

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020
OR

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

Commission File No. 001-36550

PAR PACIFIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1060803
(I.R.S. Employer
Identification No.)

825 Town & Country Lane, Suite 1500
Houston, Texas
(Address of principal executive offices)

77024
(Zip Code)

Registrant's telephone number, including area code: (281) 899-4800
Securities registered under Section 12(b) of the Act:

Title of each class
Common stock, \$0.01 par value

Trading Symbol(s)
PARR

Name of Exchange on which registered
New York Stock Exchange

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 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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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 voting and non-voting common equity held by non-affiliates of the registrant was approximately \$358,541,131 based on the closing sales price of the common stock on the New York Stock Exchange on June 30, 2020. As of March 1, 2021, 54,008,527 shares of the registrant's Common Stock, \$0.01 par value, were issued and outstanding.

Documents Incorporated By Reference

Certain information required to be disclosed in Part III of this report is incorporated by reference from the registrant's definitive proxy statement or an amendment to this report, which will be filed with the SEC not later than 120 days after the end of the fiscal year covered by this report.

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Glossary of Selected Industry Terms

Unless otherwise noted or indicated by context, the following terms used in this Annual Report on Form 10-K have the following meanings:

barrel or bbl	A common unit of measure in the oil industry, which equates to 42 gallons.
blendstocks	Various compounds that are combined with gasoline or diesel from the crude oil refining process to make finished gasoline and diesel; these may include natural gasoline, FCC unit gasoline, ethanol, reformate, or butane, among others.
Brent	A light, sweet North Sea crude oil, characterized by an API gravity of 38 degrees and a sulfur content of approximately 0.4% by weight that is used as a benchmark for other crude oils.
cardlock	Automated unattended fueling sites that are open all day and are designed for commercial fleet vehicles.
catalyst	A substance that alters, accelerates, or instigates chemical changes, but is not produced as a product of the refining process.
CO₂	Carbon dioxide.
condensate	Light hydrocarbons which are in gas form underground, but are a liquid at normal temperatures and pressure.
crack spread	A simplified calculation that measures the difference between the price for refined products and crude oil. For example, we reference the 3-1-2 Singapore crack spread, which approximates the per barrel results from processing three barrels of Brent crude oil to produce one barrel of gasoline and two barrels of distillates (diesel and jet fuel).
distillates	Refers primarily to diesel, heating oil, kerosene, and jet fuel.
ethanol	A clear, colorless, flammable oxygenated liquid. Ethanol is typically produced chemically from ethylene or biologically from fermentation of various sugars from carbohydrates found in agricultural crops and cellulosic residues from crops or wood. It is used in the United States as a gasoline octane enhancer and oxygenate.
feedstocks	Crude oil or partially refined petroleum products that are further processed into refined products.
jobber	A petroleum marketer.
LSFO	Low sulfur fuel oil.
Mbbls	Thousand barrels of crude oil or other liquid hydrocarbons.
Mbpd	Thousand barrels per day.
MMbbls	Million barrels of crude oil or other liquid hydrocarbons.
MMbtu	Million British thermal units, a unit of measurement for natural gas.
MMcfd	Million cubic feet per day, a unit of measurement for natural gas.
MW	Megawatt, a unit of measurement for electricity or other energy transfer. A watt is a unit of work at the rate of one joule per second or current at the rate of one ampere across a potential difference of one volt.
NGL	Natural gas liquid; includes hydrocarbons such as ethane, propane, butane, natural gasoline, etc.
NOx	Nitrogen oxides.
refined products	Petroleum products, such as gasoline, diesel, and jet fuel, that are produced by a refinery.
SO₂	Sulfur dioxide.
SPM	Single point mooring. Also known as a single buoy mooring, refers to a loading buoy that is anchored offshore and serves as an interconnect for tankers loading or offloading crude oil and refined products.
throughput	The volume processed through a unit or refinery.
turnaround	A periodically required standard procedure to inspect, refurbish, repair, and maintain a refinery. This process involves the shutdown and inspection of major processing units and typically occurs every three to seven years, depending on unit type.
ULSD	Ultra-low sulfur diesel.
WTI	West Texas Intermediate crude oil, a light, sweet crude oil, typically characterized by an API gravity between 38 degrees and 40 degrees and a sulfur content of approximately 0.3% by weight that is used as a benchmark for other crude oils.
yield	The percentage of refined products that is produced from crude oil and other feedstocks, net of fuel used as energy.

PART I

Item 1. BUSINESS

OVERVIEW

Par Pacific Holdings, Inc., headquartered in Houston, Texas, owns and operates market-leading energy and infrastructure businesses. Our strategy is to acquire and develop energy and infrastructure businesses in logistically-complex markets.

Our business is organized into three primary segments:

1) **Refining** - We own and operate four refineries, including one idled refinery, with total operating throughput capacity of over 150 Mbpd. Our refineries in Kapolei, Hawaii, produce ultra-low sulfur diesel ("ULSD"), gasoline, jet fuel, marine fuel, low sulfur fuel oil ("LSFO"), and other associated refined products primarily for consumption in Hawaii. We idled one of our Kapolei refineries in the first quarter of 2020 for economic reasons. Our refinery in Newcastle, Wyoming, produces gasoline, ULSD, jet fuel, and other associated refined products that are primarily marketed in Wyoming and South Dakota. Our refinery in Tacoma, Washington, produces distillates, gasoline, asphalt, and other associated refined products that are primarily marketed in the Pacific Northwest.

2) **Retail** - We operate 123 fuel retail outlets in Hawaii, Washington, and Idaho. Our fuel retail outlets in Hawaii sell gasoline and diesel throughout the islands of Oahu, Maui, Hawaii, and Kauai. We operate convenience stores at 34 of our Hawaii retail fuel outlets that sell merchandise such as soft drinks, prepared foods, and other sundries. Our Hawaii retail network includes Hele and "76" branded fuel retail sites, company-operated convenience stores, 7-Eleven operated convenience stores, other sites operated by third parties, and unattended cardlock stations. Through December 31, 2020, we rebranded 42 of our fueling stations in Hawaii to Hele (the Hawaiian word for movement or "let's go") and all 34 company-operated convenience stores in Hawaii to "nomnom," a new proprietary brand. Our retail outlets in Washington and Idaho sell gasoline, diesel, and retail merchandise and operate under the "Cenex®" and "Zip Trip®" brand names. We began to rebrand our 33 Washington and Idaho locations during December 2020 to "nomnom" and the rebranding of four sites was completed as of December 31, 2020.

3) **Logistics** - We operate an extensive multi-modal logistics network spanning the Pacific, the Northwest, and the Rockies. We own and operate terminals, pipelines, a single point mooring ("SPM"), and trucking operations to distribute refined products throughout the islands of Oahu, Maui, Hawaii, Molokai, and Kauai. We lease marine vessels for the movement of petroleum, refined products, and ethanol between the U.S. West Coast and Hawaii. We own and operate a crude oil pipeline gathering system, a refined products pipeline, storage facilities, and loading racks in Wyoming and a jet fuel storage facility and pipeline that serve Ellsworth Air Force Base in South Dakota. We own and operate logistics assets in Washington, including a marine terminal, a unit train-capable rail loading terminal, storage facilities, a truck rack, and a proprietary pipeline that serves Joint Base Lewis McChord. In 2020, we completed a project at our Tacoma, Washington, location to allow for the storage and shipment of ethanol through our unit train and marine terminals.

We also own a 46.0% equity investment in Laramie Energy, LLC ("Laramie Energy"), a joint venture entity focused on producing natural gas in Garfield, Mesa, and Rio Blanco counties, Colorado.

Impacts of the COVID-19 Pandemic

The spread and severity of a new coronavirus, referred to as COVID-19, in conjunction with government and other preventative measures taken to mitigate the spread of the virus, have caused severe disruptions in the worldwide economy, including the global demand for crude oil and refined products, the movement of people and goods in the United States, and the global supply chain for industrial and commercial production, all of which have in turn disrupted our businesses and operations and impacted our financial performance in 2020. We continue to actively monitor the impact of the global situation on our people, operations, financial condition, liquidity, suppliers, customers, and industry, and are actively responding to the impacts that these matters have on our business. Please read Item 1A. — Risk Factors and Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview for further discussion of the risks, uncertainties, and actions we have taken in response to the global COVID-19 pandemic and resulting economic impact.

Acquisitions

On January 9, 2018, we entered into an Asset Purchase Agreement with CHS Inc. to acquire twenty-one (21) owned retail gasoline, convenience store facilities and twelve (12) leased retail gasoline, convenience store facilities at various locations in Washington and Idaho (collectively, "Northwest Retail"). On March 23, 2018, we completed the acquisition for cash consideration of approximately \$74.5 million (the "Northwest Retail Acquisition"). The results of operations of Northwest Retail are included in our retail segment commencing March 23, 2018.

On August 29, 2018, we entered into a Topping Unit Purchase Agreement with IES Downstream, LLC ("IES") to purchase certain of IES's refining units and related assets in addition to certain hydrocarbon and non-hydrocarbon inventory (collectively, the "Par West Acquisition"). On December 19, 2018, we completed the Par West Acquisition for total consideration of approximately \$66.9 million, net of a \$4.3 million receivable related to net working capital adjustments. The purchase price consisted of \$47.6 million in cash and approximately 1.1 million shares of our common stock with a fair value of \$19.3 million. The results of operations of the acquired assets are included in our refining segment commencing December 19, 2018.

On November 26, 2018, we entered into a Purchase and Sale Agreement to acquire U.S. Oil & Refining Co. and certain affiliated entities (collectively, "U.S. Oil"), a privately-held downstream business (the "Washington Acquisition"). The Washington Acquisition included a 42 Mbdp refinery, a marine terminal, a unit train-capable rail loading terminal, and 2.9 MMBbls of refined product and crude oil storage. The refinery and associated logistics system are strategically located in Tacoma, Washington, and currently serve the Pacific Northwest market. On January 11, 2019, we completed the Washington Acquisition for a total purchase price of \$326.5 million, including acquired working capital, consisting of cash consideration of \$289.5 million and approximately 2.4 million shares of our common stock with a fair value of \$37.0 million issued to the seller of U.S. Oil. The Washington refinery's results of operations are included in our refining and logistics segments commencing January 11, 2019.

Our Corporate and Other reportable segment primarily includes general and administrative costs. Please read Note 22—Segment Information to our consolidated financial statements under Item 8 of this Form 10-K for detailed information on our operating results by segment.

Corporate Information

Our common stock is listed and trades on the New York Stock Exchange (the "NYSE") under the ticker symbol "PARR." Our principal executive office is located at 825 Town & Country Lane, Suite 1500, Houston, Texas 77024 and our telephone number is (281) 899-4800. Throughout this Annual Report on Form 10-K, the terms "Par," the "Company," "we," "our," and "us" refer to Par Pacific Holdings, Inc. and its consolidated subsidiaries unless the context suggests otherwise.

Available Information

Our website address is www.parpacific.com. Information contained on our website is not part of this Annual Report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any other materials filed with, or furnished to, the U.S. Securities and Exchange Commission ("SEC") by us are available on our website (under "Investors") free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Alternatively, you may access these reports at the SEC's website at www.sec.gov.

OPERATING SEGMENTS

Refining

Our refining segment buys and refines crude oil and other feedstocks into petroleum products (such as gasoline and distillates) at our Hawaii, Wyoming, and Washington refineries.

Hawaii Refineries

Our Hawaii refineries are located in Kapolei, Hawaii, on the island of Oahu. Our Par East refinery is rated at 94 Mbdp operating throughput capacity. Our Par West refinery was idled in March 2020 and is currently not operational. The Hawaii refineries' major processing units include crude oil distillation, vacuum distillation, visbreaking, hydrocracking, naphtha hydrotreating, diesel hydrotreating, and reforming units, which produce liquified petroleum gas ("LPG"), naphtha, gasoline, jet fuel, USLD, marine fuel, LSFO, high sulfur fuel oil ("HSFO"), asphalt, and other associated refined products. We believe the configuration of our Hawaii refineries uniquely fits the demands of the Hawaii market. As of December 31, 2020, the Hawaii

refineries consist of one operating refinery and one idle refinery with locations that are approximately two miles from one another.

Set forth below are summaries of the operating capacity of our Hawaii refineries as of December 31, 2020:

Par East and Par West	Capacity (Mbpd)
Crude Oil Distillation Units (1)	94
Vacuum Distillation Units (1)	40
Hydrocracker	19
Catalytic Reformer	13
Visbreaker	11
Naphtha Hydrotreater	13
Diesel Hydrotreater	10

Par East and Par West	Capacity
Hydrogen Plant (MMcfd)	18
Co-generation Turbine Unit (MW) (1)	20

(1) Operating capacity of the Crude Oil Distillation Units, Vacuum Distillation Units, and Co-generation Turbine Unit excludes idled capacity of 54 Mbpd, 35 Mbpd, and 13 MW, respectively.

We source our crude oil for the Hawaii refineries from North America, Asia, Latin America, Africa, the Middle East, and other sources.

Crude oil is received into the Hawaii refineries' tank farm, which includes 3.4 MMbbls of total owned crude oil storage and/or third-party crude oil storage. We process the crude oil through various refining units into products and store them in the Hawaii refineries' owned 3.3 MMbbls of refined product storage and additional third-party product storage. This storage capacity allows us to manage the various product requirements of our customers.

We finance our Hawaii refineries' hydrocarbon inventories through our Supply and Offtake Agreements with J. Aron & Company LLC ("J. Aron"). Under the Supply and Offtake Agreements, J. Aron holds title to all crude oil and refined product stored in tankage at the Hawaii refineries. We purchase crude oil from J. Aron on a daily basis at market prices and sell refined products to J. Aron as they are produced. We repurchase these refined products from J. Aron prior to selling them to third parties.

The Par East refinery operated at an average combined crude oil throughput of 66.5 Mbpd, or 71% of crude oil utilization, to meet local demand for the year ended December 31, 2020. Our Par West refinery was idled in March 2020 and is currently not operational. In 2020, we executed a turnaround in Hawaii, which resulted in lower throughput and utilization outside of market conditions. Below is a summary of our Hawaii refineries' product yield percentages for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
Combined Feedstocks Throughput (Mbpd) (1)	72.7	109.0	74.9
Par East Throughput (Mbpd) (1)	66.5	71.5	73.4
Par West Throughput (Mbpd) (1)	6.2	37.5	42.1
Yield (% of total throughput):			
Gasoline and gasoline blendstocks	24.6 %	23.0 %	27.1 %
Distillates	42.2 %	44.4 %	47.4 %
Fuel oils	29.5 %	20.3 %	17.8 %
Other products	(0.7)%	8.7 %	4.5 %
Total yield	95.6 %	96.4 %	96.8 %

(1) Feedstocks throughput and sales volumes per day for each of the Hawaii refineries for the year ended December 31, 2018 are calculated based on the 365-day period we owned the Par East refinery and the 13-day period for which we owned the Par West refinery. The amounts for the combined Hawaii refineries for the years ended December 31, 2020, 2019, and 2018 represent the sum of the Par East and Par West refineries' throughput averaged over the respective years.

Our Hawaii refining business contracts with wholesale and bulk customers as well as our Hawaii retail network. Many of these contracts also involve use of our Hawaii logistics assets to ultimately serve each customer. Wholesale customers include jobbers and other non-end users, as well as 47 locations where we deliver fuel to a location that subsequently sells the product at retail to the end user. Bulk customers include utilities, airlines, military, marine vessels, industrial end-users, and exporters.

The profitability of our Hawaii refining business is heavily influenced by crack spreads in the Singapore market. This market reflects the closest liquid market alternative to source refined products for Hawaii. Prior to 2020, the 4-1-2-1 Singapore crack spread (or four barrels of Brent crude oil converted into one barrel of gasoline, two barrels of distillates (diesel and jet fuel) and one barrel of fuel oil) best reflected a market indicator for our Hawaii refineries' operations. The 4-1-2-1 Singapore crack spread averaged \$6.68 per barrel during 2019 with a low of \$4.34 per barrel average in the fourth quarter and a high of \$9.36 per barrel average in the third quarter. After completing the acquisition of Par West, we began shifting our Hawaii production profile to supply the local utilities with low sulfur fuel oil and significantly reduced our high sulfur fuel oil yield. In 2020, following the implementation of new standards by the International Marine Organization ("IMO") beginning in 2020, we established the 3-1-2 Singapore Crack Spread (or three barrels of Brent crude oil converted into one barrel of gasoline and two barrels of distillates (diesel and jet fuel)) as a new benchmark for our Hawaii operations. The 3-1-2 Singapore Crack Spread averaged \$3.15 per barrel during the year ended December 31, 2020 with a low of \$(0.14) per barrel average in the second quarter and a high of \$8.11 per barrel average in the first quarter.

Below is a summary of average crack spreads for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
3-1-2 Singapore Crack Spread	\$ 3.15	\$ 10.80	\$ 10.90

Washington Refinery

Our Washington refinery is located in Tacoma, Washington, on approximately 139 fee-owned acres and is rated at 42 Mbpd throughput capacity. The Washington refinery's major processing units include crude oil distillation, vacuum, jet treating, diesel hydrotreating, isomerization, and reforming units, which produce distillates, gasoline, asphalt, and other associated refined products that are primarily marketed in the Pacific Northwest.

We source our crude oil for the Washington refinery primarily from Canadian and Bakken producers as well as other North American sources. Most of the crude oil is delivered to the refinery via our owned unit train facility and the rest is delivered by barge.

Crude oil is received into the refinery tank farm, which includes 1.2 MMBbls of total crude oil storage. We process the crude oil through various refining units into products and store them in the refinery's 1.5 MMBbls of refined product tankage. This storage capacity allows us to manage the various product requirements of our customers in the state of Washington and other targeted market destinations. In 2020, 0.2 MMBbls of crude oil storage was repositioned as renewable fuels storage as part of the completion of our project to allow for storage and throughput of renewable fuels at the refinery.

We finance our Washington refinery hydrocarbon inventories through an intermediation arrangement (the "Washington Refinery Intermediation Agreement") with Merrill Lynch Commodities, Inc. ("MLC"). Under this arrangement, U.S. Oil purchases crude oil supplied from third-party suppliers and MLC provides credit support for certain crude oil purchases. MLC's credit support can consist of either providing a payment guaranty, causing the issuance of a letter of credit from a third party issuing bank, or purchasing crude oil directly from third parties on our behalf. U.S. Oil holds title to all crude oil and refined products inventories at all times and pledges such inventories, together with all receivables arising from the sales of same, exclusively to MLC.

Set forth below is a summary of the capacity of our Washington refinery as of December 31, 2020:

Washington Refining Unit	Capacity (Mbpd)
Crude Oil Distillation Unit	42
Vacuum Unit	19
Naptha Hydrotreaters	10
Catalytic Reformers	6
Diesel Hydrotreater	8
Isomerization	4

The Washington refinery operated at an average throughput of 39.1 Mbpd, or 93% utilization, for the year ended December 31, 2020. Below is a summary of the Washington refinery's product yield percentages for the year ended December 31, 2020 and the period from January 11, 2019 (the date of acquisition) to December 31, 2019:

	Year Ended December 31, 2020	January 11, 2019 to December 31, 2019
Feedstocks Throughput (Mbpd)	39.1	38.9
Yield (% of total throughput)		
Gasoline and gasoline blendstocks	23.4 %	23.6 %
Distillates	35.3 %	35.6 %
Asphalt	18.8 %	18.9 %
Other products	19.8 %	19.4 %
Total yield	97.3 %	97.5 %

Our Washington refining business transports crude oil and refined products through our logistics network and sells refined products to wholesale, bulk, and retail customers primarily in the Pacific Northwest.

We believe the Pacific Northwest 5-2-2-1 Index is the best market indicator for our operations in Tacoma, Washington. The Pacific Northwest 5-2-2-1 Index is computed by taking two parts gasoline (sub-octane), two parts middle distillates (ULSD and jet fuel), and one part fuel oil as created from five barrels of Alaskan North Slope ("ANS") crude oil. The Pacific Northwest 5-2-2-1 Index averaged \$11.44 per barrel during the year ended December 31, 2020 with a low of \$9.39 per barrel average in the third quarter and a high of \$13.24 per barrel average in the first quarter.

Below is a summary of average crack spreads for the year ended December 31, 2020 and the period from January 11, 2019 (the date of acquisition) to December 31, 2019:

Pacific Northwest 5-2-2-1 Index	Year Ended December 31, 2020		January 11, 2019 to December 31, 2019	
	\$	11.44	\$	15.02

Wyoming Refinery

Our Wyoming refinery is located in Newcastle, Wyoming, on approximately 121 fee-owned acres and is rated at 18 Mbd throughput capacity. The Wyoming refinery's major processing units include crude oil distillation, catalytic cracker, naphtha hydrotreating, and reforming units, which produce gasoline, ULSD, jet fuel, and other associated refined products.

We source our crude oil for the Wyoming refinery from local producers in the Rocky Mountain region of the United States and North Dakota as well as other North American sources. Most of the crude oil is delivered to the refinery via our owned pipeline network and the rest is delivered by truck.

Crude oil is received into the refinery tank farm and crude oil terminals, which include 267 Mbbls of total crude oil storage. We process the crude oil through various refining units into products and store them in the Wyoming refinery's 513 Mbbls of refined product tankage. The Wyoming refinery's storage capacity allows us to manage the various product requirements of our customers in the states of Wyoming and South Dakota and other targeted market destinations.

Set forth below is a summary of the capacity of our Wyoming refinery as of December 31, 2020:

Wyoming Refining Unit	Capacity (Mbd)
Crude Oil Distillation Unit	18
Residual Fluid Catalytic Cracker	7
Catalytic Reformer	3
Naphtha Hydrotreater	3
Diesel Hydrotreater	6
Isomerization	5

The Wyoming refinery operated at an average throughput of 12.3 Mbd, or 68% utilization, for the year ended December 31, 2020. In 2020, we executed a turnaround in Wyoming, which resulted in lower throughput and utilization outside of market conditions. Below is a summary of the Wyoming refinery's product yield percentages for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
Feedstocks Throughput (Mbd)	12.3	17.0	16.4
Yield (% of total throughput):			
Gasoline and gasoline blendstocks	49.2 %	49.6 %	49.5 %
Distillates	45.2 %	44.5 %	45.8 %
Fuel oil	1.9 %	1.7 %	1.6 %
Other products	1.3 %	1.6 %	0.8 %
Total yield	97.6 %	97.4 %	97.7 %

Our Wyoming refining business transports refined products through our logistics network to wholesale, bulk, and retail customers primarily in Wyoming and South Dakota. Products are also distributed by rail from our refinery to markets beyond our logistics network.

We believe the Wyoming 3-2-1 crack spread, a 50%/50% blend of Rapid City 3-2-1 and Denver 3-2-1 (WTI based) crack spreads, best reflects a market indicator for our Wyoming refining and fuel distribution operations. The Wyoming 3-2-1 Index, or three barrels of WTI converted into two barrels of gasoline and one barrel of distillates (jet fuel and diesel), averaged

\$17.80 per barrel during 2020 with a low of \$15.86 per barrel average in the first quarter and a high of \$20.24 per barrel average in the third quarter.

Below is a summary of average crack spreads for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,					
	2020		2019		2018	
Wyoming 3-2-1 Index	\$	17.80	\$	24.90	\$	22.69

Competition

All facets of the energy industry are highly competitive. Our competitors include major integrated, national, and independent energy companies. Many of these competitors have greater financial and technical resources and staff which may allow them to better withstand and react to changing and adverse market conditions.

Our refining business sources and obtains all of our crude oil from third-party sources and competes globally for crude oil and feedstocks. Our Hawaii refineries, through our facility with J. Aron, have access to a large variety of markets for crude oil imports and product exports. Please read "Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations — Commitments and Contingencies — Supply and Offtake Agreements" of this Form 10-K for further information. Our Washington refinery utilizes an intermediation arrangement with MLC and sources its crude oil and feedstocks primarily from North Dakota and Canada. Please read "Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations — Commitments and Contingencies — Washington Refinery Intermediation Agreement" of this Annual Report on Form 10-K for further information. Our Wyoming refinery sources its crude oil and feedstocks primarily from the Petroleum Administration for Defense District IV Rocky Mountain ("PADD IV") region of the United States.

