fleming | 77,384 | \$ 1,021,469 |
| Scott Obermeier | 275,092 | \$ 3,631,214 |
| Todd Borgmann | 24,497 | \$ 323,360 |

⁽¹⁾ The phantom units in this column reflect time-based phantom units held by the listed executive officers as of December 31, 2021. These phantom units will vest as follows:

| Vesting Date | Stephen P. Mawer | Bruce A. Fleming | Scott Obermeier | Todd Borgmann |
|---------------------|-------------------------|-------------------------|------------------------|----------------------|
| July 1, 2022 | 2,911 | 15,173 | — | — |
| December 31, 2022 | — | — | 249,992 | — |
| July 1, 2023 | 2,913 | 15,173 | — | — |
| December 31, 2023 | 68,310 | 31,865 | 25,100 | 24,497 |
| July 1, 2024 | 1,364 | 15,173 | — | — |
| | <u>75,498</u> | <u>77,384</u> | <u>275,092</u> | <u>24,497</u> |

⁽²⁾ Market value of phantom units reported in these columns is calculated by multiplying the closing market price of \$13.20 of our common units at December 31, 2021 by the number of phantom units outstanding.

Narrative Disclosure to Summary Compensation Table and Outstanding Equity Awards at Fiscal Year-End Table

Elements of Executive Compensation

The compensation committee believes the total compensation and benefits program for our executive officers should consist of the following:

- base salary;
- annual incentive plan which includes short-term cash awards and an optional deferral element;
- long-term incentive compensation, including unit-based awards;
- retirement, health and welfare benefits; and
- limited perquisites.

These elements are designed to constitute an integrated executive compensation structure meant to incentivize a high level of individual executive officer performance in line with our financial and operating goals.

Base Salary

Salaries provide executives with a base level of semi-monthly income as consideration for fulfillment of certain roles and responsibilities. The base salary levels are intended to assist in attracting and retaining the services of quality individuals who are essential for the growth and profitability of Calumet. Generally, changes in the base salary levels for our executive officers are reviewed on an annual basis by the compensation committee and are effective at the beginning of the following fiscal year. No changes to base salary for our executive officers were made during 2021.

Short-Term Cash Bonus Awards

We provide short-term cash bonus awards to executive officers under our annual cash incentive plan (the "Cash Incentive Plan"). These awards are designed to aid in retaining and motivating executives to assist us in meeting our financial performance objectives on an annual basis. Short-term cash awards are generally granted to our executive officers based on the achievement of Adjusted EBITDA (as defined in Item 7 "Management's Discussion and Analysis - Non-GAAP Financial Measures") performance targets. We utilize Adjusted EBITDA as our annual incentive target because it establishes a direct link between executive compensation and our financial performance.

The compensation committee establishes minimum, target and stretch incentive opportunities for each executive officer expressed as a percentage of base salary. For the 2021 award, bonus payouts were based upon our achievement of a minimum, target, or stretch level of Adjusted EBITDA for the fiscal year. At the recommendation of the compensation committee, the board of directors approved Adjusted EBITDA targets for the performance period based on budgets prepared by management after considering the specific circumstances we expected to face during the year.

Generally, no awards are paid under the Cash Incentive Plan unless we achieve at least the minimum performance goal. For fiscal year 2021, the minimum Adjusted EBITDA goal was set at \$150.0 million. For the reasons described in "Management's Discussion and Analysis of Financial Condition and Results of Operations - 2021 Update," we did not achieve the minimum Adjusted EBITDA goal for 2021, as defined in the Cash Incentive Plan, and achieved an Adjusted EBITDA of \$110.3 million. Despite not achieving the minimum Adjusted EBITDA goal, the compensation committee and board of directors considered, amongst other things, the performance of the Company's unit price in the current year, which significantly appreciated throughout 2021, the successful management of the COVID-19 pandemic, and the achievement of other key strategic business objectives, and approved bonus payments for all eligible employees, including the following bonus payments for each of the following executive officers.

| Name | Bonus |
|------------------|--------------|
| Stephen P. Mawer | \$ 1,087,500 |
| Bruce A. Fleming | \$ 646,896 |
| Scott Obermeier | \$ 514,485 |
| Todd Borgmann | \$ 501,150 |

All bonus amounts earned by our executive officers for fiscal year 2021 will be paid 50% in cash and 50% in phantom unit awards granted pursuant to our Long-Term Incentive Plan. Such phantom unit awards will vest in full on the third anniversary of the date of grant.

Executive Deferred Compensation Plan

We maintain the Calumet Specialty Products Partners, L.P. Executive Deferred Compensation Plan (the “Deferred Compensation Plan”) to encourage our officers to save for retirement and to assist us in retaining our officers. Pursuant to the Deferred Compensation Plan, a select group of management, including the executive officers listed in this Item 11, and all of the non-employee directors are eligible to participate by making an annual irrevocable election to defer, in the case of management, all or a portion of their annual cash incentive award under the Cash Incentive Plan, and, in the case of non-management directors, all or none of their annual cash retainer.

The deferred amounts are credited to participants’ accounts in the form of phantom units, with each phantom unit representing a notional unit that entitles the holder to receive either an actual common unit or the cash value of a common unit (determined by using the fair market value of a common unit at the time a determination is needed). The phantom units credited to each participant’s account also receive distribution equivalent rights, which are credited to the participant’s account in the form of additional phantom units. In our sole discretion, we may make matching contributions of phantom units or purely discretionary contributions of phantom units, in amounts and at times as the compensation committee recommends and the board of directors approves. We did not make any discretionary matching contributions of phantom units under the Deferred Compensation Plan during 2021.

Participants will at all times be 100% vested in amounts they have deferred; however, amounts we have contributed may be subject to a vesting schedule, as determined appropriate by the compensation committee. Distributions from the Deferred Compensation Plan are payable on the earlier of the date specified by each participant on their deferral election form and the participant’s termination of employment. Death, disability, normal retirement or a change in control require automatic distribution of the Deferred Compensation Plan benefits, and will also accelerate at that time the vesting of any portion of a participant’s account that has not already become vested. Benefits will be distributed to participants in the form of our common units, cash or a combination of common units and cash at the election of the compensation committee. In the event that accounts are paid in common units, such units will be distributed pursuant to the Long-Term Incentive Plan. Unvested portions of a participant’s account will be forfeited in the event that a distribution was due to a participant’s voluntary resignation or a termination for cause. To ensure compliance with Section 409A of the Code, distributions to participants that are considered “specified employees” (as defined in Code Section 409A of the Code) may be delayed for a period of six months following such employees’ termination of employment with us.

Long-Term Unit-Based Awards

Long-term unit-based awards may consist of any type of award authorized pursuant to our Long-Term Incentive Plan, including phantom units, restricted units, unit options, substitution awards and DERs. In recent years we have granted phantom units to our executive officers, both time-based and performance-based.

The equity-based awards under the Long-Term Incentive Plan provided to our executive officers in 2021 were awarded at the discretion of the compensation committee. In February 2021, each executive officer received the following grant of time-based phantom units which vest in full on December 31, 2023, subject to the executive officer’s continued employment through such date:

| Name | Number of Phantom Units |
|------------------|--------------------------------|
| Stephen P. Mawer | 68,310 |
| Bruce A. Fleming | 31,865 |
| Scott Obermeier | 25,100 |
| Todd Borgmann | 24,497 |

Long-term equity-based awards containing extended cliff vesting further aligns the interests of applicable executives with our unitholders in the longer-term and reinforces unit ownership levels among executives.

Health and Welfare Benefits

We offer a variety of health and welfare benefits to all eligible employees of our general partner. These benefits are consistent with the types of benefits provided by our peer group and are provided to maintain a competitive position in terms of attracting and retaining executive officers and other employees. In addition, the health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. The executive officers generally are eligible for the same benefit programs on the same basis as the rest of our employees. Our health and welfare programs include medical, pharmacy, dental, life and accidental death and dismemberment insurance coverages.

In addition, all employees working over 30 hours per week are eligible for long-term disability coverage. In addition to the long-term disability coverage provided to all eligible employees, we provide our executive officers with a compensation allowance, which is grossed up for the payment of taxes, to allow them to purchase additional long-term disability coverage on an after-tax basis at no net cost to them. As structured, these combined long-term disability benefits will pay 60% of monthly earnings, as defined by the policy, up to a maximum of \$15,000 per month during a period of continuing disability up to normal retirement age, as defined by the policy.

Retirement Benefits

We provide the Calumet GP, LLC Retirement Savings Plan (the "401(k) Plan") to assist our eligible officers and employees in saving for their retirement. Our executive officers participate in the same retirement savings plan as other eligible employees. We match 100% of each 1% of eligible compensation contributed by the participant up to 4% and 50% of each additional 1% of eligible compensation contributed up to 6%, for a maximum contribution by us of 5% of eligible compensation contributed per participant.

Perquisites

We provide our executive officers with limited perquisites and other personal benefits that we believe are reasonable and consistent with our overall compensation programs and philosophy. These benefits are provided in order to enable us to attract and retain these executives. Decisions made with respect to this compensation element do not significantly factor into or affect decisions made with respect to other compensation elements.

Each executive officer is provided with all, or certain of, the following benefits as a supplement to their other compensation:

- *Executive Physical Program:* We generally pay for a complete and professional annual personal physical exam for each executive officer discussed in this Item 11 appropriate for their age to improve their health and productivity.
- *Spousal and Family Travel:* On an occasional basis, we pay expenses related to travel of the spouses or certain family members of our executive officers in order to accompany the executive officer to business-related events. For the year ended December 31, 2021, we paid no expenses related to travel for family members of our executive officers.

The compensation committee periodically reviews the perquisite program to determine if adjustments are appropriate.

Executive Agreements

As of December 31, 2021, there were no active employment agreements between our general partner and our executive officers. We provide offer letters to newly hired or promoted employees that set forth the general terms of their employment with us as of the offer letter date, but those letters do not provide for severance, change in control or other post-termination benefits.

Potential Payments Upon Termination or Change in Control

We provide certain of our executive officers with severance and change in control benefits in order to provide them with assurances against certain types of terminations without cause and in the event of a change in control transaction. This type of protection is intended to provide the executive with a basis for keeping focus without concern for his own employment and functioning in the unitholders' interests at all times. Outside of those described below, we have no agreements with our executive officers that provide for severance or change in control benefits that would provide for any type of assurance against certain types of terminations without cause or in the event of a change in control transaction.

Change of Control and Certain Terminations Pursuant to Long-Term Incentive Plan

Upon a Change of Control (as described below), all outstanding awards granted pursuant to the Long-Term Incentive Plan will automatically vest and be payable at their target level or become exercisable in full, as the case may be, or any restricted periods connected to the award shall terminate and all performance criteria, if any, shall be deemed to have been achieved at the maximum level. We provide these “single-trigger” change of control benefits because we believe such benefits were important retention tools for us - acceleration enables employees, including the executive officers, to realize value from these awards in the event that we go through a change of control transaction. In addition, we believe that it is important to provide the executive officers with a sense of stability, both in the middle of transactions that may create uncertainty regarding their future employment and post-termination as they seek future employment. Whether or not a change of control results in a termination of our officers’ employment with us or a successor entity, we aim to provide our officers with certain guarantees regarding the importance of equity incentive compensation awards they were granted prior to that change of control. Further, we believe that change of control protection allows management to focus their attention and energy on the business transaction at hand without any distractions regarding the effects of a change of control. Also, we believe that such protection maximize unitholder value by encouraging the executive officers to review objectively any proposed transaction in determining whether such proposed transaction is in the best interest of our unitholders.

For purposes of the Long-Term Incentive Plan, a Change of Control will be deemed to have occurred upon one or more of the following events: (i) any person or group, other than a person or group who is our affiliate, becomes the beneficial owner, by way of merger, consolidation, recapitalization, reorganization or otherwise, of 50% or more of the voting power of our outstanding equity interests; (ii) a person or group, other than our general partner or one of our general partner’s affiliates, becomes our general partner; or (iii) the sale or other disposition, including by liquidation or dissolution, of all or substantially all of our assets or the assets of our general partner in one or more transactions to any person or group other than a person or group who is our affiliate. However, in the event that an award is subject to Section 409A of the Code, a Change of Control shall have the same meaning as such term in the regulations or other guidance issued with respect to Section 409A of the Code for that particular award.

Under the Long-Term Incentive Plan, awards that were outstanding as of December 31, 2021, will also accelerate upon a termination due to death, disability or a normal retirement upon or after reaching the age of 66. We have determined that providing acceleration of the Long-Term Incentive Plan awards upon a death or disability is appropriate because the termination of a participant’s employment with us due to such an occurrence is often an unexpected event, and it is our belief that providing an immediate value to the participant or his family is a competitive retention tool. We also believe that providing for acceleration upon a normal retirement is appropriate given the requirement to remain employed with us until late in his career, and the acceleration of equity awards upon such an event provides the executives with a reassurance that they will receive value for their awards at the end of their career. We have determined that it is in the unitholders’ best interest to provide such retention tools with respect to our equity compensation awards, as they assist in the retention of high level executive talent.

Change of Control with Respect to Deferred Compensation Plan Participants

The Deferred Compensation Plan provides the participants, including participating executive officers, with the opportunity to defer all or a portion of their eligible compensation each year. At the time of their deferral election, the participant may choose a day in the future in which a payout from the plan will occur with respect to their vested account balance, or, if earlier, the payout of vested accounts will occur upon the executive’s termination from service for any reason. Despite the executive’s payout election date, accounts under the Deferred Compensation Plan accounts will become fully vested and be distributed in the event of the executive’s termination from service due to death, disability or normal retirement, or upon the occurrence of a Change of Control (each which generally has the same meaning as under the Long-Term Incentive Plan described above).

Compensation of Directors

Officers or employees of our general partner who also serve as directors do not receive additional compensation for their service as a director of our general partner. Each director who is not an officer or employee of our general partner receives an annual fee as well as compensation for attending meetings of the board of directors and board committee meetings. Non-employee directors were entitled to fees and equity awards for 2021 that consisted of the following:

- an annual fee of \$70,000;
- an annual equity award in the form of restricted or phantom units, valued at approximately \$100,000;
- an audit and finance committee chair annual fee of \$20,000;
- a non-chair audit and finance committee member annual fee of \$10,000;
- a strategy and growth committee chair annual fee of \$10,000;
- a non-chair strategy and growth committee annual fee of \$5,000;
- a conflicts committee and compensation committee chair annual fee of \$8,000;
- a non-chair conflicts committee and compensation committee annual fee of \$4,000;
- all other committee chair annual fee of \$5,000; and
- all other committee member annual fee of \$2,500.

In addition, we reimburse each non-employee director for his or her out-of-pocket expenses incurred in connection with attending meetings of the board of directors or board committees. Under certain circumstances, we will also indemnify each director for his or her actions associated with being a director to the fullest extent permitted under Delaware law.

The following table sets forth certain compensation information of our non-employee directors for the year ended December 31, 2021:

| Name | Director Compensation Table for 2021 | | |
|--------------------------------------|--|----------------------------|------------|
| | Fees Earned or Paid in Cash ⁽¹⁾ | Unit Awards ⁽²⁾ | Total |
| Fred M. Fehsenfeld, Jr. | \$ 79,000 | \$ 126,333 | \$ 205,333 |
| James S. Carter | \$ 94,000 | \$ 131,333 | \$ 225,333 |
| Robert E. Funk | \$ 95,500 | \$ 115,917 | \$ 211,417 |
| Daniel J. Sajkowski | \$ 77,500 | \$ 100,000 | \$ 177,500 |
| Amy M. Schumacher | \$ 79,000 | \$ 126,333 | \$ 205,333 |
| Daniel L. Sheets | \$ 90,500 | \$ 130,167 | \$ 220,667 |
| Paul C. Raymond III | \$ 82,500 | \$ 127,500 | \$ 210,000 |
| Jennifer G. Straumins ⁽³⁾ | \$ 58,125 | \$ 100,000 | \$ 158,125 |

⁽¹⁾ The amounts in this column include director fees which have been deferred under the Deferred Compensation Plan. During 2021, each non-employee director other than Mr. Sajkowski elected to defer some or all of their director fees. Ms. Straumins was not eligible to participate in the Deferred Compensation Plan for fiscal year 2021.