Our Hawaii refineries' product slate is tailored to meet local on-island demand. Outside the Hawaii market, our refined product sales from our Hawaii refineries typically target the U.S. West Coast market. Our Washington refinery primarily sells refined products in the Pacific Northwest region. Our Wyoming refinery primarily sells refined products locally in the PADD IV region.

Retail

The retail segment includes 90 locations in Hawaii and 33 locations in Washington and Idaho where we set the price to the retail consumer. Of these, 34 of the Hawaii locations and all 33 Washington and Idaho locations are operated by our personnel and include various sizes of kiosks, snack shops, or convenience stores. The remaining 56 Hawaii locations are cardlocks or sites operated by third parties where we retain ownership of the fuel and set retail pricing.

We hold exclusive licenses within the state of Hawaii to utilize the "76" brand for retail locations, with 40 of our retail sites branded "76". The "76" license agreement expires September 24, 2024, unless extended by mutual agreement. An additional 42 of our sites operate under our proprietary Hele fuel brand. Since its launch in 2016, the Hele brand has won several awards for being the preferred fuel choice for Hawaii customers. Our eight cardlock locations on Kauai are branded Kauai Automated Fuels ("KAF"). Through December 31, 2020, we completed the rebranding of all of our 34 company-operated convenience stores in Hawaii to "nomnom," a new proprietary brand.

As of December 31, 2020, most of our retail outlets in Washington and Idaho continued to operate under the "Cenex®" and "Zip Trip®" brand names. A rebranding of those sites to our proprietary "nomnom" brand began in December 2020 and the rebranding of four sites was completed as of December 31, 2020. As part of the Northwest Retail Acquisition, Par and CHS, Inc. entered into a multi-year branded petroleum marketing agreement for the continued supply of Cenex®-branded refined products to the 33 acquired Cenex® Zip Trip convenience stores. As these stores are rebranded, Par will begin self-supplying the fuel with equity barrels and/or unbranded fuels procured in the open market.

The following table shows our owned and leased retail outlets by location and type as of December 31, 2020:

Location and Channel of Trade	"76" Brand	Hele Brand	KAF	Cenex® Zip Trip Brand	nomnom	Total
Oahu						
Company operated	2	18	—	—	—	20
7-Eleven alliance	22	8	—	—	—	30
Fee operated	5	2	—	—	—	7
Cardlock	—	4	—	—	—	4
Oahu total	29	32	—	—	—	61
Big Island						
Company operated	3	6	—	—	—	9
Fee operated	3	—	—	—	—	3
Big Island total	6	6	—	—	—	12
Maui						
Company operated	1	4	—	—	—	5
Fee operated	1	—	—	—	—	1
Maui total	2	4	—	—	—	6
Kauai						
Fee operated	3	—	—	—	—	3
Cardlock	—	—	8	—	—	8
Kauai total	3	—	8	—	—	11
Total for Hawaii locations	40	42	8	—	—	90
Washington						
Company operated	—	—	—	21	4	25
Washington total	—	—	—	21	4	25
Idaho						
Company operated	—	—	—	8	—	8
Idaho total	—	—	—	8	—	8
Total for Pacific Northwest locations	—	—	—	29	4	33
Total for retail segment	40	42	8	29	4	123

Competition

Competitive factors that affect our retail performance include product price, station appearance, location, customer service, and brand awareness. Our Hawaii competitors include the Shell, Texaco, Costco, Safeway, and Sam's Club national brands, regional brand Aloha, and other local retailers. Competitors of our Northwest Retail assets include the Chevron, Exxon, Conoco, Safeway, and Costco national brands, regional brands such as Maverik, Holiday, and Fred Meyer, and other local retail brands.

Logistics

Our logistics segment generates revenues by charging fees for transporting crude oil to our refineries, delivering refined products to wholesale and bulk customers and to our retail business, and storing crude oil and refined products. Substantially all of our revenues from our logistics segment represent intercompany transactions that are eliminated in consolidation.

Hawaii Logistics

Our logistics network extends throughout the state of Hawaii. On Oahu, the system begins with our SPM located 1.7 miles offshore of our Par East refinery. This SPM allows for the safe, reliable, and efficient receipt of crude oil shipments to the Hawaii refineries, as well as both the receipt and export of finished products. Connecting the SPM to the Hawaii refineries are three undersea pipelines: a 30-inch line for crude oil, a 20-inch line, and a 16-inch line, both for the import or export of refined products. From the Hawaii refineries' gates, we distribute refined products through our logistics network throughout the islands of Oahu, Maui, Hawaii, Molokai, and Kauai and for export to the U.S. West Coast and Asia.

The Oahu logistics network includes a 27-mile wholly owned and operated pipeline network that transports refined products from our Hawaii refineries to delivery locations. The majority of our Oahu refined product volumes are distributed through a multi-product pipeline (the "Honolulu Products Pipeline") to (i) our leased and operated Sand Island terminal, (ii) the Honolulu International Airport, (iii) interconnections to Navy and Air Force fuel facilities, and (iv) two third-party terminals in Honolulu Harbor. In addition to the Honolulu Products Pipeline, we own four proprietary pipelines connecting our Hawaii refineries to Kalaheo Barbers Point Harbor, approximately three miles from the Par East refinery. The four pipelines deliver refined products to barges for distribution to the neighboring islands or export, the local utility pipeline and storage network, and another third-party terminal on the west side of Oahu. The Oahu pipeline network is generally configured to be bidirectional, allowing for both delivery and receipt of products.

In connection with the Par West Acquisition, we entered into a long-term agreement with IES for storage and throughput at the Par West Hawaii refinery. The agreement provides for the right to utilize 2 MMbbls of dedicated crude oil and refined product storage, as well as certain IES logistics assets, including its off-shore mooring and Honolulu pipeline system.

During the first half of 2019, crude oil was transferred to the Par West Hawaii refinery via the IES off-shore mooring and a 30-inch undersea pipeline. During the third quarter of 2019, we completed an on-shore pipeline manifold that connects the IES pipeline to our owned SPM pipeline (the "Tie-In"). The Tie-In allows crude oil to be transferred from our SPM to the Par East and Par West Hawaii refineries.

Our terminal facilities on Oahu include our Sand Island facility that comprises two tanks with a total capacity of 30 Mbbls, as well as contractual rights to utilize strategically located third-party facilities both near the Hawaii refineries and at Honolulu Harbor.

We also operate a proprietary trucking business on Oahu to distribute gasoline and road diesel to the final point of sale.

Our logistics network for the islands neighboring Oahu consists of leased barge equipment, refined product tankage, and proprietary trucking operations on the islands of Maui, Hawaii, Molokai, and Kauai. We charter a barge and have service agreements with third parties to serve our neighbor island markets. The barges deliver to, and product is dispensed from, a neighbor island network of seven petroleum terminals with total storage capacity of 301 Mbbls.

In addition to the movements within Hawaii, we also lease Jones Act marine vessels to allow for the movement of petroleum, refined products, and ethanol between the U.S. West Coast and Hawaii.

Washington Logistics

Our Washington logistics network includes 2.8 MMbbls of storage capacity, a proprietary 14-mile jet fuel pipeline that serves Joint Base Lewis McChord, a marine terminal with 15 acres of waterfront property, a unit train-capable rail loading terminal with 107 unloading spots, a manifest rail siding with 32 spots including an Asphalt, Butane, and Biodiesel loading and unloading facilities, and a truck rack with six truck lanes and 10 loading arms. These assets provide connectivity to Bakken, Canadian, and Alaskan crude oil, renewable fuels, and the Pacific, West Coast, Pacific Northwest, and Rockies product markets.

Wyoming Logistics

Our Wyoming logistics network includes a 98-mile crude oil pipeline gathering system that provides us access to crude oil from the Powder River Basin. This network also includes a 40-mile refined products pipeline that transports product from our Wyoming refinery to a common carrier with access to Rapid City, South Dakota.

The logistics network in Wyoming includes storage, loading racks, and a rail siding at the refinery site. Our crude oil and refined product tanks at the Wyoming refinery have a total capacity of 646 Mbbls. We also own and operate a jet fuel storage facility and pipeline that serve Ellsworth Air Force Base in South Dakota.

Markets

Hawaii Market

The COVID-19 pandemic had a significant impact on Hawaii's communities and economy in 2020 and state economists are predicting a slow but steady multi-year road to recovery. Beginning with a mandatory 14-day quarantine period for arriving visitors in March 2020, visitor arrivals plummeted by more than 90% from the previous year. Restrictions on travel, business closures, and strict limits on in-person gatherings severely curtailed demand for jet and other fuels and stymied the economy.

After beginning 2020 at 2.6% unemployment, the average unemployment rate in Hawaii increased to an average of 15.1% from April through December 2020, when Hawaii lost 110,600 non-agricultural payroll jobs compared with the same period a year earlier, according to the Hawaii Department of Business, Economic Development and Tourism ("DBEDT"), and every sector lost jobs except for the construction industry and federal government. The unemployment rate has since decreased to 10.3% in December 2020, according to the U.S. Bureau of Labor Statistics.

According to the University of Hawaii Economic Research Organization's ("UHERO") December 2020 report, the start of mass vaccinations in Hawaii will improve growth prospects for the second half of 2021. In the fall of 2020, the State of Hawaii instituted the Safe Travels program, requiring all transpacific travelers to secure a negative COVID-19 test prior to arriving on the islands, allowing the visitor industry to welcome travelers back beginning in mid-October 2020. Visitor arrivals in November 2020, the first full month of the Safe Travels program, increased to less than one quarter of their level in November 2019 and employment in the leisure and hospitality industry is about half of its pre-pandemic level, according to UHERO.

Economists and lawmakers remain optimistic that an increased rollout of vaccinations, a proliferation of testing for residents and transpacific arrivals, and stimulus measures enacted by state and federal lawmakers will put Hawaii on a course to recovery, with gradual gains becoming visible as tourist activity resumes.

Pacific Northwest and Rockies Markets

Spokane, Washington, and Northwest Idaho are the primary regions of our Pacific Northwest retail operations and are enjoying significantly higher population growth rates than the country as a whole. The U.S. Census Bureau projected that the population increased 13.2% in Washington and 14.0% in Idaho from 2010 to 2019 versus a national increase of only 6.3%. Spokane is a regional hub in eastern Washington, with a population of over a half million and a variety of employers in the health care, retail, and other industries. According to the U.S. Bureau of Economic Analysis (the "BEA"), personal income for the Spokane metro area grew by 8.9% between 2017 and 2019, continuing the trend of positive growth since the 2008-2009 recession. Additionally, Amazon.com, Inc. opened a new fulfillment center near the Spokane International Airport in June 2020 and future regional growth and increased traffic is expected.

A significant portion of the products produced by our Washington refinery stay within the Puget Sound region. Washington is one of the fastest growing states in the union and most of this growth is occurring in the Puget Sound area due to large information industry companies like Microsoft Corporation, Amazon.com, Inc., and Expedia Group, Inc. According to the BEA, gross domestic product ("GDP") for Washington state grew by 3.1% from 2018 to 2019, leading the Far West states and ranking third nationally. According to the BEA, personal income in Puget Sound's four largest counties grew on average 6.3% between 2017 and 2018 and personal income in the State of Washington grew an average 6.4% and ranked second nationally for the first three quarters of 2019. The Puget Sound region represents approximately 69% of the Washington state population.

The primary market for our Wyoming refined products is the Black Hills Region in South Dakota, driven largely by Pennington, Lawrence, and Meade counties, which represents nearly half of the state's taxable tourism sales. According to the U.S. Census Bureau, the population in Pennington County, the state's second largest county, increased by 12.7% from 2010 to 2019 compared to 6.3% nationally over the same period. According to the BEA, personal income in South Dakota grew by 3.2% from 2018 to 2019. Unemployment in South Dakota continues to remain below the national average unemployment rate at 3.3% for December 2020, according to the U.S. Bureau of Labor Statistics.

Demand for gasoline is highly seasonal, with a large increase in demand during the summer driving season. The South Dakota economy is anchored by tourism, including visitors to Mount Rushmore and the Black Hills, as well as government and health care spending. According to the South Dakota Department of Tourism, despite limitations to mobility and economic disruption caused by the COVID-19 pandemic, South Dakota welcomed 12.6 million visitors, a 12.9% decrease as compared to 2019, resulting in visitor spending of approximately \$3.4 billion in 2020, a decrease of 17.9% over 2019. In 2020, \$644 million,

or 19%, of tourism dollars were spent on transportation services, a decrease of 32% from 2019, when \$941 million, or 23%, of tourism dollars were spent on transportation services.

We also distribute refined products to customers in central and northeastern Wyoming. The economy in Wyoming is sensitive to demand for Powder River Basin coal and other locally-produced commodities. The U.S. Energy Information Administration forecasts that coal production will increase in both 2021 and 2022.

OTHER OPERATIONS

Laramie Energy

As of December 31, 2020, we own a 46.0% equity investment in Laramie Energy, a joint venture entity focused on producing natural gas in Garfield, Mesa, and Rio Blanco counties, Colorado. We have discontinued the application of the equity method of accounting for our investment in Laramie Energy because the book value of such investment has been reduced to zero.

Our equity investment in Laramie Energy and the reserves we own indirectly through Laramie Energy are not material to our consolidated financial statements as of December 31, 2020. Laramie Energy's oil and gas producing activities are not material to our business operations or financial position.

BANKRUPTCY AND PLAN OF REORGANIZATION

Background and General Recovery Trust

In 2011 and 2012, our predecessor, Delta Petroleum Corporation ("Delta") and its subsidiaries (collectively "Debtors") filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware ("Bankruptcy Court"). In March 2012, the Debtors obtained approval from the Bankruptcy Court to proceed with Laramie Energy II, LLC as the sponsor of a plan of reorganization ("Plan"). Delta emerged from bankruptcy, amended and restated its certificate of incorporation and bylaws, changed its name to Par Petroleum Corporation, and contributed the majority of its natural gas and oil properties to Laramie Energy on August 31, 2012 (the "Emergence Date"). The reorganization converted approximately \$265 million of unsecured debt to equity and allowed us to preserve significant tax attributes. On the Emergence Date, the Delta Petroleum General Recovery Trust ("General Trust") was formed to conclude the bankruptcy.

Shares Reserved for Unsecured Claims

The Plan provides that certain allowed general unsecured claims be paid with shares of our common stock. Pursuant to the Plan, allowed claims are settled at a ratio of 54.4 shares per \$1,000 of claim. As of December 31, 2020, two related claims totaling approximately \$22.4 million remained to be resolved by the Trustee for the General Trust. One of the two remaining claims was filed by the U.S. Government for approximately \$22.4 million relating to ongoing litigation concerning a plugging and abandonment obligation in Pacific Outer Continental Shelf Lease OCS-P 0320, comprising part of the Sword Unit in the Santa Barbara Channel, California. The second unliquidated claim, which is related to the same plugging and abandonment obligation, was filed by Noble Energy Inc., the operator and majority interest owner of the Sword Unit. We believe the probability of issuing shares to satisfy the full claim amount is remote, as the obligations upon which such proof of claim is asserted are joint and several among all working interest owners and Delta, our predecessor, owned an approximate 3.4% aggregate working interest in the unit.

The settlement of claims is subject to ongoing litigation and we are unable to predict with certainty how many shares will be required to satisfy all claims. We have accrued approximately \$0.5 million representing the estimated value of claims remaining to be settled which are deemed probable and estimable at December 31, 2020. Please read "Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Commitments and Contingencies – Bankruptcy Matters" of this Form 10-K for further information.

Closing of the Bankruptcy Cases

On February 27, 2018, the Bankruptcy Court entered its final decree closing the Chapter 11 bankruptcy cases of Delta and the other Debtors, discharging the Recovery Trustee, and finding that all assets of the General Trust were resolved, abandoned, or liquidated and have been distributed in accordance with the requirements of the Plan. In addition, the final decree required the Company or the General Trust, as applicable, to maintain the current reserves owed on account of the remaining claims of the U.S. Government and Noble Energy, Inc.

ENVIRONMENTAL REGULATIONS

General

Our activities are subject to existing federal, state, and local laws and regulations governing environmental quality and pollution control. Although no assurances can be made, we believe that, absent the occurrence of an extraordinary event, compliance with existing federal, state, and local laws, regulations, and rules regulating the release of materials in the environment or otherwise relating to the protection of human health, safety, and the environment will not have a material effect upon our capital expenditures, earnings, or competitive position with respect to our existing assets and operations. We cannot predict what effect additional regulation or legislation, enforcement policies, and claims for damages to property, employees, other persons, and the environment resulting from our operations could have on our activities.

Periodically, we receive communications from various federal, state, and local governmental authorities asserting violations of environmental laws and/or regulations. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. We intend to respond in a timely manner to all such communications and to take appropriate corrective action. Except as disclosed below, we do not anticipate that any such matters currently asserted will have a material impact on our financial condition, results of operations, or cash flows.

Refining activities

Like other petroleum refiners, our operations are subject to extensive and periodically-changing federal and state environmental regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. Many of these regulations are becoming increasingly stringent and the cost of compliance can be expected to increase over time. Our policy is to accrue environmental and clean-up related costs of a non-capital nature when it is probable that a liability has been incurred and the amount can be reasonably estimated. Such estimates may be subject to revision in the future as regulations and other conditions change.

Climate Change and Regulation of Greenhouse Gases

According to many scientific studies, emissions of CO₂, methane, NO_x, and other gases commonly known as greenhouse gases (“GHGs”) may be contributing to global warming of the earth’s atmosphere and to global climate change. In response to the scientific studies, legislative and regulatory initiatives have been underway to limit GHG emissions. The U.S. Supreme Court determined that GHG emissions fall within the federal Clean Air Act (“CAA”) definition of an “air pollutant.” In response, the U.S. Environmental Protection Agency (“EPA”) promulgated an endangerment finding, paving the way for regulation of GHG emissions under the CAA. The EPA has now begun regulating GHG under the CAA. New construction or material expansions that meet certain GHG emissions thresholds will likely require that, among other things, a GHG permit be issued in accordance with the federal CAA regulations, and we will be required, in connection with such permitting, to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce GHG emissions. Based on current company operations, however, our existing refining activities are not subject to current federal GHG permitting requirements.

The EPA has also promulgated rules requiring large sources to report their GHG emissions. Reports are being made in connection with our refining business. Sources subject to these reporting requirements also include on and offshore petroleum and natural gas production and onshore natural gas processing and distribution facilities that emit 25,000 metric tons or more of CO₂ equivalent per year in aggregate emissions from all site sources.

In 2007, the State of Hawaii passed Act 234, which required that GHG emissions be rolled back on a statewide basis to 1990 levels by the year 2020. In June of 2014, the Hawaii Department of Health (“DOH”) adopted regulations that require each major facility to reduce CO₂ emissions by 16% by 2020 relative to a calendar year 2010 baseline (the first year in which GHG emissions were reported to the EPA under 40 CFR Part 98). The GHG rules include an alternative for facilities to demonstrate that further GHG reductions are not economically viable and an additional provision that authorized the DOH to issue a waiver if GHGs are being effectively controlled as a consequence of other state initiatives and regulations such as the Renewable Portfolio Standard. The Hawaii refineries’ capacity to materially reduce fuel use and GHG emissions is limited because most energy conservation measures have already been implemented over the past 20 years. Hawaii’s regulation allows for “partnering” with other facilities (principally power plants) that have already dramatically reduced GHG emissions or are on schedule to reduce CO₂ emissions in order to comply with the state’s Renewable Portfolio Standards. Accordingly, our Hawaii refineries submitted a GHG reduction plan that incorporates the partnering provisions and demonstrates that additional reductions are not cost-effective or necessary because of the Hawaii refineries’ shared baseline allocation and because the State of Hawaii has already reached the 1990 levels according to a report prepared by the DOH in January 2019.

Further regulatory, legislative, and judicial developments are likely to occur in the future. The new Administration's Executive Orders signaling a return to the Paris Climate Accord and voiding the prior Administration's orders on the social cost of carbon suggest the imminence of such changes. Such developments may affect how these GHG initiatives will impact us. They may also impact the use of and demand for petroleum products, which could impact our business. Further, apart from these developments, tort claims alleging property damage against GHG emissions sources may be asserted. Due to the uncertainties surrounding the regulation of and other risks associated with GHG emissions, we cannot predict the financial impact of related developments on us.

National Ambient Air Quality Standards

The EPA has adopted a number of more stringent National Ambient Air Quality Standards ("NAAQS"). States are required to develop State Implementation Plans and ultimately local air districts are required to adopt rules designed to improve air quality over time. More stringent air pollutant standards and corresponding rules have already impacted and will continue to cause many refineries to invest heavily in additional air pollution controls. Thus far, Hawaii air quality, particularly on Oahu where our Hawaii refineries are located, has met even the most recent NAAQS and the Hawaii refineries have not been required to install new controls as result of local rules. Even so, NAAQS could and, to a degree, have already forced some changes for our customer base. Power plants on the Big Island, where SO₂ levels are already elevated due to volcanic activity, are switching from LSFO to diesel fuel. On Oahu, the state's largest utility frequently cites compliance with NAAQS as one of its justifications for moving towards a cleaner bridge fuel, potentially diesel or liquefied natural gas, before reaching its renewable goals. On October 1, 2015, the EPA adopted rules, which were reaffirmed in December 2020, that substantially tightened the NAAQS for ground-level ozone. These rules are causing many areas of the country to develop requirements for additional controls and limits on combustion emissions and emissions of volatile organic compounds. We do not currently anticipate that the more stringent NAAQS will materially impact our Hawaii, Washington, or Wyoming operations.

Fuel Standards

In 2007, the U.S. Congress passed the Energy Independence and Security Act ("EISA") which, among other things, set a target fuel economy standard of 35 miles per gallon for the combined fleet of cars and light trucks in the U.S. by model year 2020 and contained an expanded Renewable Fuel Standard (the "RFS"). In August 2012, the EPA and National Highway Traffic Safety Administration ("NHTSA") jointly adopted regulations that establish vehicle carbon dioxide emissions standards and an average industry fuel economy of 54.5 miles per gallon by model year 2025. On August 8, 2018, the EPA and NHTSA jointly proposed to revise existing fuel economy standards for model years 2021-2025 and to set standards for 2026 for the first time. On March 31, 2020, the agencies released updated fuel economy and vehicle emissions standards, which provide for an increase in stringency by 1.5% each year through model year 2026, as compared with the standards issued in 2012 that required 5% annual increases. Higher fuel economy standards have the potential to reduce demand for our refined transportation fuel products.

Under EISA, the RFS requires an increasing amount of renewable fuel to be blended into the nation's transportation fuel supply, up to 36 billion gallons by 2022. Over time, higher annual RFS requirements have the potential to reduce demand for our refined transportation fuel products. In the near term, the RFS will be satisfied primarily with fuel ethanol blended into gasoline. We, and other refiners subject to the RFS, may meet the RFS requirements by blending the necessary volumes of renewable fuels produced by us or purchased from third parties. To the extent that refiners will not or cannot blend renewable fuels into the products they produce in the quantities required to satisfy their obligations under the RFS program, those refiners must purchase renewable credits, referred to as Renewable Identification Numbers ("RINs"), to maintain compliance. To the extent that we exceed the minimum volumetric requirements for blending of renewable fuels, we can retain these RINs for current or future RFS compliance or sell those on the open market. EPA has not yet set volumetric requirements for 2021, which makes it difficult to estimate our obligations. The RFS may present production and logistics challenges for both the renewable fuels and petroleum refining and marketing industries in that we may have to enter into arrangements to purchase RINs with other parties or purchase cellulosic biofuels RINs ("D3") waivers from the EPA to meet our obligations to use advanced biofuels, including biomass-based diesel and cellulosic biofuel, with potentially uncertain supplies of these new fuels.

In October 2010, the EPA issued a partial waiver decision under the federal CAA to allow for an increase in the amount of ethanol permitted to be blended into gasoline from 10% ("E10") to 15% ("E15") for 2007 and newer light duty motor vehicles. In 2019, the EPA approved year-round sales of E15. There are numerous issues, including state and federal regulatory issues, that need to be addressed before E15 can be marketed on a large scale for use in traditional gasoline engines; however, increased renewable fuel in the nation's transportation fuel supply could reduce demand for our refined products.