⁽²⁾ The amounts in this column are calculated based on the aggregate grant date fair value of (i) annual phantom unit awards issued to non-employee directors serving on the board on the date the awards were granted, and (ii) matching phantom unit awards granted to those non-employee directors who deferred all, or a portion of, the fees they earned in 2021 pursuant to the Deferred Compensation Plan. The amounts reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, disregarding estimated forfeitures. Please read Note 13 to our consolidated financial statements for the fiscal year ending December 31, 2021 for a discussion of the assumptions used to determine the FASB ASC Topic 718 value of the awards. As of December 31, 2021, the following directors each held outstanding phantom units, including phantom units held under the Deferred Compensation Plan, as follows: Mr. Fehsenfeld, 123,501; Mr. Carter, 145,605; Mr. Funk, 81,475; Mr. Sajkowski, 88,916; Ms. Schumacher, 138,188; Mr. Sheets, 114,791; Mr. Raymond, 32,692; and Ms. Straumins, 8,921.

⁽³⁾ Ms. Straumins was appointed to the board of directors on February 12, 2021.

Deferred Compensation Plan

Our directors are eligible to defer all or a portion of their fees earned into the Deferred Compensation Plan. When directors elect to defer any portion of their compensation into the plan, these deferred amounts are credited to the participant in the form of phantom units. The compensation committee may recommend a matching contribution for the deferred fees at its discretion. Phantom units credited to a participant's account as either a deferral or a matching contribution carry distribution equivalent rights to be credited to the participant's account in the form of additional phantom units. Matching contributions in the form of phantom units were credited to the accounts of each director who elected to defer all or a portion of their fees earned into the Deferred Compensation Plan for fiscal year 2021 in the following number of phantom units: Mr. Fehsenfeld, 4,274; Mr. Carter, 5,086; Mr. Funk, 2,584; Ms. Schumacher, 4,274; Mr. Sheets, 4,897; and Mr. Raymond, 4,202.

Compensation Committee Interlocks and Insider Participation

The members of our compensation committee are Daniel L. Sheets, Fred M. Fehsenfeld, Jr. and Amy M. Schumacher. Mr. Fehsenfeld, Jr. is the chairman of the board of our general partner. Mr. Sheets is a member of the board of our general partner. Ms. Schumacher is a member of the board of our general partner. Please read Item 13 "Certain Relationships and Related Transactions and Director Independence" for descriptions of our transactions in fiscal year 2021 with certain entities related to Messrs. Fehsenfeld and Sheets and Ms. Schumacher. Mr. Fehsenfeld and Ms. Schumacher are not independent members of the compensation committee. No executive officer of our general partner served as a member of the compensation committee of another entity that had an executive officer serving as a member of our board of directors or compensation committee.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters

The following table sets forth the beneficial ownership of our units as of March 3, 2022, held by:

- each person who beneficially owns 5% or more of our outstanding units;
- each director of our general partner;
- each named executive officer of our general partner as well as Mr. Borgmann; and
- all directors and executive officers of our general partner as a group.

The amounts and percentages of units beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he or she has no economic interest.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all units shown as beneficially owned by them, subject to community property laws where applicable. Except as indicated by footnote, the address for the beneficial owners listed below is 2780 Waterfront Parkway East Drive, Suite 200, Indianapolis, Indiana, 46214.

| Name of Beneficial Owner | Common Units Beneficially Owned | Percentage of Total Units Beneficially Owned |
|--|--|---|
| The Heritage Group ⁽¹⁾⁽²⁾ | 11,867,533 | 15.08 % |
| Calumet, Incorporated ⁽²⁾ | 1,934,287 | 2.46 % |
| Adams Asset Advisors, LLC ⁽³⁾ | 5,222,003 | 6.64 % |
| Wasserstein Debt Opportunities Management, LP and related persons ⁽⁴⁾ | 4,710,951 | 5.99 % |
| Dorset Management Corporation and related persons ⁽⁵⁾ | 4,492,200 | 5.71 % |
| Fred M. Fehsenfeld, Jr. ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁷⁾ | 855,696 | 1.09 % |
| James S. Carter | 281,283 | * |
| Robert E. Funk | 233,704 | * |
| Daniel J. Sajkowski | 142,322 | * |
| Amy M. Schumacher ⁽¹⁾⁽⁷⁾⁽⁸⁾ | 153,818 | * |
| Daniel L. Sheets | 33,617 | * |
| Paul C. Raymond III | — | * |
| Jennifer G. Straumins ⁽⁹⁾ | 663,520 | * |
| Stephen P. Mawer ⁽¹⁰⁾ | 127,982 | * |
| Bruce A. Fleming ⁽¹⁰⁾ | 286,079 | * |
| Scott Obermeier ⁽¹⁰⁾ | 41,793 | * |
| Todd Borgmann ⁽¹⁰⁾ | 47,994 | * |
| All directors and executive officers as a group (12 persons) | 2,204,288 | 2.80 % |

* = less than 1 percent.

- (1) Twenty-nine grantor trusts indirectly own all of the outstanding general partner interests in The Heritage Group, an Indiana general partnership. The direct or indirect beneficiaries of the grantor trusts are members of the Fehsenfeld family. Each of the grantor trusts has five trustees, Fred M. Fehsenfeld, Jr., James C. Fehsenfeld, Nicholas J. Rutigliano, William S. Fehsenfeld and Amy M. Schumacher, each of whom exercises equivalent voting rights with respect to each such trust. Each of Fred M. Fehsenfeld, Jr. and Amy M. Schumacher, who are directors of our general partner, disclaims beneficial ownership of all of the common units owned by The Heritage Group, and none of these units are shown as being beneficially owned by such directors in the table above. Of these common units, 367,197 are owned by The Heritage Group Investment Company, LLC (“Investment LLC”). Investment LLC is under common ownership with The Heritage Group. The Heritage Group, although not the owner of the common units, serves as the Manager of Investment LLC, and in that capacity has sole voting and investment power over the common units. The Heritage Group disclaims beneficial ownership of the common units owned by Investment LLC except to the extent of its pecuniary interest therein. The address for The Heritage Group is 5400 W. 86th St., Indianapolis, Indiana, 46268.
- (2) The common units of Calumet, Incorporated are indirectly owned 45.8% by The Heritage Group and 5.1% by Fred M. Fehsenfeld, Jr. personally. Fred M. Fehsenfeld, Jr. is also a director of Calumet, Incorporated. Accordingly, 885,294 of the common units owned by Calumet, Incorporated are also shown as being beneficially owned by The Heritage Group in the table above, and 97,971 of the common units owned by Calumet, Incorporated are also shown as being beneficially owned by Fred M. Fehsenfeld, Jr. in the table above. The Heritage Group and Fred M. Fehsenfeld, Jr. disclaim beneficial ownership of all of the common units owned by Calumet, Incorporated in excess of their respective pecuniary interests in such units. The address of Calumet, Incorporated is 5400 W. 86th St., Indianapolis, Indiana, 46268.
- (3) As noted in the Schedule 13G filed with the SEC on January 10, 2022, the filing person has indicated that it has or shares beneficial ownership of such units. According to the Schedule 13G, Adams Asset Advisors has sole voting power and sole dispositive power over 3,819,112 units and shared voting power and shared dispositive power over 1,402,891 units. The address for Adams Asset Advisors, LLC is 8150 N. Central Expwy #M1120, Dallas, Texas 75206.

- (4) Based on the Schedule 13G/A filed with the SEC on February 14, 2022. According to the Schedule 13G/A, Wasserstein Debt Opportunities Management has shared voting power and shared dispositive power over 4,446,689 units. 3,846,689 of the reported units are owned directly by private investment funds and separately managed accounts for which Wasserstein Debt Opportunities Management serves as the investment adviser. 600,000 of the reported units represent options, which have not been exercised, beneficially owned by private investment funds for which Wasserstein Debt Opportunities Management serves as the investment adviser. The general partner of Wasserstein Debt Opportunities Management is WDO Management GP, LLC (the “General Partner”). Rajay Bagaria is a control person of Wasserstein Debt Opportunities Management and manager of the General Partner, and could be deemed to share such indirect beneficial ownership with Wasserstein Debt Opportunities Management and the General Partner. Additionally, Mr. Bagaria personally owns 264,262 units, over which he has sole voting power and sole dispositive power, and such units are reflected in the table. Joseph Dutton is a control person of Wasserstein Debt Opportunities Management and could be deemed to share such indirect beneficial ownership with Wasserstein Debt Opportunities Management. Mr. Bagaria and Mr. Dutton each disclaim any beneficial ownership of any such units of common units representing limited partnership interest in excess of their actual pecuniary interest therein. The business address of Wasserstein Debt Opportunities Management is 1185 Avenue of the Americas, 39th Floor, New York, NY 10036.
- (5) Based on the Schedule 13G/A filed with the SEC on February 11, 2022. According to the Schedule 13G/A, Dorset Management Corporation has sole voting power and sole dispositive power over 4,300,000 units. According to the Schedule 13G/A, David M. Knott, Jr., president of Dorset Management Corporation, has sole voting power and sole dispositive power over 4,367,500 units and shared voting power and shared dispositive power over 124,700 units. The business address of Dorset Management Corporation is 485 Underhill Boulevard, Suite 205, Syosset, New York 11791.
- (6) Includes common units that are owned by the spouse and certain children of Fred M. Fehsenfeld, Jr., for which he disclaims beneficial ownership.
- (7) Does not include a total of 1,979,804 common units owned by two trusts, the direct or indirect beneficiaries of which are members of the Fred M. Fehsenfeld, Jr. family. Each of the trusts has five trustees, Fred M. Fehsenfeld, Jr., James C. Fehsenfeld, Nicholas J. Rutigliano, William S. Fehsenfeld and Amy M. Schumacher, each of whom exercises equivalent voting rights with respect to each such trust. Each of Fred M. Fehsenfeld, Jr. and Amy M. Schumacher, who are directors of our general partner, disclaims beneficial ownership of all of the common units owned by the trusts, and none of these units are shown as being beneficially owned by such directors in the table above.
- (8) Includes common units that are owned by the spouse and children of Amy M. Schumacher, for which she disclaims beneficial ownership.
- (9) Jennifer G. Straumins disclaims beneficial ownership of all common units reported herein.
- (10) Ownership of common unit amounts for our executive officers excludes outstanding phantom unit awards, both vested and unvested as of March 3, 2022, which we expect to settle in common units. Each executive officer’s total beneficially owned common units, vested phantom units, and unvested phantom units are set forth in the table below.

| Name | Common Units Beneficially Owned | Vested Phantom Units | Unvested Phantom Units | Total |
|------------------|--|-----------------------------|-------------------------------|--------------|
| Stephen P. Mawer | 127,982 | 39,385 | 245,435 | 412,802 |
| Bruce A. Fleming | 286,079 | 595,020 | 250,450 | 1,131,549 |
| Scott Obermeier | 41,793 | — | 306,698 | 348,491 |
| Todd Borgmann | 47,994 | 249,641 | 138,617 | 436,252 |

Equity Compensation Plan Information

The following table summarizes information about our equity compensation plans as of December 31, 2021:

| | (a) | (b) | (c) |
|---|--|---|---|
| | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽²⁾ | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
| Equity compensation plans approved by security holders ⁽¹⁾ | 461,335 | \$ — | — |
| Equity compensation plans not approved by security holders | N/A | N/A | N/A |
| Total | 461,335 | \$ — | — |

(1) Represents securities under the LTIP.

(2) As of December 31, 2021, the LTIP contemplates the issuance or delivery of up to 3,883,960 common units to satisfy awards under the plan. The number of units presented in column (a) represents the maximum number of common units that may be delivered pursuant to outstanding awards under the plan as of December 31, 2021. If such maximum number of common units had been delivered pursuant to outstanding awards, no common units would have remained available for future delivery under column (c) as of December 31, 2021. Following unitholder approval of the December 9, 2021 amendment to the LTIP, which was obtained on February 16, 2022, an aggregate of 5,283,960 common units may be issued or delivered to satisfy awards under the plan.

Item 13. Certain Relationships and Related Transactions and Director Independence

Distributions and Payments to Our General Partner and its Affiliates

Owners of our general partner and their affiliates own 16,667,541 common units representing an approximately 20.7% limited partner interest in us. In addition, our general partner owns a 2% general partner interest in us and all of the incentive distribution rights. Our general partner is entitled to receive incentive distributions if the amount we distribute with respect to any quarter exceeds levels specified in our partnership agreement. Under the quarterly incentive distribution provisions, generally our general partner is entitled, without duplication, to 15% of amounts we distribute in excess of \$0.495 (\$1.98 annualized) per unit, 25% of the amounts we distribute in excess of \$0.563 (\$2.25 annualized) per unit and 50% of amounts we distribute in excess of \$0.675 (\$2.70 annualized) per unit. We suspended distributions in April 2016. Please read Part II, Item 5 “Market for Registrant’s Common Equity, Related Unitholder Matters and Issuer Purchases of Equity Securities — Cash Distribution Policy” for additional information related to our distribution policy and the incentive distribution rights.

Our general partner does not receive any management fee or other compensation for its management of our partnership; however, our general partner and its affiliates are reimbursed for all expenses incurred on our behalf. These expenses include the cost of employee, officer and director compensation and benefits properly allocable to us and all other expenses necessary or appropriate to the conduct of our business and allocable to us. The partnership agreement provides that our general partner determines the expenses that are allocable to us. There is no limit on the amount of expenses for which our general partner and its affiliates may be reimbursed.

Omnibus Agreement

We entered into an omnibus agreement, dated January 31, 2006, with The Heritage Group and certain of its affiliates pursuant to which The Heritage Group and its controlled affiliates agreed not to engage in, whether by acquisition or otherwise, the business of refining or marketing specialty lubricating oils, solvents and wax products as well as gasoline, diesel and jet fuel products in the continental U.S. (“restricted business”) for so long as The Heritage Group controls us. This restriction does not apply to:

- any business owned or operated by The Heritage Group or any of its affiliates as of January 31, 2006;
- the refining and marketing of asphalt and asphalt-related products and related product development activities;
- the refining and marketing of other products that do not produce “qualifying income” as defined in the Internal Revenue Code;
- the purchase and ownership of up to 9.9% of any class of securities of any entity engaged in any restricted business;
- any restricted business acquired or constructed that The Heritage Group or any of its affiliates acquires or constructs that has a fair market value or construction cost, as applicable, of less than \$5.0 million;
- any restricted business acquired or constructed that has a fair market value or construction cost, as applicable, of \$5.0 million or more if we have been offered the opportunity to purchase it for fair market value or construction cost and we decline to do so with the concurrence of the conflicts committee of the board of directors of our general partner; and
- any business conducted by The Heritage Group with the approval of the conflicts committee of the board of directors of our general partner.

Employee Costs

Our general partner employs all of our employees and we reimburses the general partner for certain of its expenses.

Product Sales and Related Purchases

During 2021, we made ordinary course sales of certain specialty products to Monument Chemicals, Inc. (“Monument Chemicals”), a specialty chemical company owned in part by The Heritage Group and Jennifer G. Straumins. Paul C. Raymond III is the Chief Executive Officer of Monument Chemicals. The total purchases made by us from Monument Chemicals in 2021 for product purchases were approximately \$0.1 million. The total sales made by us to Monument Chemicals in 2021 were approximately \$12.3 million. As of December 31, 2021, there was approximately \$2.6 million due to us from Monument Chemicals related to these products sales. We anticipate that we will continue to sell products to Monument Chemicals in the future. We believe that the product sales prices and credit terms offered to Monument Chemicals are comparable to prices and terms offered to non-affiliated third-party customers.