In March 2014, the EPA published a final Tier 3 gasoline standard that requires, among other things, that gasoline contain no more than 10 parts per million ("ppm") sulfur on an annual average basis and no more than 80 ppm sulfur on a per-

gallon basis. The standard also lowers the allowable benzene, aromatics, and olefins content of gasoline. The effective date for the new standard was January 1, 2017, however, approved small volume refineries had until January 1, 2020 to meet the standard. The Par East Hawaii refinery was required to comply with Tier 3 gasoline standards within 30 months of June 21, 2016, the date it was disqualified from small volume refinery status. On March 19, 2015, the EPA confirmed the small refinery status of our Wyoming refinery. The Par East Hawaii refinery, our Wyoming refinery, and our Washington refinery, acquired in January 2019, were all granted extensions of small refinery exemptions by the EPA for 2018. All our refineries are Tier 3 compliant.

Beginning on June 30, 2014, new sulfur standards for fuel oil used by marine vessels operating within 200 miles of the U.S. coastline (which includes the entire Hawaiian Island chain) were lowered from 10,000 ppm (1%) to 1,000 ppm (0.1%). The sulfur standards began at the Hawaii refineries and were phased in so that by January 1, 2015, they were fully aligned with the IMO standards and deadline. The more stringent standards apply universally to both U.S. and foreign flagged ships. Although the marine fuel regulations provided vessel operators with a few compliance options such as installation of on-board pollution controls and demonstration unavailability, many vessel operators were forced to switch to a distillate fuel while operating within the Emission Control Area ("ECA"). Beyond the 200 mile ECA, large ocean vessels are still allowed to burn marine fuel with up to 3.5% sulfur. Our Hawaii refineries are capable of producing the 1% sulfur residual fuel oil that was previously required within the ECA. Although our Hawaii refineries remain in a position to supply vessels traveling to and through Hawaii, the market for 0.1% sulfur distillate fuel and 3.5% sulfur residual fuel is much more competitive. In addition to U.S. fuels requirements, the IMO has adopted newer standards that further reduce the global limit on sulfur content in maritime fuels to 0.5% beginning in 2020 ("IMO 2020").

In addition to federal requirements, several states, including Washington, have proposed or enacted low carbon fuel standards applicable to transportation fuels. The Washington proposal would create a carbon intensity score for transportation fuels, and require fuel producers and importers who fall short of carbon intensity goals to purchase credits.

There will be compliance costs and uncertainties regarding how we will comply with the various requirements contained in the EISA, RFS, and other fuel-related regulations. We may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

Solid and Hazardous Waste

Several of our businesses generate wastes, including hazardous wastes, that are subject to regulation under the federal Resource Conservation and Recovery Act ("RCRA") and state statutes. The EPA has limited the disposal options for certain hazardous wastes and state regulation of the handling and disposal of refining and natural gas and oil exploration and production wastes and solid wastes is becoming more stringent.

Naturally Occurring Radioactive Materials ("NORM") are radioactive materials that accumulate on production equipment or area soils during oil and natural gas extraction or processing. Primary responsibility for NORM regulation has been a state function. Standards have been developed for worker protection; treatment, storage, and disposal of NORM waste; management of waste piles, containers, and tanks; and limitations upon the release of NORM-contaminated land for unrestricted use. We believe that our operations are in material compliance with all applicable NORM standards.

Superfund

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain persons with respect to the release or threatened release of a "hazardous substance" into the environment. These persons include the current owner and operator of a site, any former owner or operator who operated the site at the time of a release, transporters, and persons that disposed or arranged for the disposal of hazardous substances at a site. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible persons the costs of such action. State statutes impose similar liability.

Under CERCLA, the term "hazardous substance" does not include "petroleum, including crude oil or any fraction thereof," unless specifically listed or designated. While this "petroleum exclusion" lessens the significance of our operations, we may generate wastes that may fall within CERCLA's definition of a "hazardous substance" in the course of our ordinary refining operations. Although we and, to our knowledge, our predecessors have used operating and disposal practices that were standard in the industry at the time, "hazardous substances" may have been disposed or released on, under, or from the properties currently or historically owned or leased by us or on, under, or from other locations where these wastes have been taken for disposal. At this time, we do not believe that we have any liability associated with any Superfund site and we have not been notified of any claim, liability, or damages under CERCLA.

Oil Pollution Act

The Oil Pollution Act of 1990 ("OPA") and regulations thereunder impose a variety of requirements on "responsible parties" related to the prevention of crude oil spills and liability for damages resulting from such spills in U.S. waters. A "responsible party" includes the owner or operator of a facility or vessel or the lessee or permittee of the area in which an offshore facility is located. While liability limits apply in some circumstances, few defenses exist to the liability imposed by the OPA. We are not aware of the occurrence of any action or event that would subject us to liability under OPA and we believe that compliance with OPA's financial responsibility and other operating requirements will not have a material adverse effect on us.

Discharges and Marine Protection

The Clean Water Act ("CWA") regulates the discharge of pollutants to waters of the U.S., including wetlands, and requires a permit for the discharge of pollutants, including petroleum, to such waters. Certain facilities that store or otherwise handle crude oil are required to prepare and implement Spill Prevention, Control, and Countermeasure and Facility Response Plans relating to the possible discharge of oil to surface waters. We are required to prepare and comply with such plans and to obtain and comply with discharge permits. We believe we are in substantial compliance with these requirements and that any noncompliance would not have a material adverse effect on us. The CWA also prohibits spills of oil and hazardous substances to waters of the U.S. in excess of levels set by regulations and imposes liability in the event of a spill.

Other statutes provide protection to animal and plant species. These laws and regulations may require the acquisition of a permit or other authorization before drilling or construction related to the oil and gas industry commences and may limit or prohibit construction, drilling, and other activities on certain lands lying within wilderness or wetlands and other protected areas and impose substantial liabilities for pollution resulting from our operations. For example, the Magnuson amendment to the Marine Mammal Protection Act may limit or restrict certain new oil terminals and oil-by-rail infrastructure in the state of Washington.

State laws further regulate discharges of pollutants to surface and groundwaters, require permits that set limits on discharges to such waters, and provide civil and criminal penalties and liabilities for spills to both surface and groundwaters. Some states have imposed regulatory requirements to respond to concerns related to potential for groundwater impact from oil and gas exploration and production. For example, the Colorado Oil and Gas Conservation Commission ("COGCC") approved rules that require sampling of groundwater for hydrocarbons and other indicator compounds both before and after drilling.

Air Emissions

Our refining operations are subject to local, state, and federal regulations for the control of emissions from sources of air pollution. Administrative enforcement actions for failure to comply strictly with air regulations or permits may be resolved by payment of monetary fines and correction of any identified deficiencies. Alternatively, regulatory agencies could impose civil and criminal liability for non-compliance. An agency could require us to forgo construction or operation of certain air emission sources. We believe that we are in substantial compliance with air pollution control requirements.

Our refining business is subject to very significant state and federal air permitting and pollution control requirements, including some that are the subject of ongoing enforcement activities by the EPA as described in more detail below. The EPA continues to review and, in many cases, tighten ambient air quality standards, which standards, along with the advancement of pollution control technologies, could result in new regulatory and permit requirements that will impact our refining activities and involve additional costs.

On September 29, 2015, the EPA announced a final rule updating standards that control toxic air emissions from petroleum refineries, addressing, among other things, flaring operations, fence-line air quality monitoring, and additional emission reductions from storage tanks and delayed coking units. Compliance with this rule has not had a material impact on our financial condition, results of operations, or cash flows to date.

Coastal Coordination

There are various federal and state programs that regulate the conservation and development of coastal resources. The federal Coastal Zone Management Act ("CZMA") was passed to preserve and, where possible, restore the natural resources of the coastal zone of the U.S. The CZMA provides for federal grants for state management programs that regulate land use, water use, and coastal development.

Environmental Agreement

On September 25, 2013, Par Petroleum, LLC (formerly known as Hawaii Pacific Energy; a wholly owned subsidiary of Par created for purposes of acquiring Par Hawaii Refining, LLC ("PHR")), Tesoro Corporation ("Tesoro," which changed its name to Andeavor Corporation before being purchased by Marathon Petroleum Company in October 2018), and PHR entered into an Environmental Agreement ("Environmental Agreement") that allocated responsibility for known and contingent environmental liabilities related to the acquisition of PHR, including a consent decree.

Other Government Regulation

Impact of Dodd-Frank Act Derivatives Regulation

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), which was passed by the U.S. Congress and signed into law in July 2010, contains significant derivatives regulation, including requirements that certain transactions be cleared on exchanges and that collateral (commonly referred to as "margin") be posted for such transactions. The Dodd-Frank Act provides for a potential exception from these clearing and collateral requirements for commercial end users and it includes a number of defined terms used in determining how this exception applies to particular derivative transactions and the parties to those transactions. As required by the Dodd-Frank Act, the Commodities Futures and Trading Commission ("CFTC") has promulgated numerous rules to define these terms. The CFTC has re-proposed new rules that would place limits on certain core futures and equivalent swap contracts for or linked to certain physical commodities, subject to exceptions for certain bona fide hedging transactions. As these new positions limit rules are not yet final, the impact of those provisions on us is uncertain at this time.

It is possible that the CFTC, in conjunction with prudential regulators, may mandate that financial counterparties entering into swap transactions with end users must do so with credit support agreements in place, which could result in negotiated credit thresholds above which an end user must post collateral. If this should occur, we intend to manage our credit relationships to minimize collateral requirements.

The CFTC's final rules may also have an impact on our counterparties. For example, our bank counterparties may be required to post collateral and assume compliance burdens resulting in additional costs. We expect that much of the increased costs could be passed on to us, thereby decreasing the relative effectiveness of our hedges and our profitability. To the extent we incur increased costs or are required to post collateral, there could be a corresponding decrease in amounts available for our capital investment program.

OSHA

We are subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state statutes. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendments and Reauthorization Act, and similar state statutes require us to organize and/or disclose information about hazardous materials used or produced in our operations. Certain of this information must be provided to employees, state and local governmental authorities, and local citizens.

SIGNIFICANT CUSTOMERS

We sell a variety of refined products to a diverse customer base. The majority of our refined products are primarily sold through short-term contracts or on the spot market. For the year ended December 31, 2020, we had one customer in our refining segment that accounted for 13% of our consolidated revenue. No other customer accounted for more than 10% of our consolidated revenues during the years ended December 31, 2020, 2019, and 2018.

HUMAN CAPITAL

Workforce Composition

At Par, we believe our employees are our most valuable asset. By investing in our employees, we are able to achieve success and continue to execute on our mission and vision. At December 31, 2020, our workforce consisted of 1,403 employees, including 243 employees, or 17% of our total workforce, at our Hawaii and Washington refineries represented by the United Steelworkers Union ("USW") with collective bargaining agreements expiring on January 31, 2022. We value all our employees, represented and non-represented, and constantly strive to maintain and improve satisfactory relationships with them. Our 1,403 employees work in the following operating segments throughout the United States:

Operating Segment	Number of Employees
Refining and Logistics	706
Retail	606
Corporate	91
Total	1,403

Diversity

Par is focused on recruiting and developing a diverse workforce. We prioritize outreach activities that increase the diversity of applicants for open positions and actively ensure that all open positions are posted on job boards that target female, minority, disabled, and military veteran candidates. We are developing relationships with local organizations that provide services to historically underserved populations and make them aware of career opportunities at Par. As of December 31, 2020, our workforce consists of 50% minorities and 5% protected veterans.

Culture and Values

Par is a values-driven company. Our tight-knit community values integrity, creativity, hard work, and respect for others. These four pillars support our successes and strengthen our ability to be an effective and fun place to work. We value innovative thought and rally behind ideas that create new opportunities. We believe this drives our growth and success. We value the unique heritage, experiences, and contributions of everyone we get to work with and serve. Our commitment to doing the good and right thing with the highest ethical standards helps us to achieve our best results. As we pursue growth and success, we believe it is important to keep our people safe, to value our diversity, and to protect our environment.

Benefits

We offer highly competitive compensation, benefit, and time-off packages to promote employee fulfillment and work-life balance. Our benefits include our employee stock purchase plan, generous time off allowance, and a tuition reimbursement program.

Health and Safety

Safety is paramount to every operation and activity we undertake. We recognize that our responsible stewardship impacts every employee, every contractor, and every member of the community, and we embrace that responsibility. We promote a culture of continual safety improvement with a keen eye for evaluating and managing risk. We continually monitor the implementation of programs, policy, and procedures to achieve this objective.

The importance of quick action and continuous monitoring was made clear by the COVID-19 pandemic. Our leaders took and continue to take swift action to protect employees, contractors, and customers and to ensure operations in each segment of our business are able to continue without interruption. For example, our retail stores have installed plexiglass shields designed to limit employee exposure to viruses and our administrative offices have implemented alternative work schedules to reduce capacity and allow for social distancing. Our actions demonstrate that we live our values every day.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K may constitute "forward-looking" statements as defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 ("PSLRA"), or in releases made

by the SEC, all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties, and other important factors that could cause our actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words or the negative of these terms or other variations of these terms or comparable language or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act, and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws.

The forward-looking statements contained in this Annual Report on Form 10-K are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this Annual Report on Form 10-K are not guarantees of future performance and we cannot assure any reader that such statements will be realized or that the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described in “Item 1A. — Risk Factors”, “Item 7. — Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Annual Report on Form 10-K. Additionally, significant uncertainties remain with respect to COVID-19 and its economic effects. Due to the unpredictable and unprecedented nature of the COVID-19 pandemic, we cannot identify all potential risks to, and impacts on, our business, including the ultimate adverse economic impact to the Company’s business, results of operations, financial condition, and liquidity. However, the adverse impact of COVID-19 on the Company has been and will likely continue to be material. There can be no guarantee that the operational and financial measures the Company has taken, and may take in the future, will be fully effective. All forward-looking statements speak only as of the date they are made. We do not intend to update or revise any forward-looking statements as a result of new information, future events, or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Item 1A. RISK FACTORS

Our businesses involve a high degree of risk. You should consider and read carefully the risks and uncertainties described below together with all of the other information contained in this Annual Report on Form 10-K. If any of the following risks, or any risk described elsewhere in this Annual Report on Form 10-K, actually occur, our business, prospects, financial condition, results of operations, or cash flows could be materially adversely affected. In any such case, the trading price of our common stock could decline. The risks described below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us.

OPERATING RISKS

Our operations are subject to operational hazards that could expose us to potentially significant losses.

Our operations are subject to potential operational hazards and risks inherent in refining operations, in transporting and storing crude oil and refined products, and in producing natural gas and oil. Any of these risks, such as fires, explosions, maritime disasters, security breaches, pipeline ruptures and spills, mechanical failure of equipment, and severe weather and natural disasters at our or third-party facilities could result in business interruptions or shutdowns and damage to our properties and the properties of others. The scientific consensus suggests that some of these physical risks to our facilities and third party facilities, especially risks associated with extreme weather, may increase as a result of climate change. A serious accident at our facilities could also result in serious injury or death to our employees or contractors and could expose us to significant liability for personal injury claims and reputational risk. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition, and results of operations.

The volatility of crude oil prices and refined product prices and changes in the demand for such products may have a material adverse effect on our cash flow and results of operations.

Earnings and cash flows from our refining segment depend on a number of factors, including to a large extent the cost of crude oil and other refinery feedstocks which has fluctuated significantly in recent years. While prices for refined products are influenced by the price of crude oil, the constantly changing margin between the price we pay for crude oil and other refinery feedstocks and the prices we receive for refined products, the crack spread, also fluctuates significantly. The prices we pay and prices we receive depend on numerous factors beyond our control, including the global supply and demand for crude oil, gasoline, and other refined products, which are subject to, among other things:

- changes in the global economy and the level of foreign and domestic production of crude oil and refined products;
- availability of crude oil and refined products and the infrastructure to transport crude oil and refined products;
- local factors, including market conditions, the level of operations of other refineries in our markets, and the volume and price of refined products imported;
- threatened or actual terrorist incidents, acts of war, and other global political conditions;
- changes in the availability or cost of maritime shipping;
- pandemics, public health crises, or other widespread emergencies such as the novel coronavirus (COVID-19);
- government regulations or mandated production curtailments or limitations; and
- weather conditions, hurricanes, or other natural disasters.

For example, the COVID-19 pandemic has resulted in significant demand reduction for crude oil and refined products, particularly in the Hawaii market, and abnormal volatility in oil commodity prices, which may continue for the foreseeable future. In addition, the Organization of the Petroleum Exporting Countries ("OPEC") has agreed to adjust downwards their overall production of crude oil through April 30, 2022, with the agreement to be reassessed in December 2021, to support crude oil prices. And the Alberta government has previously mandated crude oil production cuts in a region where our Washington refinery sources crude oil. Such an action, or any similar actions, could result in an increase in the price we pay for crude oil, which may result in a decrease in the expected earnings and cash flows generated by our refining business.

In addition, we purchase our refinery feedstocks before manufacturing and selling the refined products. Price level changes during the periods between purchasing and selling these refined products could also have a material adverse effect on our business, financial condition, and results of operations.

Our business, financial condition, results of operations, and liquidity have been adversely affected by the COVID-19 pandemic that has caused, and is expected to continue to cause, the global slowdown of economic activity (including the decrease in demand for crude oil and the refined products that we produce and sell), disruptions in global supply chains,

and significant volatility and disruption of financial markets and that also has adversely affected workforces, customers, and regional and local economies.

Because the severity, magnitude, and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing, and difficult to predict, the impact on our business, results of operations, financial condition, and liquidity remains uncertain and difficult to predict. As a result of the COVID-19 pandemic and the accompanying significant demand reduction for crude oil and refined products, particularly in the Hawaii market, our revenues have decreased from \$5.4 billion in the year ended December 31, 2019 to \$3.1 billion in the year ended December 31, 2020. The ultimate impact of the COVID-19 pandemic on our results of operations and financial condition remains uncertain and depends on numerous evolving factors, many of which are not within our control, and which we may not be able to effectively respond to, including, but not limited to: governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transport, workforce pressures and social distancing, and stay-at-home orders); the effect of the pandemic on economic activity and actions taken in response; the effect on our customers and their demand for our products; the effect of the pandemic on the creditworthiness of our customers; national or global supply chain challenges or disruption; workforce availability; facility closures; commodity cost volatility; general economic uncertainty in key global markets and financial market volatility and ability to access capital markets; global economic conditions and levels of economic growth; and the pace of recovery when the COVID-19 pandemic subsides, as well as response to a potential reoccurrence.

Further, the COVID-19 pandemic, and the volatile regional and global economic conditions stemming from the pandemic, could also precipitate or aggravate the other risk factors that we identify in this Annual Report on Form 10-K, which could materially adversely affect our business, financial condition, results of operations (including revenues and profitability), and liquidity and/or stock price. Additionally, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations.

Instability in the global economic and political environment can lead to volatility in the cost and availability of crude oil and prices for refined products, which could adversely impact our results of operations.

Instability in the global economic and political environment can lead to volatility in the cost and availability of crude oil and in the price and demand for refined products. This may place downward pressure on our results of operations. This is particularly true of developments in and relating to oil-producing countries, including terrorist activities, military conflicts, embargoes, internal instability, or actions or reactions of the U.S. or foreign governments in anticipation of, or in response to, such developments. Any such events may limit or disrupt markets, which could negatively impact our ability to access global crude oil commodity flows or sell our refined products.

Many of our refined products could cause serious injury or death if mishandled or misused by us or our purchasers, or if defects occur during manufacturing.

While we produce, store, transport, and deliver all of our refined products in a safe manner, many of our refined products are highly flammable or explosive and could cause significant damage to persons or property if mishandled. Defects in our products (such as gasoline or jet fuel) or misuse by us or by end purchasers could lead to fatalities or serious damage to property. We may be held liable for such occurrences, which could have a material adverse effect on our business and results of operations.

Our business is impacted by increased risks of spills, discharges, or other releases of petroleum or hazardous substances in our refining and logistics operations.

The operation of refineries, pipelines, and refined products terminals is subject to increased risks of spills, discharges, or other inadvertent releases of petroleum or hazardous substances, and we operate in and around environmentally sensitive coastal waters that are closely regulated and monitored. These events could occur in connection with the operation of our refineries, pipelines, or refined products terminals. If any of these events occur, or is found to have previously occurred, we could be liable for costs and penalties associated with their remediation under federal, state, and local environmental laws or common law, and could be liable for property damage to third parties caused by contamination from releases and spills. The penalties and clean-up costs that we may have to pay for releases or the amounts that we may have to pay to third parties for damages to their property could be significant and have a material adverse effect on our business, financial condition, or results of operations.

Our operations, including the operation of underground storage tanks, are also subject to the risk of environmental litigation and investigations which could affect our results of operations.

From time to time, we may be subject to litigation or investigations with respect to environmental and related matters, the costs of which could be material. We operate fueling stations with underground storage tanks used primarily for storing and dispensing refined fuels. In addition, some fueling stations where we sell fuel are owned or operated by third parties who are not under our control. Federal and state regulations and legislation govern the storage tanks and compliance with these requirements can be costly. The operation of underground storage tanks poses certain risks, including leaks. Leaks from underground storage tanks, which may occur at one or more of our fueling stations, may impact soil or groundwater and could result in fines or civil liability for us.

Our insurance coverage may be inadequate to protect us from the liabilities that could arise in our business.

We carry property, casualty, business interruption, and other lines of insurance, but we do not maintain insurance coverage against all potential losses. Marine vessel charter agreements do not include indemnity provisions for oil spills so we also carry marine charterer's liability insurance. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Claims covered by insurance are subject to deductibles, the aggregate amount of which could be material. Insurance policies are also subject to compliance with certain conditions, the failure of which could lead to a denial of coverage as to a particular claim or the voiding of a particular insurance policy. There also can be no assurance that existing insurance coverage can be renewed at commercially reasonable rates or that available coverage will be adequate to cover future claims. The occurrence of an event that is not fully covered by insurance or failure by one or more insurers to honor its coverage commitments for an insured event could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to interruptions of supply and increased costs as a result of our reliance on third-party transportation of crude oil and refined products to and from our refineries.

Our refineries receive and transport crude oil and refined products via tankers, barges, pipelines, and railcars. In addition to environmental risks, we could experience an interruption of supply or an increased cost to deliver refined products to market if such transportation is disrupted because of adverse weather, accidents, governmental regulation or sanctions, or third-party action. A prolonged disruption could have a material adverse effect on our business, financial condition, and results of operations.

The financial and operating results of our refineries, including the products they refine and sell, can be seasonal.

Demand for gasoline in the Rockies and Northwest United States is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic. The Wyoming and Washington refineries' financial and operating results for the first and fourth calendar quarters may be lower than those for the second and third calendar quarters of each year as a result of this seasonality. Conversely, the demand for the products the Hawaii refineries refine and sell, and the financial and operating results for the Hawaii refineries, are often strongest in the first and fourth calendar quarters.

We rely upon certain critical information systems for the operation of our business and the failure of any critical information system, including a cyber security breach, may result in harm to our business.

We are heavily dependent on our technology infrastructure and maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include data network and telecommunications, internet access and our websites, and various computer hardware equipment and software applications, including those that are critical to the safe operation of our refineries and our pipelines and terminals. Our retail business collects certain customer data, including credit card numbers, for business purposes. The integrity and protection of our customer, employee, and company data is critical to our business.

Our information systems are subject to damage or interruption from a number of potential sources including natural disasters, ransomware, software viruses or other malware, power failures, cyber attacks, and other events. To the extent that these information systems are under our control, we have implemented measures, such as virus protection software and intrusion detection systems, to address the outlined risks. However, security measures for information systems cannot be guaranteed to be failsafe. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities, which could adversely affect our business, financial condition, and results of operations. Finally, federal legislation relating to cyber security threats could impose additional requirements on our operations.

Through our investment in Laramie Energy, we are subject to all of the risks of natural gas and oil exploration and production, but we lack the ability to control Laramie Energy's operations and our ability to extract value is limited.

Through our investment in Laramie Energy, we are exposed to all of the risks inherent in natural gas and oil exploration and production, including the risks that: exploration and development drilling may not result in commercially productive reserves; the operator may act in ways contrary to our best interest; the marketability of our natural gas products depends mostly on the availability, proximity, and capacity of natural gas gathering systems, pipelines, and processing facilities, which are owned by third parties, as well as adequate water supplies; we have no long-term contracts to sell natural gas or oil; compliance with environmental and other governmental regulatory or legislative requirements could result in increased costs of operation or curtailment, delay, or cancellation of development and producing operations; and a decline in demand for natural gas and oil could adversely affect our financial condition and results of operations. Additionally, the ability of Laramie Energy to make distributions to its owners, including us, is currently prohibited by the terms of Laramie Energy's credit facility and the terms of its limited liability company agreement.

REGULATORY RISK

Meeting the requirements of evolving environmental, health, and safety laws and regulations, including those related to climate change and marine protection, could adversely affect our performance.

Consistent with the experience of other U.S. refineries, environmental laws and regulations have raised operating costs and may require significant capital investments at our refineries. We may be required to address conditions that may be discovered in the future and require a response. Potentially material expenditures could be required in the future as a result of evolving environmental, health, and safety and energy laws, regulations, or requirements that may be adopted or imposed in the future. Future developments in federal and state laws and regulations governing environmental, health and safety, and energy matters are especially difficult to predict.

Currently, multiple legislative and regulatory measures to address GHG emissions (including CO₂, methane, and NO_x) are in various phases of consideration, promulgation, or implementation. These include actions to develop national, statewide, or regional programs, each of which could require reductions in our GHG emissions. Requiring reductions in our GHG emissions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls at our facilities, and/or (iii) administer and manage any GHG emissions programs, including acquiring emission credits or allotments. Requiring reductions in our GHG emissions and increased use of renewable fuels which can be supplied by producers and marketers in other industries that supply alternative forms of energy and fuels to satisfy the requirements of our industrial, commercial, and individual customers could also decrease the demand for our refined products, and could have a material adverse impact on our business, financial condition, and results of operations.

Additionally, legislation designed to protect animal and plant species, such as the Magnuson amendment to the Marine Mammal Protection Act, may limit or restrict our ability to construct or expand new oil terminals and oil-by-rail infrastructure in the state of Washington, which could have a material impact on our business, financial condition, and results of operations.

Renewable fuels mandates may reduce demand for the petroleum fuels we produce, which could have a material adverse effect on our business results of operations and financial condition.

The RFS program sets annual quotas for the quantity of renewable fuels that must be blended into transportation fuels consumed in the U.S. A RIN is assigned to each gallon of renewable fuel produced in or imported into the U.S. As a producer of petroleum-based transportation fuels, we are obligated to blend renewable fuels into the petroleum fuels we produce and sell in the U.S. To the extent we do not, we are required to purchase RINs in the market to satisfy our obligations under the RFS program. During 2020, we incurred \$107.2 million of RINs expense for our Hawaii, Wyoming, and Washington refineries. The EPA did not meet its November 30, 2020 statutory deadline to set 2021 renewable volume obligations ("RVO"), and to date, has not issued a proposed rule for the 2021 RVO other than biomass-based diesel. While there are statutory targets still in place, the ultimate RVO for 2021 and the potential associated expense remain uncertain until the RVO is set. In addition, as a result of the annual volume mandates, we may experience a decrease in demand for refined products due to refined products being replaced by renewable fuels.

We are exposed to the volatility in the market price of RINs and are unable to predict the future prices of RINs. RINs prices are dependent upon a variety of factors, including EPA regulations, the availability of RINs for purchase, and levels of transportation fuels produced, which can vary significantly from quarter to quarter. The ultimate outcome of the 2021 RVO rule will also likely affect RIN prices. If sufficient RINs are unavailable for purchase, if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our results of operations and cash flows could be adversely affected. The current administration has also been critical of exemptions from the RFS mandates granted to small

refineries during the previous administration. While litigation over the issue is currently before the U.S. Supreme Court, the EPA under the current administration may be less willing to grant such waivers going forward and may increase the RVO in future years. To the extent fewer waivers are granted in the future or the RVO is increased, the demand for and the price of RINs would likely also increase, and our results of operations and cash flows could be adversely affected. Ongoing litigation and regulatory activity regarding the standards for 2016, 2017, 2018, 2019, and 2020 creates some potential that the final volumes of renewable fuels that the EPA established will be revised for one or more of those years. In addition, the EPA is considering changes to the existing RFS program regulations and other regulatory initiatives under the RFS program that could impact future standards. Although uncertain, any of these events may cause the price of RINs to rise and result in additional costs in connection with RFS compliance for prior years, costs that exceed our estimates in connection with RFS compliance for 2021, and/or increased compliance costs in future years. Such increased costs could be material and may have a material adverse impact on our business, financial condition, and results of operations. All RIN transactions are recorded in the EPA Moderated Transaction System ("EMTS"). Under this system, purchasers of RINs are required to self-certify their validity without verification by the EPA, and are responsible for any invalid RINs submitted to the EPA for compliance. We believe that the RINs we purchase are from reputable sources, are valid, and serve to demonstrate compliance with applicable RFS requirements. However, if this belief proves incorrect and the RINs that we purchase are not valid or in compliance with applicable RFS requirements, our financial condition and cash flows may be adversely affected.

Several states, including Washington and Hawaii, have pursued or are considering initiatives designed to reduce the carbon intensity of the transportation sector by encouraging increased use of renewable fuels or electric vehicles or by requiring reductions in transportation fuel-related GHG emissions in the state. Since 2006, the State of Washington has required that denatured ethanol make up at least 2% of total gasoline sold in the state and that biodiesel comprise at least 2% of total diesel sold in the state, and the Washington Department of Ecology is authorized to increase these requirements if certain conditions are met. Although the Washington State Legislature failed to pass a clean fuels program that would have limited GHG emissions per unit of transportation fuel energy, the State of Washington continues to pursue additional clean fuels legislation, including a stringent low carbon fuel standard. In 2014, the State of Hawaii signed a memorandum of understanding with the U.S. Department of Energy to collaborate to produce 70% of the state's energy needs from energy-efficient and renewable sources by 2030 and 100% of the state's energy needs from energy-efficient and renewable sources by 2045. In addition, Hawaii's alternative fuels standard requires the State to facilitate the development of alternate fuels so such fuels provide 20% of highway fuel demand by 2020 and 30% by 2030. These state programs could increase the cost of consuming, and thereby reduce demand for, our refined petroleum products, which could have a material adverse effect on our business, results of operations, and financial condition.

Potential legislative and regulatory actions addressing climate change could increase our costs, reduce our revenue and cash flow from natural gas and oil sales, or otherwise alter the way we conduct our business.

Currently, multiple legislative and regulatory measures to address GHG, including CO₂, methane, and NO_x, and other emissions are in various phases of consideration, promulgation, or implementation at various levels of the federal and state government. These include actions to develop international, federal, regional, or statewide programs, which could require reductions in our GHG or other emissions, establish a carbon tax and decrease the demand for our refined products. Requiring reductions in these emissions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls at our facilities, and (iii) administer and manage any emissions programs, including acquiring emission credits or allotments.

For example, in 2015, the U.S., Canada, and the U.K. participated in the United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. The Paris Agreement, which was signed by the U.S. in April 2016, requires countries to review and "represent a progression" in their intended nationally determined contributions (which set GHG emission reduction goals) every five years beginning in 2020. In November 2020, the United States' previously-announced withdrawal from the Paris Agreement became effective. On January 20, 2021, President Biden announced that the United States would be reentering the Paris Agreement. This reentry became effective on February 19, 2021. Restrictions on emissions of methane or carbon dioxide that have been or may be imposed in various U.S. states, at the U.S. federal level, or in other countries could adversely affect the oil and gas industry.

The EPA has issued a notice of finding and determination that emissions of CO₂, methane, and other GHGs present an endangerment to human health and the environment. In response, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit program requiring reviews for GHG emissions from certain large stationary sources. Facilities required to obtain PSD permits for their GHG emissions will also be required to meet "best available control technology" standards, which will be established by the states or, in some instances, by the EPA on a case-by-case basis. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified large GHG emission sources in the U.S.,

including petroleum refineries and certain onshore petroleum and natural gas production activities, on an annual basis. We monitor for GHG emissions at our refineries and believe we are in substantial compliance with the applicable GHG reporting requirements. Certain of the third-party drilling and production entities in which we hold a working interest also may be subject to reporting of GHG emissions in the U.S. These EPA policies and rulemakings could adversely affect our operations and restrict or delay our ability to obtain air permits for new or modified facilities.

In addition, from time to time, the U.S. Congress has considered and may in the future consider and adopt “cap and trade” legislation that would establish an economy-wide cap on GHG emissions in the U.S. and would require most sources of GHG emissions to obtain emission “allowances” corresponding to their annual GHG emissions. For those GHG sources that are unable to meet the required limitations, such legislation could impose substantial financial burdens. Any laws or regulations that may be adopted to restrict or reduce GHG emissions would likely require us to incur increased operating costs and could have an adverse effect on demand for our production. The adoption of any legislation or regulations that limits emissions of GHG from our or such drilling and production entities’ facilities, equipment, and operations could require us or such entities to incur costs to reduce emissions of GHG associated with our or such entities’ operations or could adversely affect demand for the refined petroleum products that we produce or the crude oil or natural gas that such drilling and production entities in which we hold a working interest produce.

At the state level, the State of Hawaii has announced its intention to reduce statewide GHG emissions to 1990 levels by 2020. Other states, including Washington, are proposing, or have already promulgated, low carbon fuel standards or similar initiatives to reduce emissions from the transportation sector. We could also face increased climate-related litigation with respect to our operations or products. If we are unable to pass the costs of compliance on to our customers, sufficient credits are unavailable for purchase, we have to pay a significantly higher price for credits, or we are otherwise unable to meet our compliance obligation, our financial condition and results of operations could be adversely affected.

Federal, regional, and state climate change and air emissions goals and regulatory programs are complex, subject to change, and create uncertainty due to a number of factors including technological feasibility, legal challenges, and potential changes in federal policy. Nevertheless, stricter regulation can be expected in the future and any of these or similar changes may have a material adverse impact on our business, results of operations, and financial condition.

Regulatory and other requirements concerning the transportation of crude oil and other commodities by rail may cause increases in transportation costs or limit the amount of crude oil that we can transport by rail.

We rely on a variety of systems to transport crude oil, including rail. Rail transportation is regulated by federal, state, and local authorities. New regulations or changes in existing regulations could result in increased compliance expenditures. For example, in 2019 Washington enacted a law that limits crude oil by rail deliveries through a cap on off-loadings from existing facilities and new specifications regarding the vapor pressure of crude oils permitted to be shipped through the state. These or other regulations that require the reduction of volatile or flammable constituents in crude oil that is transported by rail, change the design or standards for rail cars used to transport the crude oil we purchase, change the routing or scheduling of trains carrying crude oil, or require any other changes that detrimentally affect the economics of delivering North American crude oil by rail, could increase the time required to move crude oil from production areas to our refineries, increase the cost of rail transportation, and decrease the efficiency of shipments of crude oil by rail within our operations. Any of these outcomes could have a material adverse effect on our business, results of operations, and financial condition.

In connection with the WRC Acquisition, we will be required to undertake significant remediation and other corrective actions with respect to certain environmental matters.

In connection with the July 14, 2016 purchase of Hermes Consolidated, LLC (d/b/a Wyoming Refining Company) and, indirectly, Wyoming Refining Company’s wholly owned subsidiary, Wyoming Pipeline Company, LLC (collectively, “Wyoming Refining” or “WRC”) (the “WRC Acquisition”), there are several environmental conditions that will require us to undertake significant remediation efforts and other corrective actions. The Wyoming refinery is subject to a number of consent decrees, orders, and settlement agreements involving the EPA and/or the Wyoming Department of Environmental Quality, some of which date back to the late 1970s and several of which remain in effect, requiring further actions at the Wyoming refinery.

As is typical of older, small refineries like the Wyoming refinery, the largest cost component arising from these various decrees relates to the investigation, monitoring, and remediation of soil, groundwater, surface water, and sediment contamination associated with the facility’s historic operations. Investigative work by Wyoming Refining and negotiations with the relevant agencies as to remedial approaches remain ongoing on a number of aspects of the contamination, meaning that investigation, monitoring, and remediation costs are not reasonably estimable for some elements of these efforts. As of December 31, 2020, we have accrued \$16.3 million for the well-understood components of these efforts based on current

information, approximately one-third of which we expect to incur in the next five years and the remainder to be incurred over approximately 30 years.

Additionally, we believe the Wyoming refinery will need to modify or close a series of wastewater impoundments in the next several years and to replace those impoundments with a new wastewater treatment system. Based on current information, reasonable estimates we have received suggest costs of approximately \$11.6 million to design and construct a new wastewater treatment system.

Finally, among the various historic consent decrees, orders, and settlement agreements into which the Wyoming refinery has entered, there are several penalty orders associated with exceedances of permitted limits by the Wyoming refinery's wastewater discharges. The frequency of these exceedances appears to be declining over time, but we may become subject to new penalty enforcement action in the future.

We may incur significant costs and liabilities resulting from performance of pipeline integrity programs and related repairs.

Pipeline and Hazardous Materials Safety Administration ("PHMSA") has established a series of rules requiring pipeline operators to develop and implement integrity management programs for hazardous liquid pipelines that, in the event of a pipeline leak or rupture, could affect high consequence areas ("HCAs"), which are areas where a release could have the most significant adverse consequences, including high-population areas, certain drinking water sources, and unusually sensitive ecological areas. These regulations require operators of covered pipelines to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact an HCA;
- improve data collection, integration, and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventive and mitigating actions.

In addition, certain states have also adopted regulations similar to existing PHMSA regulations for intrastate gathering and transmission lines. These requirements could require us to install new or modified safety controls, pursue additional capital projects, or conduct maintenance programs on an accelerated basis, any or all of which tasks could result in us incurring increased operating costs that could be significant and have a material adverse effect on our financial position or results of operations.

Moreover, changes to pipeline safety laws by Congress and regulations by PHMSA that result in more stringent or costly safety standards could result in our incurring increased operating costs that could have a material adverse effect on our financial position or results of operations.

BUSINESS RISKS

The locations of our refineries and related assets in certain limited geographic areas create an exposure to localized economic risks.

Because of the locations of our refineries in Hawaii, Washington, and Wyoming, we primarily market our refined products in relatively limited geographic areas. As a result, we are more susceptible to regional economic conditions than the operations of more geographically diversified competitors and any unforeseen events or circumstances that affect our operating areas could also materially adversely affect our revenues and our business and operating results. These factors include, among other things, changes in the economy, weather conditions, demographics and population, refined product mix demand, increased supply of refined products from competitors, and reductions in the supply of crude oil.

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

Our refineries and related assets have been in operation for many years. Equipment, even if properly maintained, may require significant capital expenditures and expenses to keep the refineries operating at optimum efficiency. These costs do not result in increases in unit capacities, but rather are focused on trying to maintain safe, reliable operations.

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, or results of operations. 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;
- difficulties in executing the capital projects;
- 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
- non-performance or force majeure by, or disputes with, our vendors, suppliers, contractors, or sub-contractors.

Any one or more of these occurrences noted above could have a significant impact on our business. If we are unable to make up the delays or to recover the related costs, or if market conditions change, it could materially and adversely affect our financial position, results of operations, or cash flows.

The retail market is diverse and highly competitive. Aggressive competition and the development of alternative fuels could adversely impact our business.

We face strong competition in the market for the sale of retail gasoline, diesel fuel, and merchandise. Our competitors include outlets owned or operated by fully integrated major oil companies or their dealers and other well-recognized national or regional retail outlets, often selling products at very competitive prices. We compete with a number of integrated national and international oil companies who produce crude oil, some of which is used in their refining operations. Unlike these oil companies, we must purchase all of our crude oil from unaffiliated sources. Because these oil companies benefit from increased commodity prices, have greater access to capital, and have stronger capital structures, they are able to better withstand poor and volatile market conditions, such as a lower refining margin environment, shortages of crude oil and other feedstocks, or extreme price fluctuations.

Additionally, non-traditional retailers such as supermarkets, club stores, and mass merchants are also in the retail business, and these non-traditional gasoline retailers have obtained a significant share of the transportation fuels market. These retailers may use integration of operations, greater financial resources, promotional pricing or discounts, or other advantages to withstand volatile market conditions or levels of no or low profitability. The development of alternative and competing fuels in the retail market could also adversely impact our business. Increased competition from these alternatives as a result of governmental regulations, technological advances, and consumer demand could have an impact on pricing and demand for our products and our profitability.

If we are unable to obtain crude oil supplies for our refineries without the benefit of certain intermediation agreements, the capital required to finance our crude oil supply could negatively impact our liquidity.

All of the crude oil delivered at our Hawaii refineries is subject to our Supply and Offtake Agreements with J. Aron and certain deliveries of crude oil at our Washington refinery are subject to the Washington Refinery Intermediation Agreement (together, the "Intermediation Agreements"). If we are unable to obtain our crude oil supply for our refineries under these agreements, our exposure to crude oil pricing risks may increase as the number of days between when we pay for the crude oil and when the crude oil is delivered to us increases. Such increased exposure could negatively impact our liquidity position due to the increase in working capital used to acquire crude oil inventory for our refineries.

The Intermediation Agreements expose us to counterparty credit and performance risk.

We have Supply and Offtake Agreements with J. Aron, pursuant to which J. Aron will intermediate crude oil supplies and refined product inventories at our Hawaii refineries. J. Aron 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. Upon termination of the Supply and Offtake Agreements, which terminates on May 31, 2021 unless extended by mutual agreement for an additional one year term, we are obligated to repurchase all crude oil and refined product inventories then owned by J. Aron and located at the specified storage facilities at then current market prices. This repurchase obligation could have a material adverse effect on our business, results of operations, or financial condition. We also have the Washington Refinery Intermediation Agreement with MLC whereby our Washington refinery purchases certain crude oil supplies from third-party suppliers and MLC provides credit support for such purchases in exchange for our pledge of all crude oil and refined products inventories from such refinery. An adverse change in

the business, results of operations, liquidity, or financial condition of our intermediation counterparties could adversely affect the ability of such counterparties to perform their obligations, which could consequently have a material adverse effect on our business, results of operations, or liquidity and, as a result, our business and operating results.

Inadequate liquidity could materially and adversely affect our business operations in the future.

If our cash flow and capital resources are insufficient to fund our obligations, we may be forced to reduce our capital expenditures, seek additional equity or debt capital, or restructure our indebtedness. We cannot assure you that any of these remedies could, if necessary, be affected on commercially reasonable terms, or at all. Our liquidity is constrained by our need to satisfy our obligations under our debt agreements and the Intermediation Agreements. The availability of capital when the need arises will depend upon a number of factors, some of which are beyond our control. These factors include general economic and financial market conditions, the crack spread, natural gas and crude oil prices, our credit ratings, interest rates, market perceptions of us or the industries in which we operate, our market value, and our operating performance. We may be unable to execute our long-term operating strategy if we cannot obtain capital from these or other sources when the need arises.

Our ability to generate cash and repay our indebtedness or fund capital expenditures depends on many factors beyond our control and any failure to do so could harm our business, financial condition, and results of operations.

Our ability to fund future capital expenditures and repay our indebtedness when due will depend on our ability to generate sufficient cash flow from operations, borrowings under our debt agreements, and distributions from our subsidiaries. To a certain extent, this is subject to general economic, financial, competitive, legislative, and regulatory conditions and other factors that are beyond our control, including the crack spread.

We cannot assure you that our businesses will generate sufficient cash flow from operations, that our subsidiaries can or will make sufficient distributions to us, or that future borrowings will be available to us in an amount sufficient to repay our indebtedness or fund our other liquidity needs. If our cash flow and capital resources are insufficient to fund our needs, we may be forced to reduce our planned capital expenditures, sell assets, seek additional equity or debt capital, or restructure our debt. We cannot assure you that any of these remedies could, if necessary, be affected on commercially reasonable terms, or at all, which could cause us to default on our obligations and could impair our liquidity.

Our substantial level of indebtedness could adversely affect our financial condition.

We have a substantial amount of indebtedness, which requires significant interest payments. As of December 31, 2020, we had \$708.6 million of indebtedness and Interest expense and financing costs, net for the year ended December 31, 2020 was \$70.2 million.

Our substantial level of indebtedness could have important consequences, including the following:

- we must use a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness and obligations under the Intermediation Agreements, which reduces funds available to us for other purposes, such as working capital, capital expenditures, other general corporate purposes, and potential acquisitions;
- our ability to refinance such indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions, or general corporate purposes may be impaired;
- our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- we may be more vulnerable to economic downturns and adverse developments in our business; and
- we may be unable to comply with financial and other restrictive covenants in our debt agreements, some of which require us to maintain specified financial ratios and limit our ability to incur additional debt and sell assets, which could result in an event of default that, if not cured or waived, would have an adverse effect on our business and prospects and could result in bankruptcy.

Our ability to meet expenses, to remain in compliance with the covenants under our debt agreements, and to make future principal and interest payments in respect of our debt depends on, among other things, our operating performance, competitive developments, and financial market conditions, all of which are significantly affected by financial, business, economic, and other factors. We are not able to control many of these factors. If industry and economic conditions deteriorate, our cash flow may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations.

This increase in our indebtedness may reduce our flexibility to respond to changing business and economic conditions or to fund capital expenditure or working capital needs because we will require additional funds to service our outstanding indebtedness and may not be able to obtain additional financing.

Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks associated with our substantial leverage.

Despite our current consolidated debt levels, we may be able to incur significant additional indebtedness in the future. Although our debt agreements contain restrictions on the incurrence of additional indebtedness and entering into certain types of other transactions, these restrictions are subject to a number of qualifications and exceptions. Additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also do not prevent us or our subsidiaries from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our debt agreements. To the extent new debt is added to our current debt levels, the substantial leverage risks associated with our indebtedness would increase.

Our debt agreements impose significant operating and financial restrictions on us.

Our debt agreements impose, and the terms of any future debt may impose, significant operating and financial restrictions on us. These restrictions, among other things, may limit our ability to:

- pay dividends or distributions, repurchase equity, prepay junior debt, and make certain investments;
- incur additional debt or issue certain disqualified stock and preferred stock;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- incur liens on assets;
- merge or consolidate with another company or sell all or substantially all assets;
- enter into certain transactions with affiliates; and
- enter into agreements that would restrict the ability of our subsidiaries to pay dividends or make other payments to the Issuers.

All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions, or otherwise restrict activities or business plans. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the requisite lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. If repayment of our indebtedness is accelerated as a result of such default, we cannot assure you that we would have sufficient assets or access to credit to repay such indebtedness.

We may incur losses and incur additional costs as a result of our forward-contract activities and derivative transactions.

We enter into derivative contracts from time to time primarily to reduce our exposure to fluctuations in interest rates and in the price of crude oil and refined products. If the instruments we use to hedge our exposure are not effective, or if our counterparties are unable to satisfy their obligations to us, we may incur losses. We may also be required to incur additional costs in connection with future regulation of derivative instruments to the extent such regulation is applicable to us. Additionally, our commodity derivative activities may produce significant period-to-period earnings volatility that is not necessarily reflective of our underlying operational performance.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly and otherwise impact our ability to incur indebtedness for acquisitions and working capital needs.

We are subject to interest rate risk in connection with borrowings under certain of our debt agreements, which bear interest at variable rates. Interest rate changes will not affect the market value of indebtedness incurred under such debt agreements, but could affect the amount of our interest payments and, accordingly, our future earnings and cash flows, assuming other factors are held constant. Increases in interest rates could also impact our ability to incur indebtedness to fund acquisitions and working capital needs. A significant increase in prevailing interest rates that results in a substantial increase in the interest rates applicable to our indebtedness could substantially increase our interest expense and have a material adverse effect on our financial condition, results of operations, and cash flows.

We cannot be certain that our net operating loss tax carryforwards will continue to be available to offset our tax liability.