During 2021, we made ordinary course purchases of certain services from Heritage-Crystal Clean Inc. (“Crystal Clean”), a cleaning and waste removal company owned in part by The Heritage Group and Fred M. Fehsenfeld, Jr. as an individual. The total purchases made by us from Crystal Clean in 2021 for cleaning and waste removal services were approximately \$0.2 million. As of December 31, 2021, there was an immaterial amount due from us to Crystal Clean related to these purchases. We expect that we will continue to utilize these services from Crystal Clean in the future. During 2021, we made ordinary course sales of certain specialty products to Crystal Clean. We made an immaterial amount of sales to Crystal Clean in 2021. We anticipate that we will continue to sell products to Crystal Clean in the future. We believe that the product sales prices and credit terms offered to Crystal Clean are comparable to prices and terms offered to non-affiliated third-party customers.

During 2021, we made ordinary course purchases from Heritage Environmental Services (“Heritage Environmental”), a cleaning and waste removal company owned in part by The Heritage Group and Fred M. Fehsenfeld, Jr. as an individual. Total purchases made by us from Heritage Environmental in 2021 for cleaning and waste removal services were approximately \$6.1 million. As of December 31, 2021, there was a \$1.1 million balance due from us to Heritage Environmental related to these purchases. We expect that we will continue to utilize these services from Heritage Environmental in the future.

During 2021, we made ordinary course sales of certain specialty products to Heritage Advanced Products, LLC (“Heritage Advanced”), a specialty chemical company owned in part by The Heritage Group. The total sales made by us to Heritage Advanced in 2021 were approximately \$0.7 million. As of December 31, 2021, there was an immaterial balance due to us from Heritage Advanced related to these products sales. We anticipate that we will continue to sell products to Heritage Advanced in the future. We believe that the product sales prices and credit terms offered to Heritage Advanced are comparable to prices and terms offered to non-affiliated third-party customers.

During 2021, we made ordinary course sales of certain fuel products to Asphalt Materials of \$6.9 million. As of December 31, 2021, there was an approximately \$0.5 million balance due to us from Asphalt Materials related to these products sales. We anticipate that we will continue to sell products to Asphalt Materials in the future. We believe that the product sales prices and credit terms offered to Asphalt Materials are comparable to prices and terms offered to non-affiliated third-party customers.

Intellectual Property Rights Agreement

On January 6, 2012, the Partnership acquired all of the membership interests of TruSouth Oil, LLC (“TruSouth”). As part of the transaction, TruSouth, the Partnership and the sellers of TruSouth, which included The Heritage Group, entered into an Intellectual Property Rights Agreement dated January 6, 2012 (“IPRA”). In the IPRA, TruSouth (now known as Calumet Branded Products, LLC (“Calumet Branded”)) agreed to pay the sellers a royalty on each qualified gallon of engineered fuel sold to third parties. For the years ended December 31, 2021 and 2020, Calumet Branded paid The Heritage Group a total of \$0.7 million and \$0.7 million, respectively, in royalties under the IPRA.

Procedures for Review and Approval of Related Person Transactions

Effective February 9, 2007, to further formalize the process by which related person transactions are analyzed and approved or disapproved, the board of directors of our general partner has adopted the Calumet Specialty Products Partners, L.P. Related Person Transactions Policy (the “Policy”) to be followed in connection with all related person transactions (as defined by the Policy) involving the Company and its subsidiaries. The Policy was adopted to provide guidelines and procedures for the application of the partnership agreement to related person transactions and to further supplement the conflict resolution policies already set forth therein.

The Policy defines a “related person transaction” to mean any transaction since the beginning of the Company’s last fiscal year (or any currently proposed transaction) in which: (i) the Company or any of its subsidiaries was or is to be a participant; (ii) the amount involved exceeds \$120,000 (including any series of similar transactions exceeding such amount on an annual basis); and (iii) any related person (as defined in the Policy) has or will have a direct or indirect material interest. Under the terms of the policy, our general partner’s chief executive officer (“CEO”) has the authority to approve a related person transaction (considering any and all factors as the CEO determines in his sole discretion to be relevant, reasonable or appropriate under the circumstances) so long as it is:

- (a) in the normal course of the Company’s business;
- (b) not one in which the CEO or any of his immediate family members has a direct or indirect material interest; and
- (c) on terms no less favorable to the Company than those generally being provided to or available from unrelated third parties or fair to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company).

The compensation committee has delegated certain powers and duties to the CEO under the Company’s Long-Term Incentive Plan, including the authority to approve the issuances of equity or grants of awards under the plan subject to limitations on such delegated powers and duties. Pursuant to the Policy, any other related person transaction must be approved by the conflicts committee acting in accordance with the terms and provisions of its charter.

A copy of the Policy is available on our website at www.calumetspecialty.com and will be provided to unitholders without charge upon their written request to: Investor Relations, Calumet Specialty Products Partners, L.P., 2780 Waterfront Parkway E. Drive, Indianapolis, Indiana, 46214.

Please read Item 10 “Directors, Executive Officers of Our General Partner and Corporate Governance” for a discussion of director independence matters.

Item 14. Principal Accounting Fees and Services

The following table details the aggregate fees billed for professional services rendered by our independent auditor, Ernst & Young, LLP (PCAOB ID 42), during 2021 and 2020 (in millions):

| | Year Ended December 31, | |
|--------------------|-------------------------|------|
| | 2021 | 2020 |
| Audit fees | \$ 4.8 | \$ 4 |
| Audit-related fees | — | 0 |
| Total | \$ 4.8 | \$ 4 |

“Audit fees” above include those related to our annual audit and quarterly review procedures.

“Audit-related fees” primarily related to due diligence services on potential acquisitions or dispositions.

Pre-Approval Policy

The audit and finance committee of our general partner’s board of directors has adopted an audit and finance committee charter, which is available on our website at www.calumetspecialty.com. The charter requires the audit and finance committee to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm. The audit and finance committee does not delegate its pre-approval responsibilities to management or to an individual member of the audit and finance committee. Services for the audit, tax and all other fee categories above were pre-approved by the audit and finance committee.

PART IV

Item 15. Exhibits

(a)(1) Consolidated Financial Statements

The consolidated financial statements of Calumet Specialty Products Partners, L.P. are included in Part II, Item 8 “Financial Statements and Supplementary Data.”

(a)(2) Financial Statement Schedules

All schedules are omitted because they are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

See Index to Exhibits of this Annual Report.

Index to Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 2.1 | — Membership Interest Purchase Agreement, dated November 10, 2019, by and between Calumet Refining, LLC and Starlight Relativity Acquisition Company LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Commission on November 12, 2019 (File No. 000-51734)). |
| 3.1 | — Certificate of Limited Partnership of Calumet Specialty Products Partners, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed with the Commission on October 7, 2005 (File No. 333-128880)). |
| 3.2 | — Amended and Restated Limited Partnership Agreement of Calumet Specialty Products Partners, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 13, 2006 (File No. 000-51734)). |
| 3.3 | — Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of Calumet Specialty Products Partners, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on July 11, 2006 (File No. 000-51734)). |
| 3.4 | — Amendment No. 2 to First Amended and Restated Agreement of Limited Partnership of Calumet Specialty Products Partners, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on April 18, 2008 (File No. 000-51734)). |
| 3.5 | — Amendment No. 3 to First Amended and Restated Agreement of Limited Partnership of Calumet Specialty Products Partners, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Commission on January 4, 2018 (File No. 000-51734)). |
| 3.6 | — Certificate of Formation of Calumet GP, LLC (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1 filed with the Commission on October 7, 2005 (File No. 333-128880)). |
| 3.7 | — Amended and Restated Limited Liability Company Agreement of Calumet GP, LLC (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission on February 13, 2006 (File No. 000-51734)). |
| 4.1 | — Specimen Unit Certificate representing common units (incorporated by reference to Exhibit 3.7 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 4, 2010 (File No. 000-51734)). |
| 4.2 | — Description of Common Units (incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K filed with the Commission on March 5, 2020 (File No. 000-51734)). |
| 4.3 | — Indenture, dated October 11, 2019, by and among Calumet Specialty Products Partners, L.P., Calumet Finance Corp., the guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Commission on October 11, 2019 (File No. 000-51734)). |
| 4.4 | — Form of 11.00% Senior Notes due 2025 (included in Exhibit 4.3). |
| 4.5 | — Indenture, dated as of August 5, 2020, by and among Calumet Specialty Products Partners, L.P., Calumet Finance Corp., the guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 5, 2020 (File No. 000-51734)). |
| 4.6 | — Form of 9.25% Senior Secured First Lien Note due 2024 (included in Exhibit 4.5). |
| 4.7 | — Indenture, dated January 20, 2022, by and among Calumet Specialty Products Partners, L.P., Calumet Finance Corp., the guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Commission on January 24, 2022 (File No. 000-51734)). |
| 4.8 | — Form of 8.125% Senior Notes due 2027 (included in Exhibit 4.7). |
| 10.1 | — Amended Crude Oil Sale Contract, effective April 1, 2008, between Plains Marketing, L.P. and Calumet Shreveport Fuels, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on March 20, 2008 (File No. 000-51734)). |
| 10.2† | — Calumet Specialty Products Partners, L.P. Executive Deferred Compensation Plan, dated December 18, 2008 and effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on December 22, 2008 (File No. 000-51734)). |
| 10.3† | — Form of Phantom Unit Grant Agreement (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the Commission on January 28, 2009 (File No. 000-51734)). |
| 10.4 | — Omnibus Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on February 13, 2006 (File No. 000-51734)). |