As of December 31, 2020, we estimated that we had approximately \$1.7 billion of net operating loss ("NOL") tax carryforwards. In order to utilize the NOLs, we must generate taxable income that can offset such carryforwards. The availability of NOLs to offset taxable income would be substantially reduced or eliminated if we were to undergo an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). We will be treated as having had an "ownership change" if there is more than a 50% increase in stock ownership during any three year "testing period" by "5% shareholders." In order to help us preserve our NOLs, our certificate of incorporation contains

stock transfer restrictions designed to reduce the risk of an ownership change for purposes of Section 382 of the Code. We expect that the restrictions will remain in place for the foreseeable future. We cannot assure you, however, that these restrictions will prevent an ownership change.

Our ability to utilize a significant portion of our NOLs to offset future taxable income is subject to various limitations, including that certain NOLs will expire in various amounts, if not used, between 2028 through 2036. During 2018, the Internal Revenue Service ("IRS") completed an audit of our tax returns for the tax years ending 2014 through 2016, which included those returns for the years in which the losses giving rise to the NOLs were reported. Although the IRS made no challenge of the availability of our NOLs during this audit, we cannot assure you that we would prevail if the IRS were to challenge the availability of the NOLs in the event of future audits. If the IRS were successful in challenging our NOLs, all or some portion of the NOLs would not be available to offset any future consolidated income, which would negatively impact our results of operations and cash flows. Certain provisions of the Tax Cuts and Jobs Act, enacted in 2017, may also limit our ability to utilize our net operating tax loss carryforwards.

We may be unable to successfully identify, execute, or effectively integrate future acquisitions, which may negatively affect our results of operations.

We will continue to pursue acquisitions in the future. Although we regularly engage in discussions with, and submit proposals to, acquisition candidates, suitable acquisitions may not be available in the future on reasonable terms. If we do identify an appropriate acquisition candidate, we may be unable to successfully negotiate the terms of an acquisition, finance the acquisition, or, if the acquisition occurs, effectively integrate the acquired business into our existing businesses. Negotiations of potential acquisitions and the integration of acquired business operations may require a disproportionate amount of management's attention and our resources. Even if we complete additional acquisitions, continued acquisition financing may not be available or available on reasonable terms, any new businesses may not generate the anticipated level of revenues, the anticipated cost efficiencies, or synergies may not be realized, and these businesses may not be integrated successfully or operated profitably. Our inability to successfully identify, execute, or effectively integrate future acquisitions may negatively affect our results of operations.

Acquisitions may prove to be worth less than we paid because of uncertainties in evaluating potential liabilities.

Our recent growth is due in large part to acquisitions, such as the acquisitions of Wyoming Refining, Northwest Retail, U.S. Oil, and the assets related to the Par West Acquisition. We expect acquisitions to be instrumental to our future growth. Successful acquisitions require an assessment of a number of factors, including estimates of potential unknown and contingent liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform due diligence reviews of acquired businesses and assets that we believe are generally consistent with industry practices. However, such reviews will not reveal all existing or potential problems. In addition, our reviews may not permit us to become sufficiently familiar with potential environmental problems or other contingent and unknown liabilities that may exist or arise. As a result, there may be unknown and contingent liabilities related to acquired businesses and assets of which we are unaware. We could be liable for unknown obligations relating to acquisitions for which indemnification is not available, which could materially adversely affect our business, results of operations, and cash flows.

A substantial portion of our refining workforce is unionized and we may face labor disruptions that would interfere with our operations.

As of December 31, 2020, we employed approximately 1,403 people, 243 of whom are covered by collective bargaining agreements. At our Hawaii and Washington refineries, 243 employees are represented by the USW with collective bargaining agreements expiring on January 31, 2022. However, we may not be able to prevent a strike or work stoppage in the future and any such work stoppage could cause disruptions in our business and have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Adverse changes in global economic conditions and the demand for transportation fuels may impact our business and financial condition in ways that we currently cannot predict.

A recession or prolonged economic downturn would adversely affect the business and economic environment in which we operate. These conditions increase the risks associated with the creditworthiness of our suppliers, customers, and business partners. The consequences of such adverse effects could include interruptions or delays in our suppliers' performance of our contracts, reductions and delays in customer purchases, delays in or the inability of customers to obtain financing to purchase our products, and bankruptcy of customers. Any of these events may adversely affect our financial condition, cash flows, and profitability.

RISKS RELATED TO OUR COMMON STOCK

Because we have no near term plans to pay cash dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate declaring or paying any cash dividends on our common stock in the near term. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, and other factors that our board of directors considers relevant.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our common stock, or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common stock or if our operating results do not meet their expectations, our stock price could decline.

The price of our common stock historically has been volatile. This volatility may affect the price at which you could sell your common stock.

The market price for our common stock has varied between a high of \$23.12 on January 2, 2020, and a low of \$6.00 on March 18, 2020, during the year ended December 31, 2020. This volatility may affect the price at which you could sell your common stock. Our stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors; variations in our quarterly operating results from our expectations or those of securities analysts or investors; downward revisions in securities analysts' estimates; and announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, or capital commitments.

An impairment of an equity investment, a long-lived asset, or goodwill could reduce our earnings or negatively impact the value of our common stock.

Consistent with U.S. generally accepted accounting principles ("GAAP"), we evaluate our goodwill for impairment at least annually and our equity investments and long-lived assets, including intangible assets with finite useful lives, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the investments we account for under the equity method, such as Laramie Energy, the impairment test requires us to consider whether the fair value of the equity investment as a whole, not the underlying net assets, has declined and whether that decline is other than temporary. If we determine that an other-than-temporary impairment is indicated, we would be required to recognize a non-cash charge to earnings with a correlative effect on equity and balance sheet leverage as measured by debt to total capitalization. As a result of the global economic impact of the COVID-19 pandemic and a steep decline in current and forecasted prices and demand for crude oil and refined products, the goodwill at our refining reporting units in Hawaii and Washington was fully impaired and the goodwill associated with our retail reporting unit in Washington and Idaho was partially impaired, resulting in a charge of \$67.9 million in our consolidated statement of operations for the year ended December 31, 2020. Additionally, as a result of our impairment evaluations of our investment in Laramie Energy, we recorded impairment charges of \$45.3 million and \$81.5 million on our consolidated statement of operations for the years ended December 31, 2020 and 2019, respectively. These impairment charges or any additional impairment charges could have a negative impact on the price of our common stock. Additionally, there can be no assurance that no future impairment charge will be made with respect to our equity investments, goodwill, and long-lived assets.

The market for our common stock has been historically illiquid, which may affect your ability to sell your shares.

The volume of trading in our common stock has historically been low. In addition, a substantial amount of our common stock is beneficially owned by two shareholders. The lack of substantial liquidity can adversely affect the price of our stock at a time when you might want to sell your shares. There is no guarantee that an active trading market for our common stock will develop or be maintained on the NYSE, or that the volume of trading will be sufficient to allow for timely trades. Investors may not be able to sell their shares quickly or at the latest market price if trading in our stock is not active or if trading

volume is limited. In addition, if trading volume in our common stock is limited, trades of relatively small numbers of shares may have a disproportionate effect on the market price of our common stock.

Delaware law, our charter documents, and concentrated stock ownership may impede or discourage a takeover, which could reduce the market price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. For example, the change in ownership limitations contained in Article 11 of our certificate of incorporation could have the effect of discouraging or impeding an unsolicited takeover proposal. In addition, our board of directors or a committee thereof has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock. The ability of our board of directors or a committee thereof to create and issue a new series of preferred stock and certain provisions of Delaware law and our certificate of incorporation and bylaws could impede a merger, takeover, or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock.

Zell Credit Opportunities Master Fund, L.P. (“ZCOF”) and Blackrock, Inc., together with their respective affiliates, each owned or had the right to acquire as of December 31, 2020 approximately 24.2% and 13.9%, respectively, of our outstanding common stock. The level of their combined ownership of shares of our common stock could have the effect of discouraging or impeding an unsolicited acquisition proposal.

We may issue preferred stock with terms that could adversely affect the voting power or value of our common stock and any future issuances of our common stock may reduce our stock price.

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations, and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock.

Additionally, we are not restricted from issuing additional shares of common stock, or securities convertible into common stock, under a registration statement declared effective by the SEC. We cannot predict the size of future issuances of our common stock. However, one or more large issuances of our common stock, or securities convertible into our common stock, may adversely affect the prevailing market price of our common stock.

Investor sentiment towards climate change, fossil fuels, sustainability, and other Environmental, Social, and Governance (“ESG”) matters could adversely affect our business and our stock price.

There have been efforts in recent years aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities, and other groups, to promote the divestment of shares of energy companies, as well as to pressure lenders and other financial services companies to limit or curtail activities with energy companies. As a result, some financial intermediaries, investors, and other capital markets participants have reduced or ceased lending to, or investing in, companies that operate in industries with higher perceived environmental exposure, such as the energy industry. For example, in December 2020, the State of New York announced that it will be divesting the state’s Common Retirement Fund from fossil fuels. If this or similar divestment efforts are continued, the price of our common stock or debt securities, and our ability to access capital markets or to otherwise obtain new investment or financing, may be negatively impacted.

Members of the investment community are also increasing their focus on ESG practices and disclosures, including practices and disclosures related to GHGs and climate change in the energy industry in particular, and diversity and inclusion initiatives and governance standards among companies more generally. As a result, we may face increasing pressure regarding our ESG practices and disclosures. Additionally, members of the investment community may screen companies such as ours for ESG performance before investing in our common stock or debt securities or lending to us. Over the past few years there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG-focused investments. As a result, there has been a proliferation of ESG-focused investment funds seeking ESG-oriented investment products.

If we are unable to meet the ESG standards or investment or lending criteria set by these investors and funds, we may lose investors, investors may allocate a portion of their capital away from us, our cost of capital may increase, the price of our common stock and debt securities may be negatively impacted, and our reputation may also be negatively affected.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Please read "Item 1. — Business" of this Form 10-K for the location and general character of the properties used in our refining, logistics, and retail segments. Our corporate headquarters are located at 825 Town & Country Lane, Suite 1500, Houston, Texas 77024. We believe that these properties and facilities are adequate for our operations and are maintained in a good state of repair.

Natural Gas and Oil Properties

Laramie Energy

All of the assets held by Laramie Energy are located in Garfield, Mesa, and Rio Blanco counties, Colorado. All of the natural gas, natural gas liquids, and condensate are produced primarily from the Mesaverde formation and to a lesser extent the Mancos formation and some of the acreage is contiguous. The geology of the Piceance Basin is characterized as highly consistent and predictable over large areas, which generally equates to reliable timing and cost expectations during drilling and completion activities, as well as minimal well-to-well variance in production and reserves when completed with the same methodology. As of December 31, 2019, Laramie Energy ceased all drilling activities due to unfavorable market conditions.

Our equity investment in Laramie Energy and the reserves we own indirectly through Laramie Energy are not material to our consolidated financial statements as of December 31, 2020. Laramie Energy's oil and gas producing activities are not material to our business operations or financial position.

Other

We also own certain immaterial minority interests in wells located in Colorado.

Item 3. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of our business. As of the date of this Annual Report on Form 10-K, no legal proceedings are pending against us that we believe individually or collectively could have a materially adverse effect upon our financial condition, results of operations, or cash flows. Any litigation pending at the time we emerged from Chapter 11 was transferred to the General Trust for resolution and settlement. For more information, please read "Item 1. — Business—Bankruptcy and Plan of Reorganization – General Recovery Trust" and Note 17—Commitments and Contingencies to our consolidated financial statements under Item 8 of this Form 10-K.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

On February 20, 2018, our common stock began trading on the NYSE under the symbol "PARR." Prior to that date, our common stock was traded on the NYSE American under the symbol "PARR." As of March 1, 2021, there were 140 common stockholders of record. On March 1, 2021, the closing price of our common stock was \$18.73 per share on the NYSE.

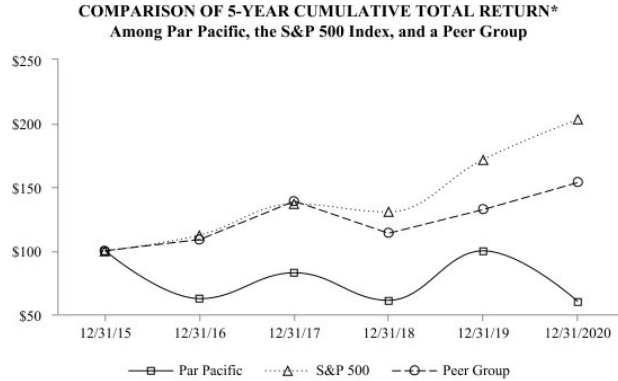
Dividends

We have not paid dividends on our common stock and we do not expect to do so in the foreseeable future.

Stock Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be deemed to be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended.

This performance graph and the related textual information are based on historical data and are not indicative of future performance. The following line graph compares the cumulative total return on an investment in our common stock against the cumulative total return of the S&P 500 Composite Index and an index of peer companies (that we selected) for the five fiscal years ended December 31, 2020. The performance graph of our peer group is weighted by market value at the beginning of the period and our peer group consists of the following companies: Calumet Specialty Products Partners, L.P., Casey's General Stores, Inc., CVR Energy, Inc., Darling Ingredients Inc., Delek US Holdings, Inc., FutureFuel Corp., Green Plains Inc., Macquarie Infrastructure Corporation, Methanex Corporation, Pacific Ethanol, Inc., Renewable Energy Group, Inc., REX American Resources Corporation, SEACOR Holdings Inc., Stepan Company, and Westlake Chemical Corporation. We believe our peer group, which is made up of oil and gas refining and marketing companies, retailers, and companies that are generally similar to our operating segments, provides for meaningful comparability to our business as a whole.



*\$100 invested on December 31, 2015 in stock or index, including reinvestment of dividends.

Recent Sales of Unregistered Securities

During the year ended December 31, 2020, we did not have any sales of securities in transactions that were not registered under the Securities Act that have not been reported on Form 8-K or Form 10-Q.

Issuer Purchases of Equity Securities

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended December 31, 2020:

<u>Period</u>	<u>Total number of shares (or units) purchased (1)</u>	<u>Average price paid per share (or unit)</u>	<u>Total number of shares (or units) purchased as part of publicly announced plans or programs</u>	<u>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs</u>
October 1 - October 31, 2020	—	\$ —	—	—
November 1 - November 30, 2020	—	—	—	—
December 1 - December 31, 2020	398	15.85	—	—
Total	398	\$ 15.85	—	—

(1) All shares repurchased were surrendered by employees to pay taxes withheld upon the vesting of restricted stock awards.

Item 6. SELECTED FINANCIAL DATA

The selected financial information presented below as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and 2018 was derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial information presented below as of December 31, 2018, 2017, and 2016 and for the years ended December 31, 2017 and 2016 was derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected financial information should be read in conjunction with the consolidated financial statements and related notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

(in thousands, except per share data)	Year Ended December 31,				
	2020	2019 (1)	2018 (2)	2017 (3)	2016 (3) (4)
Statement of Operations Data:					
Revenues	\$ 3,124,870	\$ 5,401,516	\$ 3,410,728	\$ 2,443,066	\$ 1,865,045
Depreciation, depletion, and amortization	90,036	86,121	52,642	45,989	31,617
Impairment expense	85,806	—	—	—	—
Operating income (loss)	(317,998)	147,980	81,941	93,961	(19,649)
Interest expense and financing costs, net	(70,222)	(74,839)	(39,768)	(31,632)	(28,506)
Debt extinguishment and commitment costs	—	(11,587)	(4,224)	(8,633)	—
Gain on curtailment of pension obligation	—	—	—	—	3,067
Change in value of common stock warrants	4,270	(3,199)	1,801	(1,674)	2,962
Change in value of contingent consideration	—	—	(10,500)	—	10,770
Equity earnings (losses) from Laramie Energy, LLC	(46,905)	(89,751)	9,464	18,369	(22,381)
Net income (loss)	(409,086)	40,809	39,427	72,621	(45,835)
Income (loss) per diluted common share	(7.68)	0.80	0.85	1.57	(1.08)
Balance Sheet Data:					
Cash and cash equivalents	\$ 68,309	\$ 126,015	\$ 75,076	\$ 118,333	\$ 47,772
Total current assets	636,469	1,032,174	586,592	603,544	403,108
Total assets (5)	2,133,861	2,700,560	1,460,734	1,347,407	1,145,433
Total current liabilities (5)	878,680	1,034,322	507,201	470,952	382,765
Total long-term debt, net of current maturities	648,660	599,634	392,607	384,812	350,110
Total liabilities (5)	1,887,587	2,052,318	948,405	899,688	776,524
Total stockholders' equity	246,274	648,242	512,329	447,719	368,909

(1) We completed the Washington Acquisition effective January 11, 2019, therefore the results of the Washington refinery and logistics assets are only included subsequent to January 11, 2019. Please read Note 4—Acquisitions to the consolidated financial statements under Item 8 of this Form 10-K for further information.

(2) We completed the Northwest Retail Acquisition effective March 23, 2018, therefore the results of Northwest Retail are only included subsequent to March 23, 2018. Please read Note 4—Acquisitions to the consolidated financial statements under Item 8 of this Form 10-K for further information.

(3) Due to a required accounting standards update, Operating income (loss) for the year ended December 31, 2016 was retrospectively recast to reflect the reclassification of the curtailment gain of \$3.1 million related to an amendment on our defined benefit pension plan from Operating expense (excluding depreciation) to a newly defined line within Total other income (expense), net, Gain on curtailment of pension obligation. For the years ended December 31, 2017 and 2016, other immaterial non-service-cost-related components of the net periodic benefit cost related to our defined benefit pension plan were reclassified from Operating expense (excluding depreciation) to Other income (expense), net.

(4) We completed the WRC Acquisition effective July 14, 2016, therefore the results of WRC are only included subsequent to July 14, 2016.

(5) On January 1, 2019, we adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended by other ASUs issued through February 2019 ("ASU 2016-02" or "ASC 842"), using the modified retrospective transition method. Under this optional transition method, information presented prior to January 1, 2019 has not been restated and continues to be reported under the accounting standards in effect for the period.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a growth-oriented company based in Houston, Texas, that owns and operates market-leading energy and infrastructure businesses. For more information, please read "Part I –Item 1. — Business—Overview" of this Form 10-K.

Recent Events Affecting Comparability of Periods

COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") declared that the worldwide spread and severity of a new coronavirus, referred to as COVID-19, was severe enough to be characterized as a pandemic. The spread of COVID-19, in conjunction with related government and other preventative measures taken to mitigate the spread of the virus, have caused severe disruptions in the worldwide economy, including the global demand for crude oil and refined products, the movement of people and goods in the United States, and the global supply chain for industrial and commercial production, all of which have in turn disrupted our businesses and operations.

We continue to actively respond to the impacts that these matters are having on our business. We decreased throughput rates at our Hawaii and Wyoming refineries in response to reduced refined product demand, idled one of our Hawaii refineries, completed our turnaround in Hawaii later in 2020 than previously planned, and reduced the scope of our Washington turnaround scheduled in the first quarter of 2021. In addition, we adjusted production of certain refined products to meet the changing local demand profile. We continue to maintain an ample supply of refined products to meet the refined product needs in the regions in which we operate. On May 5, 2020, we announced that 29 employees were furloughed in response to the previously announced decline in throughput rates at our refineries in Kapolei, Hawaii, and our President and Chief Executive Officer and the independent members of the Company's Board of Directors reduced their cash salaries by 75% through October 2020. In response to sustained decreased demand for refined products in Hawaii, we significantly reduced discretionary spending company-wide and, in early October 2020, we reduced headcount in our refining segment in Hawaii. In November 2020, we announced that we were taking additional measures to reduce our operating expenses. These measures include non-renewal of the leases of certain marine assets to more closely align our logistics capability with reduced demand. As of December 31, 2020, the Par West refinery had been idle for more than nine months due to the reduction in demand resulting from the COVID-19 global pandemic. Given the length of idle time and the high cost to restart the refinery and no current plans or timeline to do so, we recorded an impairment charge of \$17.9 million to write off the corresponding assets and accumulated depreciation for all assets other than land that are not expected to be used as part of our ongoing refining operations in Hawaii.

We have undertaken additional liquidity-enhancing measures, including deferring or delaying certain capital expenditures originally planned for 2020 and early 2021 related to turnaround activities at three of our refineries and, in early June 2020, accessing the capital markets to issue \$105 million aggregate principal amount of senior secured notes due 2026. Interest rates associated with our inventory financing arrangements and borrowings under those inventory financing arrangements have also declined. In addition, we closed a sale-leaseback transaction on February 23, 2021, in which we sold twenty-one (21) retail convenience store/fuel station properties located in Hawaii (the "Sale-Leaseback Properties"). We also entered into a lease on the properties for fifteen (15) years, unless earlier terminated, with up to four 5-year renewal options. We anticipate that during the first quarter there will be a separate closing for one additional property, as provided under the Purchase Agreement. In total, the 22 properties are being sold for a gross purchase price of \$116.1 million.

We believe the steps we have taken have strengthened our ability to operate through current conditions. We also utilized some of the tax payment deferral opportunities and federal refund acceleration opportunities provided by the IRS, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), and various state-specific provisions. We continue to maintain existing processes and procedures including, but not limited to, processes and procedures around protection of our technology systems and proprietary data, even though a significant number of our employees are working from home. During this time of uncertainty, the health and wellbeing of our employees and customers are our top priorities as we continue navigating the challenges presented by the COVID-19 pandemic.

The financial results contained in this Annual Report on Form 10-K reflect the reduced activity experienced in the second, third, and fourth quarters of 2020 in the regions in which we operate. The COVID-19 pandemic is ongoing and the impacts of the virus on people and businesses continue to evolve as of the date of this report. In Washington, for example, mandatory self-quarantine orders have been lifted and replaced by recommended self-quarantines for travelers arriving from areas of high COVID-19 activity. Beginning October 15, 2020, U.S. travelers to the state of Hawaii have an option to take a rapid COVID-19 test as an alternative to a 14-day quarantine if they test negative. The State of Hawaii has also begun to allow

visitors from Japan to enter the state with a recent negative COVID-19 test, and certain airlines have resumed scheduled flights between Japan and Hawaii. We continue to actively monitor the impact of the global situation on our people, operations, financial condition, liquidity, suppliers, customers, and industry. Due to the rapid development and fluidity of the situation, the full magnitude of the COVID-19 impact on our financial condition, future results of operations, and future cash flows and liquidity is uncertain and has been and may continue to be material.

Washington Acquisition

On January 11, 2019, we completed the Washington Acquisition for total consideration of \$326.5 million, including acquired working capital, consisting of cash consideration of \$289.5 million and approximately 2.4 million shares of our common stock with a fair value of \$37.0 million issued to the seller of U.S. Oil. The results of operations for U.S. Oil were included in our refining and logistics segments commencing January 11, 2019. Please read Note 4—Acquisitions to our consolidated financial statements under Item 8 of this Form 10-K for more information.

In connection with the consummation of the Washington Acquisition, we assumed the Washington Refinery Intermediation Agreement with MLC that provides a structured financing arrangement based on U.S. Oil's crude oil and refined products inventories and associated accounts receivable. Please read Note 11—Inventory Financing Agreements to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Par West Acquisition

On December 19, 2018, we completed the Par West Acquisition for approximately \$66.9 million, net of a \$4.3 million receivable related to net working capital adjustments. The purchase price consisted of \$47.6 million in cash and approximately 1.1 million shares of our common stock with a fair value of \$19.3 million. The results of operations of the acquired assets are included in our refining segment commencing December 19, 2018. In the first quarter of 2020, the Par West refinery was idled due to the reduction in demand resulting from the COVID-19 global pandemic's effect on the economy. Please read Note 4—Acquisitions to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Northwest Retail Acquisition

On March 23, 2018, we completed the Northwest Retail Acquisition for cash consideration of approximately \$74.5 million. As part of the Northwest Retail Acquisition, Par and CHS, Inc. entered into a multi-year branded petroleum marketing agreement for the continued supply of Cenex®-branded refined products to the 33 acquired Cenex® Zip Trip retail outlets. The results of operations of Northwest Retail are included in our retail segment commencing March 23, 2018. Please read Note 4—Acquisitions to our consolidated financial statements under Item 8 of this Form 10-K for more information. A rebranding of those sites to our proprietary “nomnom” brand began in December 2020 and the rebranding of four sites was completed as of December 31, 2020. As these stores are rebranded, Par will begin self-supplying the fuel with equity barrels and/or unbranded fuels procured in the open market.