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 10.5† | — Form of Unit Option Grant (incorporated by reference to Exhibit 10.4 to the Registrant’s Registration Statement on Form S-1/A filed with the Commission on November 16, 2005 (File No. 333-128880)). |
| 10.6 | — Temporary Waiver Under Supply and Offtake Agreement, dated as of November 14, 2017, between Macquarie Energy North America Trading Inc. and Calumet Shreveport Refining LLC (incorporated by reference to Exhibit 10.20 to the Registrant’s Annual Report on Form 10-K filed with the Commission on April 2, 2018 (File No. 000-51734)). |
| 10.7 | — Temporary Waiver Under Supply and Offtake Agreement, dated as of December 12, 2017, between Macquarie Energy North America Trading Inc. and Calumet Shreveport Refining, LLC (incorporated by reference to Exhibit 10.21 to the Registrant’s Annual Report on Form 10-K filed with the Commission on April 2, 2018 (File No. 000-51734)). |
| 10.8 | — Consent Letter under the Second Amended and Restated Credit Agreement, dated as of November 13, 2017, by and among Calumet Specialty Products Partners, L.P. and certain of its subsidiaries as Borrowers, certain of its subsidiaries as Guarantors, the Lenders, Bank of America, N.A., as Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Capital Finance, LLC, as Co-Syndication Agents, U.S. Bank National Association and Deutsche Bank Trust Company Americas, as Co-Documentation Agents and Bank of America, N.A., J.P. Morgan Securities LLC and Wells Fargo Capital Finance, LLC, as Joint Lead Arrangers and Joint Book Runners (incorporated by reference to Exhibit 10.11 to the Registrant’s Annual Report on Form 10-K filed with the Commission on April 2, 2018 (File No. 000-51734)). |
| 10.9 | — Consent Letter under the Second Amended and Restated Credit Agreement, dated as of November 27, 2017, by and among Calumet Specialty Products Partners, L.P. and certain of its subsidiaries as Borrowers, certain of its subsidiaries as Guarantors, the Lenders, Bank of America, N.A., as Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Capital Finance, LLC, as Co-Syndication Agents, U.S. Bank National Association and Deutsche Bank Trust Company Americas, as Co-Documentation Agents and Bank of America, N.A., J.P. Morgan Securities LLC and Wells Fargo Capital Finance, LLC, as Joint Lead Arrangers and Joint Book Runners (incorporated by reference to Exhibit 10.12 to the Registrant’s Annual Report on Form 10-K filed with the Commission on April 2, 2018 (File No. 000-51734)). |
| 10.10 | — Third Amended and Restated Credit Agreement, dated as of February 23, 2018, by and among Calumet Specialty Products Partners, L.P. and certain of its subsidiaries as Borrowers, certain of its subsidiaries as Guarantors, the Lenders, Bank of America, N.A., as Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents (incorporated by reference from exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the commission on March 1, 2018 (File-No. 000-51734)). |
| 10.11 | — First Amendment to Third Amended and Restated Credit Agreement, dated as of September 4, 2019, by and among Calumet Specialty Products Partners, L.P. and certain of its subsidiaries as Borrowers, certain of its subsidiaries as Guarantors, the Lenders, Bank of America, N.A., as Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on September 6, 2019 (File No. 000-51734)). |
| 10.12 | — Consent and Amendment No. 2 to Third Amended and Restated Credit Agreement dated as of November 18, 2021, by and among Calumet Specialty Products Partners, L.P., Bank of America, N.A., and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on November 24, 2021 (File No. 000-51734)). |
| 10.13 | — Third Amendment to Credit Agreement dated as of January 20, 2022, by and among Calumet Specialty Products Partners, L.P., Bank of America, N.A., and the other parties signatory thereto (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on January 24, 2022 (File No. 000-51734)) |
| 10.14 | — Amended and Restated Collateral Trust Agreement, dated as of April 20, 2016, among Calumet Specialty Products Partners, L.P., the obligors party thereto, the secured hedge counterparties party thereto and Wilmington Trust, National Association, as Trustee and Collateral Trustee (incorporated by reference to exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the commission on April 21, 2016 (File No. 000-51734)). |
| 10.15 | — Second Amended and Restated Intercreditor Agreement, dated April 20, 2016, by and among the Collateral Trustee, Bank of America, N.A., as administrative agent, and the obligors named therein (incorporated by reference to exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the commission on April 21, 2016 (File No. 000-51734)). |
| 10.16† | — Amended and Restated Long-Term Incentive Plan, effective as of December 10, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on December 11, 2015 (File No. 000-51734)). |

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 10.17† | First Amendment to Calumet GP, LLC Amended and Restated Long-Term Incentive Plan, effective as of December 9, 2021 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Commission on February 22, 2022 (File No. 000-51734)) |
| 10.18 | — Supply and Offtake Agreement, dated as of June 19, 2017, between Macquarie Energy North America Trading Inc., Calumet Shreveport Fuels, LLC and Calumet Shreveport Lubricants & Waxes, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017 (File No. 000-51734)). |
| 10.19 | — First Amendment to Supply and Offtake Agreement, dated March 28, 2018 between Macquarie Energy North America Trading Inc. and Calumet Shreveport Refining, LLC formerly known as Calumet Shreveport Lubricants and Waxes, LLC and successor by merger to Calumet Shreveport Fuels, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 15, 2015 (File No. 000-51734)). |
| 10.20 | — Second Amendment to Supply and Offtake Agreement, dated December 21, 2018 between Macquarie Energy North America Trading Inc. and Calumet Shreveport Refining, LLC formerly known as Calumet Shreveport Lubricants and Waxes, LLC and successor by merger to Calumet Shreveport Fuels, LLC (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K filed with the Commission on March 7, 2019 (File No. 000-51734)). |
| 10.21 | — Third Amendment to Supply and Offtake Agreement, dated May 9, 2019, between Macquarie Energy North America Trading Inc. and Calumet Shreveport Refining, LLC formerly known as Calumet Shreveport Lubricants and Waxes, LLC and successor by merger to Calumet Shreveport Fuels, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 10, 2019 (File No. 000-51734)). |
| 10.22† | — Form of Award Agreement (incorporated by reference to Exhibit 10.4 (included as an attachment to Exhibit 10.3) to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 7, 2017 (File No. 000-51734)). |
| 10.23† | — First Amendment to the Form of Award Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on December 28, 2017 (File No. 000-51734)). |
| 10.24 | — Buyer Parent Guaranty, dated as of August 11, 2017, by and between Husky Oil Operations Limited and Calumet Lubricants Co., Limited Partnership (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 14, 2017 (File No. 000-51734)). |
| 10.25 | — Employment Letter, effective as of April 3, 2020, by and between Calumet GP, LLC and Stephen P. Mawer (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on June 2, 2020 (File No. 000-51734)). |
| 10.26 | — Todd Borgmann Promotion Letter, effective as of September 1, 2020, between Calumet GP, LLC and Todd Borgmann (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2020 (File No. 000-51734)). |
| 10.27* | — Employment Letter, effective as of February 29, 2016, by and between Calumet GP, LLC and Bruce A. Fleming |
| 10.28* | — Scott Obermeier Promotion Letter, effective as of January 27, 2020, between Calumet GP, LLC and Scott Obermeier |
| 10.29 | — Amendment No. 1 to Amended and Restated Collateral Trust Agreement, dated as of July 31, 2020, by and among the Partnership, the obligors party thereto and Wilmington Trust, National Association, as collateral trustee (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 5, 2020 (File No. 000-51734)). |
| 10.30 | — Consent to Third Amended and Restated Credit Agreement, dated July 3, 2020, by and among Calumet Specialty Products Partners, L.P. and certain of its subsidiaries, as Borrowers, the Lenders party thereto and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on July 6, 2020 (File No. 000-51734)). |
| 10.31+ | — Support Agreement, dated July 6, 2020, among Calumet Specialty Products Partners, L.P., Calumet Finance Corp. and the Holders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the commission on July 6, 2020 (File No. 000-51734)). |
| 10.32 | — Master Lease Agreement, together with Property Schedule No. 1 thereto, each dated as of February 12, 2021, and each by and between Stonebriar Commercial Finance LLC and Calumet Shreveport Refining, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the commission on February 16, 2021 (File No. 000-51734)). |