Amended and Restated J. Aron Supply and Offtake Agreements

On June 27, 2018, we and J. Aron amended the Supply and Offtake Agreements to increase the amount that we may defer under the deferred payment arrangement. Prior to June 27, 2018, we had the right to defer payments owed to J. Aron up to the lesser of \$125 million or 85% of eligible accounts receivable and inventory. Effective June 27, 2018, we have the right to defer payments owed to J. Aron up to the lesser of \$165 million or 85% of eligible accounts receivable and inventory. On December 5, 2018, we amended and restated the Supply and Offtake Agreements to account for additional processing capacity provided through the Par West Acquisition. Please read Note 11—Inventory Financing Agreements to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Other Factors Affecting Comparability of Prior Periods

On January 1, 2019, we adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, as amended by other ASUs issued through February 2019 (“ASU 2016-02” or “ASC 842”), using the modified retrospective transition method. Under this optional transition method, information presented prior to January 1, 2019 has not been restated and continues to be reported under the accounting standards in effect for the period.

Results of Operations

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Net Income (Loss). Our net income decreased from \$40.8 million for the year ended December 31, 2019 to a net loss of \$409.1 million for the year ended December 31, 2020. The decrease in our net income (loss) was primarily driven by lower refining sales volumes and unfavorable crack spreads related to COVID-19 demand destruction, increased RINs expenses and derivative costs, goodwill and asset impairments of \$85.8 million, and an unfavorable change in lower of cost and net realizable value adjustments, partially offset by cost reductions across our businesses in response to COVID-19 and higher retail fuel margins. In addition, we incurred an other-than-temporary impairment of \$45.3 million related to our equity investment in Laramie Energy in 2020, as compared to an other-than-temporary impairment of \$83.2 million in 2019. Other factors impacting our results period over period include a \$49.0 million reduction in our income tax benefit and lower debt extinguishment and commitment costs.

Adjusted EBITDA and Adjusted Net Income (Loss). For the year ended December 31, 2020, Adjusted EBITDA was a loss of \$86.7 million compared to earnings of \$258.8 million for the year ended December 31, 2019. The change was primarily related to lower refining sales volumes and unfavorable crack spreads related to COVID-19 demand destruction, partially offset by lower operating expense and higher retail fuel margins.

For the year ended December 31, 2020, Adjusted Net Income (Loss) was a loss of \$249.8 million compared to income of \$90.2 million for the year ended December 31, 2019. The change was primarily related to the same factors described above for the decrease in Adjusted EBITDA and higher depreciation, depletion, and amortization ("DD&A") due to recently completed capital projects, including turnaround projects, partially offset by a \$4.6 million decrease in interest expense and financing costs and a \$5.8 million decrease in our Equity losses from Laramie Energy, excluding our share of unrealized gains or losses on derivatives and excluding impairment changes associated with our investment in Laramie Energy.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net Income. Our net income increased from \$39.4 million for the year ended December 31, 2018 to \$40.8 million for the year ended December 31, 2019. The increase in our net income was primarily driven by the impact of the Washington Acquisition and a \$69.7 million income tax benefit primarily associated with a partial release of our valuation allowance in connection with the Washington Acquisition. These increases were partially offset by non-cash impairment charges of \$83.2 million related to our equity investment in Laramie Energy and our share of Laramie Energy's asset impairment losses in excess of our basis difference and higher interest expense due primarily to increases in our outstanding indebtedness. Other factors impacting our results period over period include higher debt extinguishment and commitment costs associated with the Washington Acquisition and exchange of a portion of our outstanding 5.00% Convertible Senior Notes, partially offset by a \$10.5 million charge related to the Tesoro earn-out settlement in 2018 that did not recur in 2019.

Adjusted EBITDA and Adjusted Net Income. For the year ended December 31, 2019, Adjusted EBITDA was \$258.8 million compared to \$132.1 million for the year ended December 31, 2018. The change was primarily related to contributions provided by the Washington Acquisition, increased sales volumes at our Hawaii refineries, increased sales volume and favorable crude oil differentials and feedstock costs at our Wyoming refinery, and improved fuel margins in our Retail operations. These increases were partially offset by higher feedstock costs and unplanned maintenance at our Hawaii refineries.

For the year ended December 31, 2019, Adjusted Net Income was approximately \$90.2 million compared to income of \$49.3 million for the year ended December 31, 2018. The change was primarily related to the same factors described above for the increase in Adjusted EBITDA as well as a \$19.2 million decrease in our Equity earnings from Laramie Energy, excluding our share of unrealized gains or losses on derivatives and excluding impairment changes associated with our investment in Laramie Energy, an increase in DD&A primarily associated with assets acquired in connection with the Washington Acquisition, and increased interest expense and financing costs primarily related to the new Term Loan B Facility, the Washington Refinery Intermediation Agreement, and the Retail Property Term Loan. These increases were partially offset by a decrease in interest expense and financing costs due to the exchange of a portion of our outstanding 5.00% Convertible Senior Notes during 2019.

The following table summarizes our consolidated results of operations for the years ended December 31, 2020, 2019, and 2018 (in thousands). The following should be read in conjunction with our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

	Year Ended December 31,		
	2020	2019	2018
Revenues	\$ 3,124,870	\$ 5,401,516	\$ 3,410,728
Cost of revenues (excluding depreciation)	2,947,697	4,803,589	3,003,116
Operating expense (excluding depreciation)	277,427	312,899	215,284
Depreciation, depletion, and amortization	90,036	86,121	52,642
Impairment expense	85,806	—	—
General and administrative expense (excluding depreciation)	41,288	46,223	47,426
Acquisition and integration costs	614	4,704	10,319
Total operating expenses	3,442,868	5,253,536	3,328,787
Operating income (loss)	(317,998)	147,980	81,941
Other income (expense)			
Interest expense and financing costs, net	(70,222)	(74,839)	(39,768)
Debt extinguishment and commitment costs	—	(11,587)	(4,224)
Other income, net	1,049	2,516	1,046
Change in value of common stock warrants	4,270	(3,199)	1,801
Change in value of contingent consideration	—	—	(10,500)
Equity earnings (losses) from Laramie Energy, LLC	(46,905)	(89,751)	9,464
Total other expense, net	(111,808)	(176,860)	(42,181)
Income (loss) before income taxes	(429,806)	(28,880)	39,760
Income tax benefit (expense)	20,720	69,689	(333)
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427

The following tables summarize our operating income (loss) by segment for the years ended December 31, 2020, 2019, and 2018 (in thousands). The following should be read in conjunction with our consolidated financial statements under Item 8 of this Annual Report on Form 10-K.

	Refining	Logistics (1)	Retail	Corporate, Eliminations and Other (2)	Total
Year ended December 31, 2020					
Revenues	\$ 2,886,701	\$ 180,909	\$ 363,713	\$ (306,453)	\$ 3,124,870
Cost of revenues (excluding depreciation)	2,908,870	110,385	234,885	(306,443)	2,947,697
Operating expense (excluding depreciation)	199,738	13,581	64,108	—	277,427
Depreciation, depletion, and amortization	53,930	21,899	10,692	3,515	90,036
Impairment expense	55,989	—	29,817	—	85,806
General and administrative expense (excluding depreciation)	—	—	—	41,288	41,288
Acquisition and integration costs	—	—	—	614	614
Operating income (loss)	\$ (331,826)	\$ 35,044	\$ 24,211	\$ (45,427)	\$ (317,998)
Year ended December 31, 2019					
Revenues	\$ 5,167,942	\$ 199,226	\$ 458,889	\$ (424,541)	\$ 5,401,516
Cost of revenues (excluding depreciation)	4,783,747	112,124	332,302	(424,584)	4,803,589
Operating expense (excluding depreciation)	234,582	11,010	67,307	—	312,899
Depreciation, depletion, and amortization	55,832	17,017	10,035	3,237	86,121
General and administrative expense (excluding depreciation)	—	—	—	46,223	46,223
Acquisition and integration costs	—	—	—	4,704	4,704
Operating income (loss)	\$ 93,781	\$ 59,075	\$ 49,245	\$ (54,121)	\$ 147,980
Year ended December 31, 2018					
Revenues	\$ 3,210,067	\$ 125,743	\$ 441,040	\$ (366,122)	\$ 3,410,728
Cost of revenues (excluding depreciation)	2,957,995	77,712	333,664	(366,255)	3,003,116
Operating expense (excluding depreciation)	146,320	7,782	61,182	—	215,284
Depreciation, depletion, and amortization	32,483	6,860	8,962	4,337	52,642
General and administrative expense (excluding depreciation)	—	—	—	47,426	47,426
Acquisition and integration costs	—	—	—	10,319	10,319
Operating income (loss)	\$ 73,269	\$ 33,389	\$ 37,232	\$ (61,949)	\$ 81,941

(1) Our logistics operations consist primarily of intercompany transactions which eliminate on a consolidated basis.

(2) Includes eliminations of intersegment Revenues and Cost of revenues (excluding depreciation) of \$306.5 million, \$424.5 million, and \$365.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Below is a summary of key operating statistics for the refining segment for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
Total Refining Segment			
Feedstocks Throughput (Mbpd) (1) (2)	124.1	163.8	91.3
Refined product sales volume (Mbpd) (1) (2)	136.7	176.8	100.3
Hawaii Refineries			
Combined Feedstocks Throughput (Mbpd) (2)	72.7	109.0	74.9
Par East Throughput (Mbpd) (2)	66.5	71.5	73.4
Par West Throughput (Mbpd) (2)	6.2	37.5	42.1
Yield (% of total throughput)			
Gasoline and gasoline blendstocks	24.6 %	23.0 %	27.1 %
Distillates	42.2 %	44.4 %	47.4 %
Fuel oils	29.5 %	20.3 %	17.8 %
Other products	(0.7)%	8.7 %	4.5 %
Total yield	95.6 %	96.4 %	96.8 %
Refined product sales volume (Mbpd)			
On-island sales volume	83.5	114.1	74.6
Exports sales volume	0.6	5.7	9.0
Total refined product sales volume	84.1	119.8	83.6
Adjusted Gross Margin per bbl (\$/throughput bbl) (3)	\$ (1.63)	\$ 3.30	\$ 5.37
Production costs per bbl (\$/throughput bbl) (4)	4.03	3.25	3.65
DD&A per bbl (\$/throughput bbl)	0.55	0.40	0.66
Washington Refinery			
Feedstocks Throughput (Mbpd) (1)	39.1	38.9	—
Yield (% of total throughput)			
Gasoline and gasoline blendstocks	23.4 %	23.6 %	— %
Distillates	35.3 %	35.6 %	— %
Asphalt	18.8 %	18.9 %	— %
Other products	19.8 %	19.4 %	— %
Total yield	97.3 %	97.5 %	— %
Refined product sales volume (Mbpd) (1)			
	39.6	41.1	—
Adjusted Gross Margin per bbl (\$/throughput bbl) (3)	\$ 3.88	\$ 11.26	\$ —
Production costs per bbl (\$/throughput bbl) (4)	3.50	4.52	—
DD&A per bbl (\$/throughput bbl)	1.39	1.56	—

	Year Ended December 31,		
	2020	2019	2018
Wyoming Refinery			
Feedstocks Throughput (Mbpd)	12.3	17.0	16.4
Yield (% of total throughput)			
Gasoline and gasoline blendstocks	49.2 %	49.6 %	49.5 %
Distillates	45.2 %	44.5 %	45.8 %
Fuel oil	1.9 %	1.7 %	1.6 %
Other products	1.3 %	1.6 %	0.8 %
Total yield	97.6 %	97.4 %	97.7 %
Refined product sales volume (Mbpd)	13.0	17.0	16.7
Adjusted Gross Margin per bbl (\$/throughput bbl) (3)	\$ 3.94	\$ 18.82	\$ 15.29
Production costs per bbl (\$/throughput bbl) (4)	8.69	6.32	7.06
DD&A per bbl (\$/throughput bbl)	4.34	2.93	2.39
Market Indices (\$ per barrel)			
3-1-2 Singapore Crack Spread (5)	\$ 3.15	\$ 10.80	\$ 10.90
Pacific Northwest 5-2-2-1 Index (6)	11.44	15.02	—
Wyoming 3-2-1 Index (7)	17.80	24.90	22.69
Crude Oil Prices (\$ per barrel)			
Brent	\$ 43.21	\$ 64.19	\$ 71.55
WTI	39.65	57.08	64.90
ANS	41.77	65.72	72.16
Bakken Clearbrook	37.19	56.04	62.36
WCS Hardisty	27.45	43.18	38.33
Brent M1-M3	(0.98)	1.00	0.37

- (1) Feedstocks throughput and sales volumes per day for the Washington refinery for the year ended December 31, 2019 are calculated based on the 355-day period for which we owned the Washington refinery in 2019. The amounts for the total refining segment represent the sum of the Hawaii, Washington, and Wyoming refineries' throughput or sales volumes averaged over the years ended December 31, 2020, 2019, and 2018.
- (2) Feedstocks throughput and sales volumes per day for each of the Hawaii refineries for the year ended December 31, 2018 are calculated based on the 365-day period we owned the Par East refinery and the 13-day period for which we owned the Par West refinery. The amounts for the combined Hawaii refineries for the years ended December 31, 2020, 2019, and 2018 represent the sum of the Par East and Par West refineries' throughput averaged over the respective years.
- (3) We calculate Adjusted Gross Margin per barrel by dividing Adjusted Gross Margin by total refining throughput. Adjusted Gross Margin for our Washington refinery is determined under the last-in, first-out ("LIFO") inventory costing method. Adjusted Gross Margin for our other refineries is determined under the first-in, first-out ("FIFO") inventory costing method. Please see discussion of Adjusted Gross Margin below.
- (4) Management uses production costs per barrel to evaluate performance and compare efficiency to other companies in the industry. There are a variety of ways to calculate production costs per barrel; different companies within the industry calculate it in different ways. We calculate production costs per barrel by dividing all direct production costs, which include the costs to run the refineries including personnel costs, repair and maintenance costs, insurance, utilities, and other miscellaneous costs, by total refining throughput. Our production costs are included in Operating expense (excluding depreciation) on our consolidated statement of operations, which also includes costs related to our bulk marketing operations.

- (5) After completing the acquisition of Par West in December 2018, we began shifting our Hawaii production profile to supply the local utilities with low sulfur fuel oil and significantly reduced our high sulfur fuel oil yield. In 2020, following the implementation of IMO 2020, we established the 3-1-2 Singapore Crack Spread (or three barrels of Brent crude oil converted into one barrel of gasoline and two barrels of distillates (diesel and jet fuel)) as a new benchmark for our Hawaii operations. By removing the high sulfur fuel oil reference in the index, we believe the 3-1-2 Singapore Crack Spread is the most representative market indicator for our current operations in Hawaii.
- (6) We believe the Pacific Northwest 5-2-2-1 Index is the most representative market indicator for our operations in Tacoma, Washington. The Pacific Northwest 5-2-2-1 Index is computed by taking two parts gasoline (sub-octane), two parts middle distillates (ULSD and jet fuel), and one part fuel oil as created from five barrels of Alaskan North Slope ("ANS") crude oil. The 2019 prices for the year ended December 31, 2019 represent the price averaged over the period from January 11, 2019 to December 31, 2019.
- (7) The profitability of our Wyoming refinery is heavily influenced by crack spreads in nearby markets. We believe the Wyoming 3-2-1 Index is the most representative market indicator for our operations in Wyoming. The Wyoming 3-2-1 Index is computed by taking two parts gasoline and one part distillates (ULSD) as created from three barrels of West Texas Intermediate Crude Oil ("WTI"). Pricing is based 50% on applicable product pricing in Rapid City, South Dakota, and 50% on applicable product pricing in Denver, Colorado.

Below is a summary of key operating statistics for the retail segment for the years ended December 31, 2020, 2019, and 2018:

Retail Segment	Year Ended December 31,		
	2020	2019	2018
Retail sales volumes (thousands of gallons) (1)	102,798	125,313	116,715

- (1) Retail sales volumes for the year ended December 31, 2018, include 284 days of retail sales volumes from Northwest Retail since its acquisition on March 23, 2018. The 2020 and 2019 amounts represents the sum of the Hawaii and Northwest Retail sales volumes for the years ended December 31, 2020 and 2019.

Non-GAAP Performance Measures

Management uses certain financial measures to evaluate our operating performance that are considered non-GAAP financial measures. These measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP and our calculations thereof may not be comparable to similarly titled measures reported by other companies.

Adjusted Gross Margin. Adjusted Gross Margin is defined as (i) operating income (loss) plus operating expense (excluding depreciation), impairment expense, inventory valuation adjustment (which adjusts for timing differences to reflect the economics of our inventory financing agreements, including lower of cost or net realizable value adjustments, the impact of the embedded derivative repurchase or terminal obligations, and purchase price allocation adjustments), depreciation, depletion, and amortization ("DD&A"); Renewable Identification Numbers ("RINs") loss (gain) in excess of net obligation (which represents the income statement effect of reflecting our RINs liability on a net basis), and unrealized loss (gain) on derivatives or (ii) revenues less cost of revenues (excluding depreciation) plus inventory valuation adjustment, unrealized loss (gain) on derivatives, and RINs loss (gain) in excess of net obligation. We define cost of revenues (excluding depreciation) as the hydrocarbon-related costs of inventory sold, transportation costs of delivering product to customers, crude oil consumed in the refining process, costs to satisfy our RINs and environmental credit obligations, and certain hydrocarbon fees and taxes. Cost of revenues (excluding depreciation) also includes the unrealized gain (loss) on derivatives and the inventory valuation adjustment that we exclude from Adjusted Gross Margin. Beginning in 2020, Adjusted Gross Margin also includes the contango gains and backwardation losses associated with our Washington inventory and intermediation obligation. Prior to 2020, contango gains and backwardation (losses) captured by our Washington intermediation agreement were excluded from Adjusted Gross Margin (as part of the inventory valuation adjustment). This change to our non-GAAP information was made to reflect the favorable or unfavorable impact of the market structure on the profitability of our Washington refinery consistent with the presentation of such impacts on our other refineries. Also beginning in 2020, Adjusted Gross Margin excludes the LIFO layer liquidation impacts associated with our Washington inventory. We have recast the non-GAAP information for the year ended December 31, 2019 to conform to the current period presentation.

Management believes Adjusted Gross Margin is an important measure of operating performance and uses Adjusted Gross Margin per barrel to evaluate operating performance and compare profitability to other companies in the industry and to

industry benchmarks. Management believes Adjusted Gross Margin provides useful information to investors because it eliminates the gross impact of volatile commodity prices and adjusts for certain non-cash items and timing differences created by our inventory financing agreements and lower of cost and net realizable value adjustments to demonstrate the earnings potential of the business before other fixed and variable costs, which are reported separately in Operating expense (excluding depreciation) and Depreciation, depletion, and amortization.

Adjusted Gross Margin should not be considered an alternative to operating income (loss), cash flows from operating activities, or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjusted Gross Margin presented by other companies may not be comparable to our presentation since each company may define this term differently as they may include other manufacturing costs and depreciation expense in cost of revenues.

The following tables present a reconciliation of Adjusted Gross Margin to the most directly comparable GAAP financial measure, operating income (loss), on a historical basis, for selected segments, for the periods indicated (in thousands):

Year ended December 31, 2020	Refining	Logistics	Retail
Operating income (loss)	\$ (331,826)	\$ 35,044	\$ 24,211
Operating expense (excluding depreciation)	199,738	13,581	64,108
Depreciation, depletion, and amortization	53,930	21,899	10,692
Impairment expense	55,989	—	29,817
Inventory valuation adjustment	14,046	—	—
RINs loss in excess of net obligation	44,071	—	—
Unrealized gain on derivatives	(4,804)	—	—
Adjusted Gross Margin (1)	<u>\$ 31,144</u>	<u>\$ 70,524</u>	<u>\$ 128,828</u>

Year ended December 31, 2019	Refining	Logistics	Retail
Operating income	\$ 93,781	\$ 59,075	\$ 49,245
Operating expense (excluding depreciation)	234,582	11,010	67,307
Depreciation, depletion, and amortization	55,832	17,017	10,035
Inventory valuation adjustment	11,938	—	—
RINs gain in excess of net obligation	(3,398)	—	—
Unrealized loss on derivatives	8,988	—	—
Adjusted Gross Margin (1)	<u>\$ 401,723</u>	<u>\$ 87,102</u>	<u>\$ 126,587</u>

Year ended December 31, 2018	Refining	Logistics	Retail
Operating income	\$ 73,269	\$ 33,389	\$ 37,232
Operating expense (excluding depreciation)	146,320	7,782	61,182
Depreciation, depletion, and amortization	32,483	6,860	8,962
Inventory valuation adjustment	(16,875)	—	—
RINs loss in excess of net obligation	4,544	—	—
Unrealized gain on derivatives	(1,497)	—	—
Adjusted Gross Margin (1)	<u>\$ 238,244</u>	<u>\$ 48,031</u>	<u>\$ 107,376</u>

(1) For the years ended December 31, 2020, 2019, and 2018, there was no LIFO liquidation adjustment. For the years ended December 31, 2019 and 2018, there was no impairment expense.

Adjusted Net Income (Loss) and Adjusted EBITDA. Adjusted Net Income (Loss) is defined as Net income (loss) excluding changes in the value of contingent consideration and common stock warrants, acquisition and integration costs, unrealized (gain) loss on derivatives, debt extinguishment and commitment costs, increase in (release of) tax valuation allowance and other deferred tax items, inventory valuation adjustment, severance costs, impairment expense, (gain) loss on sale of assets, Par's share of Laramie Energy's unrealized loss (gain) on derivatives, RINs loss (gain) in excess of net obligation, and impairment expense associated with our investment in Laramie Energy and our share of Laramie Energy's asset impairment losses in excess of our basis difference. Beginning in 2020, Adjusted Net Income (Loss) also includes the contango

gains and backwardation losses associated with our Washington inventory and intermediation obligation. Prior to 2020, contango gains and backwardation (losses) captured by our Washington intermediation agreement were excluded from Adjusted Net Income (Loss) (as part of the inventory valuation adjustment). This change to our non-GAAP information was made to reflect the favorable or unfavorable impact of the market structure on the profitability of our Washington refinery consistent with the presentation of such impacts on our other refineries. Also beginning in 2020, Adjusted Net Income (Loss) excludes the LIFO layer liquidation impacts associated with our Washington inventory. We have recast the non-GAAP information for the year ended December 31, 2019 to conform to the current period presentation.

Adjusted EBITDA is Adjusted Net Income (Loss) excluding interest expense and financing costs, income taxes, DD&A, and equity losses (earnings) from Laramie Energy, excluding Par's share of unrealized loss (gain) on derivatives, impairment of Par's investment, and our share of Laramie Energy's asset impairment losses in excess of our basis difference.

We believe Adjusted Net Income (Loss) and Adjusted EBITDA are useful supplemental financial measures that allow investors 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 to pay interest on our indebtedness; and
- Our operating performance and return on invested capital as compared to other companies without regard to financing methods and capital structure.

Adjusted Net Income (Loss) and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income (loss), net income (loss), cash flows provided by operating, investing, and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. Adjusted Net Income (Loss) and Adjusted EBITDA presented by other companies may not be comparable to our presentation as other companies may define these terms differently.