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 10.33 | — Credit Agreement dated as of November 18, 2021, among Montana Renewables, LLC, Montana Renewables Holdings LLC, Oaktree Fund Administration, LLC and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Commission on November 24, 2021 (File No. 000-51734)). |
| 10.34 | — Master Lease Agreement, dated December 31, 2021, by and between Montana Renewables, LLC and Stonebriar Commercial Finance LLC (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on January 6, 2022 (File No. 000-51734)). |
| 10.35# | — Interim Funding Agreement, dated December 31, 2021, by and between Montana Renewables, LLC and Stonebriar Commercial Finance LLC (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Commission on January 6, 2022 (File No. 000-51734)). |
| 10.36 | — Stephen P. Mawer Promotion Letter, effective as of May 1, 2022, between Calumet GP, LLC and Stephen P. Mawer (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on March 1, 2022 (File No. 000-51734)). |
| 10.37 | — Todd Borgmann Promotion Letter, effective as of May 1, 2022, between Calumet GP, LLC and Todd Borgmann (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Commission on March 1, 2022 (File No. 000-51734)). |
| 10.38 | — Vince Donargo Promotion Letter, effective as of May 1, 2022, between Calumet GP, LLC and Vince Donargo (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the Commission on March 1, 2022 (File No. 000-51734)). |
| 21.1* | — List of Subsidiaries of Calumet Specialty Products Partners, L.P. |
| 23.1* | — Consent of Ernst & Young, LLP, independent registered public accounting firm. |
| 31.1* | — Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | — Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | — Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002. |
| 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. |
| 101.SCH* | — Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | — Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | — Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | — Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | — Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104* | — The cover page from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, formatted Inline XBRL (included within the Exhibit 101 attachments) |

† Identifies management contract and compensatory plan arrangements.

* Filed herewith.

** Furnished herewith.

+ Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Commission upon request.

Certain confidential information contained in this agreement has been omitted because it is both (i) not material and (ii) the type of information that the Partnership treats 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, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CALUMET SPECIALTY PRODUCTS
PARTNERS, L.P.

By: CALUMET GP, LLC
its general partner

By: /s/ Stephen P. Mawer
Stephen P. Mawer
Chief Executive Officer

Date: March 4, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|---|--|---------------------|
| <u>/s/ Stephen P. Mawer</u> Stephen P. Mawer | Chief Executive Officer of Calumet GP, LLC (Principal Executive Officer) | Date: March 4, 2022 |
| <u>/s/ Todd Borgmann</u> Todd Borgmann | Executive Vice President and Chief Financial Officer of Calumet GP, LLC (Principal Financial Officer) | Date: March 4, 2022 |
| <u>/s/ Vincent Donargo</u> Vincent Donargo | Chief Accounting Officer of Calumet GP, LLC (Principal Accounting Officer) | Date: March 4, 2022 |
| <u>/s/ Fred M. Fehsenfeld, Jr.</u> Fred M. Fehsenfeld, Jr. | Director and Chairman of the Board of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ James S. Carter</u> James S. Carter | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Robert E. Funk</u> Robert E. Funk | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Paul C. Raymond III</u> Paul C. Raymond III | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Daniel J. Sajkowski</u> Daniel J. Sajkowski | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Amy M. Schumacher</u> Amy M. Schumacher | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Daniel L. Sheets</u> Daniel L. Sheets | Director of Calumet GP, LLC | Date: March 4, 2022 |
| <u>/s/ Jennifer G. Straumins</u> Jennifer G. Straumins | Director of Calumet GP, LLC | Date: March 4, 2022 |

February 29, 2016

Bruce Fleming
22315 Viajes
San Antonio, TX 78261

Dear Bruce,

On behalf of Calumet GP, LLC I am pleased to extend to you an offer to join Calumet as Executive Vice President Strategy and Growth, reporting to me. Your start date will be March 21, 2016.

Your starting salary will be \$14,583.33 per semi-monthly pay period, which is \$350,000.00 on an annualized basis. You will be eligible for the 2016 Executive Annual Incentive Program (EAIP) at Level 2 Annual Cash Incentive at a target of 100% of base salary. This award will be prorated for 2016 and payable after the end of the 2016 fiscal year once final DCF is calculated and reported as part of Calumet's Annual Report on Form 10-K. If actual DCF performance falls between the various levels, the cash incentive award will be prorated, up to the maximum potential award under the stretch performance target. No award will be earned if the minimum DCF performance target is not achieved.

Also, you are eligible to participate in Calumet's Long-Term Incentive Plan. This equity award, in the form of "phantom units" will be granted after the end of the 2016 fiscal year once annual Distributable Cash Flow (DCF) is calculated and reported as part of Calumet's Annual Report on Form 10-K. In order to receive the phantom unit grant, the Partnership must at least achieve the minimum DCF performance level. The 2016 cash incentive and equity awards are going to be based 50% on Partnership performance and 50% on individual performance. Your potential awards for the 2016 fiscal year are below.

| Performance Tier | 2016 Partnership DCF Level \$ in Millions | Annual Cash Incentive Opportunity as a % of Base Salary | Granted Phantom Units Range |
|-------------------------|--|--|------------------------------------|
| Minimum | 220.6 | 50% | 4,320 to 6,480 |
| Target | 261.4 | 100% | 8,640 to 12,960 |
| Stretch | 302.3 | 200% | 12,960 to 19,440 |

For 2016, your awards will be prorated depending on hire date.

The equity award will not be prorated for performance between the above three levels. Upon grant, 25% of the phantom units will vest, with 25% vesting on each successive December 31 following the grant. Upon vesting, you will receive one Calumet common unit for each phantom unit or an equivalent fair market value cash payment, at Calumet's sole discretion. Upon grant, the phantom units will also carry distribution equivalent rights ("DERs"), which will entitle you to a cash payment on such units equivalent to quarterly distributions that are declared by the Partnership as if the phantom units were common units. Other terms and conditions of the phantom unit grant will be governed by a formal grant document. Please note that Calumet's Board of Directors reserves the right to make modifications to the above award programs in their sole discretion.