The following table presents a reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to the most directly comparable GAAP financial measure, net income (loss), on a historical basis for the periods indicated (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Inventory valuation adjustment	14,046	11,938	(16,875)
RINs loss (gain) in excess of net obligation	44,071	(3,398)	4,544
Unrealized loss (gain) on derivatives	(4,804)	8,988	(1,497)
Acquisition and integration costs	614	4,704	10,319
Debt extinguishment and commitment costs	—	11,587	4,224
Changes in valuation allowance and other deferred tax items (1)	(20,896)	(68,792)	(660)
Change in value of common stock warrants	(4,270)	3,199	(1,801)
Change in value of contingent consideration	—	—	10,500
Severance costs	512	—	—
Impairment expense	85,806	—	—
Impairment of Investment in Laramie Energy, LLC (2)	45,294	83,152	—
Par's share of Laramie Energy's unrealized loss (gain) on derivatives (2)	(1,110)	(1,969)	1,158
Adjusted Net Income (Loss) (3)	(249,823)	90,218	49,339
Depreciation, depletion, and amortization	90,036	86,121	52,642
Interest expense and financing costs, net	70,222	74,839	39,768
Equity losses (earnings) from Laramie Energy, LLC, excluding Par's share of unrealized loss (gain) on derivatives and impairment losses	2,721	8,568	(10,622)
Income tax expense (benefit)	176	(897)	993
Adjusted EBITDA	\$ (86,668)	\$ 258,849	\$ 132,120

(1) Includes increases in (releases of) our valuation allowance associated with business combinations and changes in deferred tax assets and liabilities that are not offset by a change in the valuation allowance. These tax expenses (benefits) are included in Income tax expense (benefit) on our consolidated statements of operations.

(2) Includes our share of Laramie Energy's unrealized loss (gain) on derivatives, impairment losses on our investment in Laramie Energy, and our share of Laramie Energy's asset impairment losses in excess of our basis difference. These impairment losses and our share of Laramie Energy's unrealized loss (gain) on derivatives are included in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statements of operations.

(3) For the years ended December 31, 2020, 2019, and 2018, there was no (gain) loss on sale of assets or LIFO liquidation adjustment.

Discussion of Operating Income (Loss) by Segment

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Refining. Operating loss for our refining segment was \$331.8 million for the year ended December 31, 2020, a decrease of \$425.6 million compared to operating income of \$93.8 million for the year ended December 31, 2019. The decrease in profitability was primarily driven by lower refining sales volumes at our Hawaii and Wyoming refineries related to COVID-19 demand destruction and turnarounds in both locations, unfavorable crude oil differentials and crack spreads, increased RINs expenses and derivative costs, goodwill impairment charges of \$38.1 million, asset impairment charges of \$17.9 million, and unfavorable lower of cost and net realizable value adjustments of \$10.6 million, partially offset by improved energy-related cost of sales and operating expense reductions across our refineries in response to COVID-19.

Logistics. Operating income for our logistics segment was \$35.0 million for the year ended December 31, 2020, a decrease of \$24.1 million compared to operating income of \$59.1 million for the year ended December 31, 2019. The decrease is primarily due to a net 30% and 25% lower throughput across our Hawaii and Wyoming logistics assets, respectively, and

lower neighbor island sales in Hawaii related to COVID-19 demand destruction, major turnarounds in both locations, and higher DD&A, partially offset by a net 9% increase in throughput across our Washington logistics assets.

Retail. Operating income for our retail segment was \$24.2 million for the year ended December 31, 2020, a decrease of \$25.0 million compared to operating income of \$49.2 million for the year ended December 31, 2019. The decrease in profitability was primarily due to goodwill impairment charges of \$29.8 million and an 18% decline in sales volumes, partially offset by an increase in fuel margins of 25% and operating expense reductions in response to the economic impacts of COVID-19 on our businesses.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Refining. Operating income for our refining segment was \$93.8 million for the year ended December 31, 2019, an increase of \$20.5 million compared to operating income of \$73.3 million for the year ended December 31, 2018. The increase in profitability was primarily driven by the contribution of the Washington Acquisition and favorable crude oil differentials and feedstock costs at our Wyoming refinery. The Washington refinery assets contributed operating income of approximately \$53.3 million to the refining segment for the period from January 11, 2019 to December 31, 2019. The Wyoming 3-2-1 Index increased 10% from \$22.69 per barrel for the year ended December 31, 2018 to \$24.90 per barrel for the year ended December 31, 2019. These contributions were partially offset by unfavorable crude oil differentials, unplanned maintenance, and an increase in feedstock costs at our Hawaii refineries. The unplanned maintenance in Hawaii resulted in an increase of \$2.6 million in operating expenses and approximately 11 lost throughput days within certain units at our Par East Hawaii refinery.

Logistics. Operating income for our logistics segment was \$59.1 million for the year ended December 31, 2019, an increase of \$25.7 million compared to operating income of \$33.4 million for the year ended December 31, 2018. The increase was primarily due to a contribution of \$18.8 million from the logistics assets acquired in connection with the Washington Acquisition for the period from January 11, 2019 to December 31, 2019 and additional on-island sales through our logistics network.

Retail. Operating income for our retail segment was \$49.2 million for the year ended December 31, 2019, an increase of \$12.0 million compared to operating income of \$37.2 million for the year ended December 31, 2018. The increase in profitability was primarily due to an increase in fuel margins of 10% and an increase in sales volumes of 7%.

Discussion of Adjusted Gross Margin by Segment

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Refining. For the year ended December 31, 2020, our refining Adjusted Gross Margin was approximately \$31.1 million, a decrease of \$370.6 million compared to \$401.7 million for the year ended December 31, 2019. The decrease in profitability was primarily driven by a 23% decline in sales volumes and declines in crack spreads. Adjusted gross margin for the Hawaii refineries decreased from \$3.30 per barrel in 2019 to \$(1.63) per barrel in 2020 primarily due to 30% lower sales volumes, an increase in RINs expenses, and unfavorable crude oil differentials. Adjusted gross margin for the Wyoming refinery decreased \$14.88 per barrel primarily due to a 24% decline in sales volumes, an increase in RINs expenses, and a decrease in crack spreads. The decline in refining sales volumes in Hawaii and Wyoming was driven by COVID-19 demand destruction and turnarounds in both locations. Adjusted gross margin for the Washington refinery decreased \$7.38 per barrel primarily due to unfavorable crack spreads and higher RINs expenses, partially offset by favorable derivative costs.

Logistics. For the year ended December 31, 2020, our logistics Adjusted Gross Margin was approximately \$70.5 million, a decrease of \$16.6 million compared to \$87.1 million for the year ended December 31, 2019. The decrease was primarily driven by a net 30% and 25% lower throughput across our Hawaii and Wyoming logistics assets, respectively, and lower neighbor island sales in Hawaii related to COVID-19 demand destruction and major turnarounds at both locations, partially offset by a net 9% increase in throughput across our Washington logistics assets.

Retail. For the year ended December 31, 2020, our retail Adjusted Gross Margin was approximately \$128.8 million, an increase of \$2.2 million compared to \$126.6 million for the year ended December 31, 2019. The increase was primarily due to a 25% increase in fuel margins, partially offset by a decline in sales volumes of 18% due to COVID-19 demand destruction.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Refining. For the year ended December 31, 2019, our refining Adjusted Gross Margin was approximately \$401.7 million, an increase of \$163.5 million compared to \$238.2 million for the year ended December 31, 2018. The increase in

profitability was primarily driven by the Washington refinery, which contributed Adjusted Gross Margin of \$155.5 million to the refining segment for the period from January 11, 2019 to December 31, 2019. Other factors included increased sales volumes and favorable crude oil differentials and feedstock costs at our Wyoming refinery. The Wyoming 3-2-1 Index increased 10% from \$22.69 per barrel for the year ended December 31, 2018 to \$24.90 per barrel for the year ended December 31, 2019. These increases were partially offset by higher feedstock costs at our Hawaii refineries and unplanned maintenance at our Par East Hawaii refinery that resulted in approximately 11 lost throughput days within certain units.

Logistics. For the year ended December 31, 2019, our logistics Adjusted Gross Margin was approximately \$87.1 million, an increase of \$39.1 million compared to \$48.0 million for the year ended December 31, 2018. The increase was primarily driven by the contribution of the Washington assets and higher throughput in Hawaii due to the additional on-island sales through our logistics network. The Washington assets contributed Adjusted Gross Margin of \$28.1 million to the logistics segment for the period from January 11, 2019 to December 31, 2019.

Retail. For the year ended December 31, 2019, our retail Adjusted Gross Margin was approximately \$126.6 million, an increase of \$19.2 million compared to \$107.4 million for the year ended December 31, 2018. The increase was primarily due to a 10% increase in fuel margins and higher sales volumes of 7%.

Discussion of Consolidated Results

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenues. For the year ended December 31, 2020, revenues were \$3.1 billion, a \$2.3 billion decrease compared to \$5.4 billion for the year ended December 31, 2019. The decrease was primarily the result of a decrease of \$2.2 billion in third-party revenues at our refining segment primarily as a result of decreases in Brent and WTI crude oil prices and lower sales volumes related to COVID-19 demand destruction. Refined product sales volumes decreased 23% from 176.8 Mbpd in the year ended December 31, 2019 to 136.7 Mbpd in the year ended December 31, 2020. Brent crude oil prices averaged \$43.21 per barrel for the year ended December 31, 2020 compared to \$64.19 per barrel for the year ended December 31, 2019, with similar decreases experienced for WTI crude oil prices. Revenues in our retail segment decreased \$95.2 million primarily due to 18% declines in both sales volumes and fuel prices.

Cost of Revenues (Excluding Depreciation). For the year ended December 31, 2020, cost of revenues (excluding depreciation), was \$2.9 billion, a \$1.9 billion decrease compared to \$4.8 billion for the year ended December 31, 2019. The decrease was primarily due to the decreases in Brent and WTI crude oil prices and lower refining sales volumes discussed above. These decreases were partially offset by unfavorable crude oil differentials, higher RINs expenses, increased derivative costs, and an unfavorable lower of cost and net realizable value adjustment of \$10.6 million. Cost of revenues at our retail segment decreased \$97.4 million primarily due to lower fuel costs and an 18% decline in sales volumes.

Operating Expense (Excluding Depreciation). For the year ended December 31, 2020, operating expense (excluding depreciation) was approximately \$277.4 million, a decrease of \$35.5 million compared to \$312.9 million for the year ended December 31, 2019. The decrease was primarily due to lower utilities and repairs and maintenance expenses and COVID-19-related reductions in travel, employee costs, and the use of outside services.

Depreciation, Depletion, and Amortization. For the year ended December 31, 2020, DD&A expense was approximately \$90.0 million, an increase of \$3.9 million compared to \$86.1 million for the year ended December 31, 2019. The increase was primarily due to recently completed capital projects, including three turnarounds during 2019 and 2020 and our Washington renewables logistics project.

Impairment Expense. During the year ended December 31, 2020, we recorded goodwill and asset impairment charges totaling \$85.8 million related to our Refining and Retail segments. Please read Note 10—Goodwill and Intangible Assets and Note 8—Property, Plant, and Equipment and Impairment of Long-Lived Assets to our consolidated financial statements under Item 8 of this Form 10-K for further discussion on the goodwill impairment of \$67.9 million and asset impairment of \$17.9 million, respectively. There was no impairment expense for the year ended December 31, 2019.

General and Administrative Expense (Excluding Depreciation). For the year ended December 31, 2020, general and administrative expense (excluding depreciation) was approximately \$41.3 million, a decrease of \$4.9 million compared to \$46.2 million for the year ended December 31, 2019. The decrease was primarily due to COVID-19-related reductions in travel and employee costs and a reduction in the use of outside services.

Acquisition and Integration Costs. For the year ended December 31, 2020, we incurred approximately \$0.6 million of expenses primarily related to integration costs for the Washington Acquisition. For the year ended December 31, 2019, we

incurred approximately \$4.7 million of expenses primarily related to acquisition and integration costs for the Washington and Par West Acquisitions. Please read Note 4—Acquisitions to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Interest Expense and Financing Costs, Net. For the year ended December 31, 2020, our interest expense and financing costs were approximately \$70.2 million, a decrease of \$4.6 million compared to \$74.8 million for the year ended December 31, 2019. The decrease was primarily due to a \$4.0 million decrease in due to the exchange of a portion of our outstanding 5.00% Convertible Senior Notes during 2019, a decrease of \$4.7 million due to reduced borrowings under our inventory financing agreements, and a decrease of \$4.3 million due to the reduced principal and lower variable interest rates on our Term Loan B Facility. These decreases were partially offset by interest expense of \$8.1 million related to the 12.875% Senior Secured Notes issued in June 2020. Please read Note 11—Inventory Financing Agreements and Note 13—Debt to our consolidated financial statements under Item 8 of this Form 10-K for further discussion on our inventory financing and indebtedness, respectively.

Change in Value of Common Stock Warrants. For the year ended December 31, 2020, the change in value of common stock warrants resulted in a gain of approximately \$4.3 million, a change of \$7.5 million compared to a loss of \$3.2 million for the year ended December 31, 2019. During January and March 2020, one of our stockholders and its affiliates exercised the remaining 354,350 common stock warrants in exchange for 350,542 shares of common stock. We estimated the fair value of our outstanding common stock warrants and the income recognized upon exercise using the difference between the strike price of the warrant and the market price of our common stock. During the year ended December 31, 2019, our stock price increased from \$14.18 per share on December 31, 2018 to \$23.24 per share on December 31, 2019, which resulted in an increase in the value of the common stock warrants.

Debt extinguishment and commitment costs. For the year ended December 31, 2019, our debt extinguishment and commitment costs were approximately \$11.6 million and represent the commitment and other fees associated with the financing of the Washington Acquisition and the extinguishment costs associated with the exchange of a portion of our outstanding 5.00% Convertible Senior Notes. There were no debt extinguishment and commitment costs for the year ended December 31, 2020.

Equity Losses from Laramie Energy, LLC. For the year ended December 31, 2020, equity losses from Laramie Energy were approximately \$46.9 million, a difference of \$42.9 million compared to equity losses of \$89.8 million for the year ended December 31, 2019. During the years ended December 31, 2020 and 2019, we recorded other-than-temporary impairment charges of \$45.3 million and \$81.5 million related to our investment in Laramie Energy, respectively. As of June 30, 2020, we have discontinued the application of the equity method of accounting for our investment in Laramie Energy because the book value of such investment has been reduced to zero. Please read Note 3—Investment in Laramie Energy, LLC to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Income Taxes. For the year ended December 31, 2020, we recorded an income tax benefit of \$20.7 million primarily driven by an increase in our net operating loss carryforwards that do not expire and the change in our indefinitely-lived goodwill due to the impairments. For the year ended December 31, 2019, we recorded an income tax benefit of \$69.7 million primarily driven by a \$64.2 million benefit associated with a partial release of our valuation allowance in connection with the Washington Acquisition.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues. For the year ended December 31, 2019, revenues were \$5.4 billion, a \$2.0 billion increase compared to \$3.4 billion for the year ended December 31, 2018. The increase was primarily the result of the Washington Acquisition and increased sales volumes in Hawaii primarily related to the Par West Acquisition. The Washington Acquisition contributed third-party revenues of \$1.2 billion for the period from January 11, 2019 to December 31, 2019. Refined product sales volumes in Hawaii increased 43% from 83.6 Mbpd in the year ended December 31, 2018 to 119.8 Mbpd in the year ended December 31, 2019 primarily due to the Par West Acquisition. These increases were partially offset by a decrease in Brent crude oil prices. Brent crude oil prices averaged \$64.19 per barrel in the year ended December 31, 2019 compared to \$71.55 per barrel in the year ended December 31, 2018, with similar decreases experienced for WTI crude oil prices. Revenues in our retail segment increased \$17.9 million primarily due to higher sales volumes of 7%.

Cost of Revenues (Excluding Depreciation). For the year ended December 31, 2019, cost of revenues (excluding depreciation), was \$4.8 billion, a \$1.8 billion increase compared to \$3.0 billion for the year ended December 31, 2018. The increase was primarily due to the Washington Acquisition and a 43% increase in refined product sales volumes in Hawaii primarily due to the Par West Acquisition. The Washington Acquisition contributed cost of revenues of approximately

\$1.0 billion for the period from January 11, 2019 to December 31, 2019. These increases were partially offset by the decrease in Brent crude oil prices as discussed above.

Operating Expense (Excluding Depreciation). For the year ended December 31, 2019, operating expense (excluding depreciation) was approximately \$312.9 million, an increase of \$97.6 million compared to \$215.3 million for the year ended December 31, 2018. The increase was primarily due to operating expenses related to the Washington Acquisition, Par West Acquisition, and Northwest Retail Acquisition. The Washington Acquisition contributed operating expenses of \$62.3 million for the period from January 11, 2019 to December 31, 2019. The Par West Acquisition contributed operating expenses of \$26.1 million for the year ended December 31, 2019. Northwest Retail contributed operating expenses of \$20.0 million for the full year ended December 31, 2019, as compared to \$15.0 million for the 284-day period of ownership from March 23, 2018 to December 31, 2018. The increase was also due to \$2.6 million expenditures incurred in connection with unplanned maintenance at our Par East Hawaii refinery.

Depreciation, Depletion, and Amortization. For the year ended December 31, 2019, DD&A expense was approximately \$86.1 million, an increase of \$33.5 million compared to \$52.6 million for the year ended December 31, 2018. The increase was primarily due to DD&A on assets acquired as part of the Washington Acquisition and the accelerated depreciation of assets to be replaced during the 2020 Wyoming refinery turnaround.

General and Administrative Expense (Excluding Depreciation). For the year ended December 31, 2019, general and administrative expense (excluding depreciation) was approximately \$46.2 million, which is relatively consistent with expense of \$47.4 million for the year ended December 31, 2018.

Acquisition and Integration Costs. For the year ended December 31, 2019, we incurred approximately \$4.7 million of expenses primarily related to acquisition and integration costs for the Washington Acquisition and the Par West Acquisition. For the year ended December 31, 2018, we incurred approximately \$10.3 million of expenses primarily related to acquisition and integration costs for the Northwest Retail Acquisition, the Par West Acquisition, and the Washington Acquisition. Please read Note 4—Acquisitions to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Interest Expense and Financing Costs, Net. For the year ended December 31, 2019, our interest expense and financing costs were approximately \$74.8 million, an increase of \$35.0 million compared to \$39.8 million for the year ended December 31, 2018. The increase was primarily due to interest expense and financing costs of \$24.4 million related to the new Term Loan B Facility entered into on January 11, 2019, interest expense of \$6.3 million on the Washington Refinery Intermediation Agreement, a net increase in our loss on interest rate derivatives of \$2.8 million, and interest expense and financing costs of \$2.5 million related to the Par Pacific Term Loan entered into on January 9, 2019 and replaced by the Retail Property Term Loan entered into on March 29, 2019. These increases were partially offset by a decrease in interest expense and financing costs of \$1.7 million due to the exchange of a portion of our outstanding 5.00% Convertible Senior Notes during 2019. Please read Note 13—Debt to our consolidated financial statements under Item 8 of this Form 10-K for further discussion on our indebtedness.

Change in Value of Common Stock Warrants. For the year ended December 31, 2019, the change in value of common stock warrants resulted in a loss of approximately \$3.2 million, a change of \$5.0 million compared to a gain of \$1.8 million for the year ended December 31, 2018. For the year ended December 31, 2019, our stock price increased from \$14.18 per share as of December 31, 2018 to \$23.24 per share as of December 31, 2019, which resulted in an increase in the fair value of the common stock warrants. During the year ended December 31, 2018, our stock price decreased from \$19.28 per share on December 31, 2017 to \$14.18 per share on December 31, 2018, which resulted in a decrease in the value of the common stock warrants.

Change in Value of Contingent Consideration. For the year ended December 31, 2018, the change in value of our contingent consideration liability resulted in a loss of \$10.5 million as a result of the settlement agreement reached with Tesoro. For the year ended December 31, 2019, there were no such changes. Please read Note 17—Commitments and Contingencies to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Debt extinguishment and commitment costs. For the year ended December 31, 2019, our debt extinguishment and commitment costs were approximately \$11.6 million and represent the commitment and other fees associated with the financing of the Washington Acquisition and the extinguishment costs associated with the exchange of a portion of our outstanding 5.00% Convertible Senior Notes. For the year ended December 31, 2018, our debt extinguishment and commitment costs were approximately \$4.2 million and represent the commitment and other fees associated with the financing of the Washington Acquisition.

Equity Earnings (Losses) from Laramie Energy, LLC. For the year ended December 31, 2019, equity losses from Laramie Energy were approximately \$89.8 million, a change of \$99.3 million compared to equity earnings of \$9.5 million for the year ended December 31, 2018. During the year ended December 31, 2019, we recorded an impairment charge of \$81.5 million due to the significant decline in natural gas prices during the second quarter of 2019 and continued deterioration of prices in the third quarter of 2019. The remaining decrease was primarily due to Laramie Energy's net loss associated with lower realized prices. Please read Note 3—Investment in Laramie Energy, LLC to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Income Taxes. For the year ended December 31, 2019, we recorded an income tax benefit of \$69.7 million primarily driven by a \$64.2 million benefit associated with a partial release of our valuation allowance in connection with the Washington Acquisition. For the year ended December 31, 2018, we recorded an income tax expense of \$0.3 million, primarily due to deferred tax expense of \$0.7 million, partially offset by current federal income tax benefit of \$0.3 million. Deferred tax expense for the year ended December 31, 2018 included a benefit of \$0.7 million related to the release of valuation allowance due to the impact of the U.S. tax reform legislation on the interest deduction limitation.

Consolidating Condensed Financial Information

On December 21, 2017, Par Petroleum, LLC (the "Issuer") issued its 7.75% Senior Secured Notes due 2025 in a private offering under Rule 144A and Regulation S of the Securities Act. On January 11, 2019, the Issuers (defined below) entered into a term loan and guaranty agreement with Goldman Sachs Bank USA, as administrative agent, and the lenders party thereto with respect to a \$250.0 million term loan (the "Term Loan B"). On June 5, 2020, the Issuers issued their 12.875% Senior Secured Notes due 2026 in a private offering under Rule 144A and Regulation S of the Securities Act. The 7.75% Senior Secured Notes, the Term Loan B, and the 12.875% Senior Secured Notes were co-issued by Par Petroleum Finance Corp. (together with the Issuer, the "Issuers"), which has no independent assets or operations. The 7.75% Senior Secured Notes, Term Loan B, and 12.875% Senior Secured Notes are guaranteed on a senior unsecured basis only as to payment of principal and interest by Par Pacific Holdings, Inc. (the "Parent") and are guaranteed on a senior secured basis by all of the subsidiaries of Par Petroleum, LLC (other than Par Petroleum Finance Corp.).

The following supplemental condensed consolidating financial information reflects (i) the Parent's separate accounts, (ii) Par Petroleum, LLC and its consolidated subsidiaries' accounts (which are all guarantors of the 7.75% Senior Secured Notes, Term Loan B, and 12.875% Senior Secured Notes), (iii) the accounts of subsidiaries of the Parent that are not guarantors of the 7.75% Senior Secured Notes, Term Loan B, or 12.875% Senior Secured Notes and consolidating adjustments and eliminations, and (iv) the Parent's consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent's investment in its subsidiaries is accounted for under the equity method of accounting (dollar amounts in thousands).