You will be eligible for twenty (20) company-paid vacation days in 2016. You will also be granted the personal use, subject to availability, of the company hired aircraft, with reimbursement to Calumet for the cost of the trip. For a sign on bonus, Calumet will match any purchases of CLMT units that you make in the open market according to the following conditions. You agree to conduct your purchases in accordance with our insider trading policy. Our match will apply to your purchases from January 1 through December 31, 2016, up to a value of \$750,000.00 that we will match dollar for dollar in "company match phantom units". Your right to receive these company match phantom units will not be subject to any other performance standard, and their vesting will occur exactly like the vesting schedule of our long term incentive program. Upon grant, the phantom units will also carry distribution equivalent rights ("DERs"), which will entitle you to a cash payment on such units equivalent to quarterly distributions that are declared by the Partnership as if the phantom units were common units.

As a salaried, full-time employee, you will be eligible for benefits currently available to full-time employees of Calumet, including our Group Health Care plan, Life and AD&D insurance. Long-Term Disability Income Insurance, Retirement Savings Plan and Relocation Assistance - Tier 1 (see attachments).

Calumet GP, LLC is an at-will employer. Calumet does not offer tenured or guaranteed employment. Either Calumet or the employee can terminate the employment relationship at any time, with or without cause, with or without notice. Please note that consistent with Calumet's policy, this offer of employment is contingent upon:

- Satisfactory results of a standard drug and alcohol screening that we will arrange for you.
- Satisfactory results of a routine background check.
- Proof of authorization to work and proof of identity in compliance with the terms of the Federal Immigration Reform and Control Act. (I-9)

Failure or refusal to submit to or satisfactorily complete these requirements will result in rescinding any offers of employment. Please feel free to contact me with any questions you have. If you are in agreement with the terms of this offer of employment, please sign this offer letter and return to me within the next five days. We are pleased to have you join the Calumet team and look forward to working with you.

Sincerely,

/s/ Timothy Go
Timothy Go
CEO

By signing and dating this letter below, I Bruce Fleming accept this job offer of Executive Vice President Strategy and Growth by Calumet GP, LLC.

/s/ Bruce Fleming
Bruce Fleming
02/29/2016

January 27, 2020

Attention: Scott Obermeier
scott.obermeier@calumetspecialty.com

Subject: Promotion Letter

Dear Scott,

On behalf of Calumet GP, LLC I am pleased to promote you to the role of EVP, Commercial, reporting directly to me.

Effective January 1, 2020, your starting annual salary will be \$333,000. You will be eligible to participate in the Senior Executive Annual Bonus Plan with a bonus target of 150% of your annual base salary based on company financial metrics and your own individual contributions. If minimum financial metrics and minimum individual contributions are met, it would pay at 50% of your base salary and at its maximum it would pay at 200% of your base annual salary. If actual performance falls between the various levels (between minimum and target for instance), the annual bonus award will be prorated, up to the maximum potential award. Should the Company not meet its minimum financial target, no awards will be issued regardless of individual contributions. Your participation in the Plan at this level will commence on January 1, 2020. Any award earned under this Program will be paid 50% in cash and 50% in fully vested phantom units which will be delivered to you on the fourth anniversary of the grant date.

You will also be eligible to participate in the Calumet GP, LLC Amended and Restated Long-Term Incentive Plan. Your annual LTIP target will be 60% of your annual base salary and these units have a 3-year cliff vest requirement. Any award under the Plan will take into consideration your individual contribution as well as the achievement of Company financial targets. Should the Company not meet its minimum financial target, no awards will be issued under the Plan.

You will receive a one-time grant of 223,713 units under the Senior Executive LTIP program, which will cliff vest over a three-year period and will be delivered to you on the second anniversary of the termination of your service with Calumet. Terms of this grant are subject to the terms of the grant agreement.

You will receive a one-time grant of 100,000 units under the Senior Executive LTIP program with vesting triggers based on CLMT unit prices of \$10, \$16, \$18 and distributions restart. The units will be delivered to you on the second anniversary of the termination of your service with Calumet. Terms of this grant are subject to the terms of the grant agreement.

To demonstrate your commitment in this role and to Calumet, you have agreed to purchase the equivalent of \$250,000 in units, acknowledging in good faith that you shall utilize discretionary cash bonuses received to make such unit purchases.

As an officer of the company, you are covered by the company's D&O insurance policy. The policy details will be sent to you separately.

In the event you are terminated without cause within 24 months following a Change in Control you shall receive 200% of the sum of your base salary and your target bonus, in each case in effect as of the termination date and, contingent on you signing Calumet's standard severance and release agreement. The Company's standard definition of Change of Control shall be utilized.

All other terms and conditions of your at-will employment remain the same.

I am pleased to have you take on this new and exciting role and look forward to your future success.
Please call me with any questions.

Sincerely,

/s/ Timothy Go
Timothy Go
Chief Executive Officer

Agreed and accepted:

/s/ Scott Obermeier
Scott Obermeier
01/31/2020

SUBSIDIARIES OF CALUMET SPECIALTY PRODUCTS PARTNERS, L.P.

(As of December 31, 2021)

| Name of Subsidiary | Jurisdiction of Organization |
|--|-------------------------------------|
| Calumet Operating, LLC | Delaware |
| Calumet Refining, LLC | Delaware |
| Calumet Shreveport Refining, LLC | Delaware |
| Calumet Finance Corp. | Delaware |
| Calumet Karns City Refining, LLC | Delaware |
| Calumet Dickinson Refining, LLC | Delaware |
| Calumet Missouri, LLC | Delaware |
| Calumet Montana Refining, LLC | Delaware |
| Montana Renewables, Inc. | Delaware |
| Montana Renewables Holdings LLC | Delaware |
| Montana Renewables, LLC | Delaware |
| Calumet Branded Products, LLC | Delaware |
| Bel-Ray Company, LLC | Delaware |
| Kurlin Company, LLC | Delaware |
| Calumet Mexico, LLC | Delaware |
| Calumet Specialty Oils de Mexico, S. de R.L. de C.V. | Mexico |
| Calumet Princeton Refining, LLC | Delaware |
| Calumet Cotton Valley Refining, LLC | Delaware |
| Calumet Specialty Products Canada, ULC | Canada |
| Calumet International, Inc. | Delaware |
| Calumet Paralogs, LLC | Delaware |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-226740) of Calumet Specialty Products Partners, L.P.,
- (2) Registration Statement (Form S-8 No. 333-208511) of Calumet Specialty Products Partners, L.P.,
- (3) Registration Statement (Form S-8 No. 333-186961) of Calumet Specialty Products Partners, L.P., and
- (4) Registration Statement (Form S-8 No. 333-138767) of Calumet Specialty Products Partners, L.P..

of our reports dated March 4, 2022, with respect to the consolidated financial statements of Calumet Specialty Products Partners, L.P., and the effectiveness of internal control over financial reporting of Calumet Specialty Products Partners, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 2021.

/s/ Ernst & Young LLP
Indianapolis, Indiana
March 4, 2022

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

I, Stephen P. Mawer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Calumet Specialty Products Partners, L.P. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit and finance 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 4, 2022

/s/ Stephen P. Mawer

Stephen P. Mawer
Chief Executive Officer of Calumet GP, LLC, general partner of
Calumet Specialty Products Partners, L.P.
(Principal Executive Officer)

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

I, Todd Borgmann, certify that:

1. I have reviewed this Annual Report on Form 10-K of Calumet Specialty Products Partners, L.P. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit and finance 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 4, 2022

/s/ Todd Borgmann

Todd Borgmann
Executive Vice President and Chief Financial Officer of Calumet GP, LLC, general partner of
Calumet Specialty Products Partners, L.P.
(Principal Financial Officer)

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. § 1350**

In connection with the Annual Report of Calumet Specialty Products Partners, L.P. (the "Company") on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of Calumet GP, LLC, the general partner of the Company, does hereby certify that:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 4, 2022

/s/ Stephen P. Mawer

Stephen P. Mawer
Chief Executive Officer of Calumet GP, LLC, general partner of Calumet Specialty Products Partners, L.P.
(Principal Executive Officer)

March 4, 2022

/s/ Todd Borgmann

Todd Borgmann
Executive Vice President and Chief Financial Officer of Calumet GP, LLC, general partner of Calumet Specialty Products Partners, L.P.
(Principal Financial Officer)