As of December 31, 2020

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
ASSETS				
Current assets				
Cash and cash equivalents	\$ 480	\$ 67,147	\$ 682	\$ 68,309
Restricted cash	330	1,670	—	2,000
Trade accounts receivable	—	111,654	3	111,657
Inventories	—	429,855	—	429,855
Prepaid and other current assets	16,983	7,171	494	24,648
Due from related parties	107,995	—	(107,995)	—
Total current assets	125,788	617,497	(106,816)	636,469
Property, plant, and equipment				
Property, plant, and equipment	21,477	1,124,587	37,814	1,183,878
Less accumulated depreciation, depletion, and amortization	(14,368)	(233,927)	(2,818)	(251,113)
Property, plant, and equipment, net	7,109	890,660	34,996	932,765
Long-term assets				
Operating lease right-of-use ("ROU") assets	3,714	367,850	(14,398)	357,166
Investment in Laramie Energy, LLC	—	—	—	—
Investment in subsidiaries	209,010	—	(209,010)	—
Intangible assets, net	—	18,892	—	18,892
Goodwill	—	125,399	2,598	127,997
Other long-term assets	723	59,849	—	60,572
Total assets	\$ 346,344	\$ 2,080,147	\$ (292,630)	\$ 2,133,861
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Current maturities of long-term debt	\$ 47,301	\$ 11,048	\$ 1,584	\$ 59,933
Obligations under inventory financing agreements	—	423,686	—	423,686
Accounts payable	2,401	103,067	1,477	106,945
Deferred revenue	—	4,083	—	4,083
Accrued taxes	49	27,371	20	27,440
Operating lease liabilities	750	60,449	(4,234)	56,965
Other accrued liabilities	10,907	190,031	(1,310)	199,628
Due to related parties	33,757	36,124	(69,881)	—
Total current liabilities	95,165	855,859	(72,344)	878,680
Long-term liabilities				
Long-term debt, net of current maturities	—	608,353	40,307	648,660
Common stock warrants	—	—	—	—
Finance lease liabilities	77	7,848	—	7,925
Operating lease liabilities	4,783	309,736	(10,164)	304,355
Other liabilities	45	87,382	(39,460)	47,967
Total liabilities	100,070	1,869,178	(81,661)	1,887,587
Commitments and contingencies				
Stockholders' equity				
Preferred stock	—	—	—	—
Common stock	540	—	—	540
Additional paid-in capital	726,504	307,967	(307,967)	726,504
Accumulated earnings (deficit)	(477,028)	(94,086)	94,086	(477,028)
Accumulated other comprehensive income (loss)	(3,742)	(2,912)	2,912	(3,742)
Total stockholders' equity	246,274	210,969	(210,969)	246,274
Total liabilities and stockholders' equity	\$ 346,344	\$ 2,080,147	\$ (292,630)	\$ 2,133,861

As of December 31, 2019

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,309	\$ 118,812	\$ 894	\$ 126,015
Restricted cash	743	1,670	—	2,413
Trade accounts receivable	—	228,707	11	228,718
Inventories	—	615,872	—	615,872
Prepaid and other current assets	12,325	46,470	361	59,156
Due from related parties	180,686	—	(180,686)	—
Total current assets	200,063	1,011,531	(179,420)	1,032,174
Property, plant, and equipment				
Property, plant, and equipment	20,961	1,088,230	37,792	1,146,983
Less accumulated depreciation and depletion	(12,117)	(170,607)	(2,316)	(185,040)
Property, plant, and equipment, net	8,844	917,623	35,476	961,943
Long-term assets				
Operating lease right-of-use ("ROU") assets	4,276	434,909	(19,112)	420,073
Investment in Laramie Energy, LLC	—	—	46,905	46,905
Investment in subsidiaries	636,742	—	(636,742)	—
Intangible assets, net	—	21,549	—	21,549
Goodwill	—	193,321	2,598	195,919
Other long-term assets	1,128	20,869	—	21,997
Total assets	\$ 851,053	\$ 2,599,802	\$ (750,295)	\$ 2,700,560
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Current maturities of long-term debt	\$ —	\$ 10,777	\$ 1,520	\$ 12,297
Obligations under inventory financing agreements	—	656,162	—	656,162
Accounts payable	2,597	158,323	1,482	162,402
Deferred revenue	—	7,905	—	7,905
Accrued taxes	—	30,745	68	30,813
Operating lease liabilities	698	84,366	(5,065)	79,999
Other accrued liabilities	14,591	72,670	(2,517)	84,744
Due to related parties	125,778	101,936	(227,714)	—
Total current liabilities	143,664	1,122,884	(232,226)	1,034,322
Long-term liabilities				
Long-term debt, net of current maturities	44,783	513,145	41,706	599,634
Common stock warrants	8,206	—	—	8,206
Finance lease liabilities	223	6,004	—	6,227
Operating lease liabilities	5,629	349,327	(14,047)	340,909
Other liabilities	306	120,001	(57,287)	63,020
Total liabilities	202,811	2,111,361	(261,854)	2,052,318
Commitments and contingencies				
Stockholders' equity				
Preferred stock	—	—	—	—
Common stock	533	—	—	533
Additional paid-in capital	715,069	293,006	(293,006)	715,069
Accumulated earnings (deficit)	(67,942)	194,023	(194,023)	(67,942)
Accumulated other comprehensive income (loss)	582	1,412	(1,412)	582
Total stockholders' equity	648,242	488,441	(488,441)	648,242
Total liabilities and stockholders' equity	\$ 851,053	\$ 2,599,802	\$ (750,295)	\$ 2,700,560

Year Ended December 31, 2020

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Revenues	\$ —	\$ 3,124,870	\$ —	\$ 3,124,870
Operating expenses				
Cost of revenues (excluding depreciation)	—	2,947,697	—	2,947,697
Operating expense (excluding depreciation)	—	282,159	(4,732)	277,427
Depreciation, depletion, and amortization	2,900	86,622	514	90,036
Impairment expense	—	85,806	—	85,806
General and administrative expense (excluding depreciation)	11,097	30,191	—	41,288
Acquisition and integration costs	—	614	—	614
Total operating expenses	<u>13,997</u>	<u>3,433,089</u>	<u>(4,218)</u>	<u>3,442,868</u>
Operating income (loss)	(13,997)	(308,219)	4,218	(317,998)
Other income (expense)				
Interest expense and financing costs, net	(4,982)	(61,856)	(3,384)	(70,222)
Other income (expense), net	(3)	1,052	—	1,049
Change in value of common stock warrants	4,270	—	—	4,270
Equity earnings (losses) from subsidiaries	(394,197)	—	394,197	—
Equity earnings (losses) from Laramie Energy, LLC	—	—	(46,905)	(46,905)
Total other income (expense), net	<u>(394,912)</u>	<u>(60,804)</u>	<u>343,908</u>	<u>(111,808)</u>
Income (loss) before income taxes	(408,909)	(369,023)	348,126	(429,806)
Income tax benefit (expense) (1)	(177)	80,914	(60,017)	20,720
Net income (loss)	<u>\$ (409,086)</u>	<u>\$ (288,109)</u>	<u>\$ 288,109</u>	<u>\$ (409,086)</u>
Adjusted EBITDA	\$ (10,943)	\$ (80,457)	\$ 4,732	\$ (86,668)

(1) The income tax benefit (expense) of the Parent Guarantor and Issuer and Subsidiaries is determined using the separate return method. The Non-Guarantor Subsidiaries and Eliminations column includes tax benefits recognized at the Par consolidated level that are primarily associated with changes to the consolidated valuation allowance and other deferred tax balances.

Year Ended December 31, 2019

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Revenues	\$ —	\$ 5,401,446	\$ 70	\$ 5,401,516
Operating expenses				
Cost of revenues (excluding depreciation)	—	4,803,589	—	4,803,589
Operating expense (excluding depreciation)	—	315,659	(2,760)	312,899
Depreciation, depletion, and amortization	2,969	82,843	309	86,121
Loss (gain) on sale of assets, net	—	(37,382)	37,382	—
General and administrative expense (excluding depreciation)	20,017	26,007	199	46,223
Acquisition and integration costs	28	4,676	—	4,704
Total operating expenses	<u>23,014</u>	<u>5,195,392</u>	<u>35,130</u>	<u>5,253,536</u>
Operating income (loss)	(23,014)	206,054	(35,060)	147,980
Other income (expense)				
Interest expense and financing costs, net	(9,952)	(62,098)	(2,789)	(74,839)
Debt extinguishment and commitment costs	(6,091)	(5,354)	(142)	(11,587)
Other income (expense), net	2,303	213	—	2,516
Change in value of common stock warrants	(3,199)	—	—	(3,199)
Equity earnings (losses) from subsidiaries	81,097	—	(81,097)	—
Equity earnings (losses) from Laramie Energy, LLC	—	—	(89,751)	(89,751)
Total other income (expense), net	<u>64,158</u>	<u>(67,239)</u>	<u>(173,779)</u>	<u>(176,860)</u>
Income (loss) before income taxes	41,144	138,815	(208,839)	(28,880)
Income tax benefit (expense) (1)	(335)	(26,507)	96,531	69,689
Net income (loss)	<u>\$ 40,809</u>	<u>\$ 112,308</u>	<u>\$ (112,308)</u>	<u>\$ 40,809</u>
Adjusted EBITDA	\$ (17,714)	\$ 273,932	\$ 2,631	\$ 258,849

(1) The income tax benefit (expense) of the Parent Guarantor and Issuer and Subsidiaries is determined using the separate return method. The Non-Guarantor Subsidiaries and Eliminations column includes tax benefits recognized at the Par consolidated level that are primarily associated with changes to the consolidated valuation allowance and other deferred tax balances.

Year Ended December 31, 2018

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Revenues	\$ —	\$ 3,410,155	\$ 573	\$ 3,410,728
Operating expenses				
Cost of revenues (excluding depreciation)	—	3,002,718	398	3,003,116
Operating expense (excluding depreciation)	—	215,284	—	215,284
Depreciation, depletion, and amortization	4,092	48,513	37	52,642
General and administrative expense (excluding depreciation)	20,721	26,370	335	47,426
Acquisition and integration costs	10,118	201	—	10,319
Total operating expenses	34,931	3,293,086	770	3,328,787
Operating income (loss)	(34,931)	117,069	(197)	81,941
Other income (expense)				
Interest expense and financing costs, net	(10,867)	(28,897)	(4)	(39,768)
Debt extinguishment and commitment costs	—	(4,224)	—	(4,224)
Other income (expense), net	1,155	(99)	(10)	1,046
Change in value of common stock warrants	1,801	—	—	1,801
Change in value of contingent consideration	—	(10,500)	—	(10,500)
Equity earnings (losses) from subsidiaries	81,942	—	(81,942)	—
Equity earnings (losses) from Laramie Energy, LLC	—	—	9,464	9,464
Total other income (expense), net	74,031	(43,720)	(72,492)	(42,181)
Income (loss) before income taxes	39,100	73,349	(72,689)	39,760
Income tax benefit (expense) (1)	327	(15,567)	14,907	(333)
Net income (loss)	\$ 39,427	\$ 57,782	\$ (57,782)	\$ 39,427
Adjusted EBITDA	\$ (19,566)	\$ 151,856	\$ (170)	\$ 132,120

(1) The income tax benefit (expense) of the Parent Guarantor and Issuer and Subsidiaries is determined using the separate return method. The Non-Guarantor Subsidiaries and Eliminations column includes tax benefits recognized at the Par consolidated level that are primarily associated with changes to the consolidated valuation allowance and other deferred tax balances.

Non-GAAP Financial Measures

Adjusted EBITDA for the supplemental consolidating condensed financial information, which is segregated at the “Parent Guarantor,” “Issuer and Subsidiaries,” and “Non-Guarantor Subsidiaries and Eliminations” levels, is calculated in the same manner as for the Par Pacific Holdings, Inc. Adjusted EBITDA calculations. See “Results of Operations — Non-GAAP Performance Measures — Adjusted Net Income (Loss) and Adjusted EBITDA” above.

The following tables present a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, net income (loss), on a historical basis for the periods indicated (in thousands):

	Year Ended December 31, 2020			
	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Net income (loss)	\$ (409,086)	\$ (288,109)	\$ 288,109	\$ (409,086)
Inventory valuation adjustment	—	14,046	—	14,046
RINs loss in excess of net obligation	—	44,071	—	44,071
Unrealized loss (gain) on derivatives	—	(4,804)	—	(4,804)
Acquisition and integration costs	—	614	—	614
Changes in valuation allowance and other deferred tax items (1)	—	—	(20,896)	(20,896)
Change in value of common stock warrants	(4,270)	—	—	(4,270)
Severance costs	157	355	—	512
Impairment expense	—	85,806	—	85,806
Impairments of Laramie Energy, LLC (2)	—	—	45,294	45,294
Par’s share of Laramie Energy’s unrealized gain on derivatives (2)	—	—	(1,110)	(1,110)
Depreciation, depletion, and amortization	2,900	86,622	514	90,036
Interest expense and financing costs, net	4,982	61,856	3,384	70,222
Equity losses from Laramie Energy, LLC, excluding Par’s share of unrealized gain on derivatives and impairment losses	—	—	2,721	2,721
Equity losses (income) from subsidiaries	394,197	—	(394,197)	—
Income tax expense (benefit)	177	(80,914)	80,913	176
Adjusted EBITDA	\$ (10,943)	\$ (80,457)	\$ 4,732	\$ (86,668)

(1) Includes increases in (releases of) our valuation allowance associated with business combinations and changes in deferred tax assets and liabilities that are not offset by a change in the valuation allowance. These tax expenses (benefits) are included in Income tax expense (benefit) on our consolidated statements of operations.

(2) Includes impairment losses on our investment in Laramie Energy and our share of Laramie Energy’s asset impairment losses in excess of our basis difference. These impairment losses and our share of Laramie Energy’s unrealized loss (gain) on derivatives are included in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statements of operations.

Year Ended December 31, 2019

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Net income (loss)	\$ 40,809	\$ 112,308	\$ (112,308)	\$ 40,809
Inventory valuation adjustment	—	11,938	—	11,938
RINs gain in excess of net obligation	—	(3,398)	—	(3,398)
Unrealized loss on derivatives	—	8,988	—	8,988
Acquisition and integration costs	28	4,676	—	4,704
Debt extinguishment and commitment costs	6,091	5,354	142	11,587
Changes in valuation allowance and other deferred tax items (1)	—	—	(68,792)	(68,792)
Change in value of common stock warrants	3,199	—	—	3,199
Loss (gain) on sale of assets, net	—	(37,382)	37,382	—
Impairments of Laramie Energy, LLC (2)	—	—	83,152	83,152
Par's share of Laramie Energy's unrealized gain on derivatives (2)	—	—	(1,969)	(1,969)
Depreciation, depletion, and amortization	2,969	82,843	309	86,121
Interest expense and financing costs, net	9,952	62,098	2,789	74,839
Equity losses from Laramie Energy, LLC, excluding Par's share of unrealized gain on derivatives and impairment losses	—	—	8,568	8,568
Equity losses (income) from subsidiaries	(81,097)	—	81,097	—
Income tax expense (benefit)	335	26,507	(27,739)	(897)
Adjusted EBITDA	\$ (17,714)	\$ 273,932	\$ 2,631	\$ 258,849

- (1) Includes increases in (releases of) our valuation allowance associated with business combinations and changes in deferred tax assets and liabilities that are not offset by a change in the valuation allowance. These tax expenses (benefits) are included in Income tax expense (benefit) on our consolidated statements of operations.
- (2) Includes impairment losses on our investment in Laramie Energy and our share of Laramie Energy's asset impairment losses in excess of our basis difference. These impairment losses and our share of Laramie Energy's unrealized loss (gain) on derivatives are included in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statements of operations.

Year Ended December 31, 2018

	Parent Guarantor	Issuer and Subsidiaries	Non-Guarantor Subsidiaries and Eliminations	Par Pacific Holdings, Inc. and Subsidiaries
Net income (loss)	\$ 39,427	\$ 57,782	\$ (57,782)	\$ 39,427
Inventory valuation adjustment	—	(16,875)	—	(16,875)
RINs loss in excess of net obligation	—	4,544	—	4,544
Unrealized loss (gain) on derivatives	—	(1,497)	—	(1,497)
Acquisition and integration costs	10,118	201	—	10,319
Debt extinguishment and commitment costs	—	4,224	—	4,224
Increase in (release of) tax valuation allowance (1)	—	—	(660)	(660)
Change in value of common stock warrants	(1,801)	—	—	(1,801)
Change in value of contingent consideration	—	10,500	—	10,500
Par's share of Laramie Energy's unrealized loss on derivatives (2)	—	—	1,158	1,158
Depreciation, depletion, and amortization	4,092	48,513	37	52,642
Interest expense and financing costs, net	10,867	28,897	4	39,768
Equity earnings from Laramie Energy, LLC, excluding Par's share of unrealized loss (gain) on derivatives	—	—	(10,622)	(10,622)
Equity losses (income) from subsidiaries	(81,942)	—	81,942	—
Income tax expense (benefit)	(327)	15,567	(14,247)	993
Adjusted EBITDA	\$ (19,566)	\$ 151,856	\$ (170)	\$ 132,120

(1) Includes increases in (releases of) our valuation allowance associated with business combinations and changes in deferred tax assets and liabilities that are not offset by a change in the valuation allowance. These tax expenses (benefits) are included in Income tax expense (benefit) on our consolidated statements of operations.

(2) Includes impairment losses on our investment in Laramie Energy and our share of Laramie Energy's asset impairment losses in excess of our basis difference. These impairment losses and our share of Laramie Energy's unrealized loss (gain) on derivatives are included in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statements of operations.

Liquidity and Capital Resources

Our liquidity and capital requirements are primarily a function of our debt maturities and debt service requirements and contractual obligations, capital expenditures, turnaround outlays, and working capital needs. Examples of working capital needs include purchases and sales of commodities and associated margin and collateral requirements, facility maintenance costs, and other costs such as payroll. Our primary sources of liquidity are cash flows from operations, cash on hand, amounts available under our credit agreements, and access to capital markets.

Our liquidity position as of December 31, 2020 was \$107.9 million and consisted of \$106.7 million at Par Petroleum, LLC and subsidiaries, \$0.5 million at Par Pacific Holdings, and \$0.7 million at all our other subsidiaries.

As of December 31, 2020, we had access to the J. Aron Deferred Payment Arrangement, the ABL Credit Facility, the MLC receivable advances, and cash on hand of \$68.3 million. In addition, we have the Supply and Offtake Agreements with J. Aron and the Washington Refinery Intermediation Agreement, which are used to finance the majority of the inventory at our Hawaii and Washington refineries, respectively. Generally, the primary uses of our capital resources have been in the operations of our refining and retail segments, payments related to acquisitions, and to repay or refinance indebtedness.

We believe our cash flows from operations and available capital resources will be sufficient to meet our current capital and turnaround expenditures, working capital, and debt service requirements for the next 12 months. We may seek to raise additional debt or equity capital to fund any other significant changes to our business or to refinance existing debt. We cannot offer any assurances that such capital will be available in sufficient amounts or at an acceptable cost.

On February 23, 2021, we closed on the sale and leaseback of twenty-one (21) of our retail properties in Hawaii for an aggregate cash purchase price of approximately \$109.4 million (the "Sale-Leaseback Transaction"). We used approximately \$51.7 million of the net cash proceeds to repay the certain financing arrangements which were related to certain of the retail properties and expect to use the remainder for general corporate purposes. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the Sale-Leaseback Transaction.

We may from time to time seek to retire or purchase our outstanding 5.00% Convertible Senior Notes, our 7.75% Senior Secured Notes, our 12.875% Senior Secured Notes, or our common stock through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, 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.

Debt Activity

We had the following significant debt issuances and amendments during the years ended December 31, 2020, 2019, and 2018:

- On June 5, 2020, Par Petroleum, LLC and Par Petroleum Finance Corp., both our wholly owned subsidiaries, completed the issuance and sale of \$105 million in aggregate principal amount of 12.875% Senior Secured Notes in a private placement under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The net proceeds of \$98.8 million from the sale were used for general corporate purposes.
- On April 13, 2020, Par Hawaii, LLC ("PHL"), our wholly owned subsidiary, entered into a Term Loan Agreement ("PHL Term Loan") with American Savings Bank F.S.B., which provided a term loan in the principal amount of approximately \$6.0 million. The proceeds from the PHL Term Loan were used to finance PHL's equity in certain real property. On February 23, 2021, we terminated and repaid all amounts outstanding under the PHL Term Loan. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment.
- On November 1, 2019, we and MLC amended the Washington Refinery Intermediation Agreement and extended the term through June 30, 2021. We further amended the Washington Refinery Intermediation Agreement on February 11, 2021 and extended the term through March 31, 2022. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the February 11, 2021 amendment.
- During May, June, and December 2019, we entered into privately negotiated exchange agreements with a limited number of holders (the "Noteholders") to repurchase \$66.3 million in aggregate principal amount of the 5.00% Convertible Senior Notes held by the Noteholders for an aggregate of \$18.6 million in cash and approximately 3.2 million shares of our common stock with a fair value of \$74.3 million. As of December 31, 2020, the remaining outstanding principal amount of the 5.00% Convertible Senior Notes was \$48.7 million, the unamortized discount and deferred financing cost was \$1.4 million, and the carrying amount of the liability component was \$47.3 million.
- On March 29, 2019, Par Pacific Hawaii Property Company, LLC ("Par Property LLC"), our wholly owned subsidiary, entered into the Retail Property Term Loan with the Bank of Hawaii ("BOH"), which provided a term loan in the principal amount of \$45.0 million. The proceeds from the Retail Property Term Loan were used to repay and terminate the Par Pacific Term Loan Agreement (as defined below). As of December 31, 2020, the outstanding principal on the Retail Property Term Loan was \$42.5 million. On February 23, 2021, we terminated and repaid all amounts outstanding under the Retail Property Term Loan. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment.
- On January 11, 2019, Par Petroleum, LLC and Par Petroleum Finance Corp., entered into the Term Loan B Facility with Goldman Sachs Bank USA, as administrative agent, and the lenders party thereto from time to time. Pursuant to the Term Loan B Facility, the lenders made a term loan to the borrowers in the amount of \$250.0 million ("Term Loan B"). We are required to make quarterly principal payments of \$3.1 million. The proceeds from the Term Loan B were used to fund the Washington Acquisition. As of December 31, 2020, the outstanding principal on the Term Loan B was \$228.1 million.
- On January 9, 2019, we entered into the Par Pacific Term Loan Agreement with BOH. Pursuant to the Par Pacific Term Loan Agreement, BOH made a loan to the Company in the amount of \$45.0 million (the "Par Pacific Term Loan"). The proceeds from the Par Pacific Term Loan Agreement were used to fund the Washington Acquisition. On

March 29, 2019, we terminated and repaid all amounts outstanding under the Par Pacific Term Loan Agreement using the proceeds of the Retail Property Term Loan.

- On December 5, 2018, we amended the Supply and Offtake Agreements to account for additional processing capacity expected to be provided through the Par West Acquisition. The December 5, 2018 amendment to the Supply and Offtake Agreements also (i) required us to increase our margin requirements by an aggregate \$2.5 million by making certain additional margin payments on December 19, 2018, March 1, 2019, and June 3, 2019, and (ii) only allows dividends, payments, or other distributions with respect to any equity interests in PHR in limited and restricted circumstances.
- On September 27, 2018, PHL (which includes the assets of the dissolved entity formerly known as Mid Pac Petroleum, LLC), entered into the Mid Pac Term Loan with American Savings Bank, F.S.B., which provided a term loan of up to approximately \$1.5 million. We received the proceeds on October 18, 2018, which we used to purchase certain retail property.
- On July 24, 2018, we amended the ABL Credit Facility dated as of December 21, 2017 to increase the maximum principal amount at any time outstanding of the ABL Revolver by \$10 million to \$85 million, subject to a borrowing base. The ABL Revolver had no outstanding balance and a borrowing base of approximately \$39.8 million at December 31, 2020.

Please read Note 11—Inventory Financing Agreements, Note 13—Debt, and Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for further discussion on our inventory financing and debt agreements, respectively.

Cash Flows

The following table summarizes cash activities for the years ended December 31, 2020, 2019, and 2018 (in thousands):

	Years Ended December 31,		
	2020	2019	2018
Net cash provided by (used in) operating activities	\$ (37,214)	\$ 105,630	\$ 90,620
Net cash used in investing activities	(63,464)	(353,229)	(175,821)
Net cash provided by financing activities	42,559	300,208	41,943

Net cash used in operating activities was approximately \$37.2 million for the year ended December 31, 2020, which resulted from a net loss of approximately \$409.1 million, partially offset by non-cash charges to operations of approximately \$219.1 million and net cash provided by changes in operating assets and liabilities of approximately \$152.8 million. The change in our operating assets and liabilities for the year ended December 31, 2020 was primarily due to a decrease in our trade receivables of \$117.8 million, a decrease in inventories of \$171.9 million, and an increase in our environmental credit obligations of \$127.7 million, partially offset by a net decrease in our Supply and Offtake Agreements and Washington Refinery Intermediation Agreement obligations of \$190.8 million. Net cash provided by changes in operating assets and liabilities also includes an increase of \$49.8 million in deferred turnaround costs associated with the Hawaii and Wyoming turnarounds. These decreases in accounts receivable, inventory, and Supply and Offtake Agreements were primarily driven by the decline in crude oil prices in 2020 and overall decline in sales and inventory volumes resulting from COVID-19 demand destruction. The increase in our environmental credit obligations was primarily driven by the increase in the market prices of RINs. Net cash provided by operating activities was approximately \$105.6 million for the year ended December 31, 2019, which resulted from net income of approximately \$40.8 million and non-cash charges to operations of approximately \$144.9 million, partially offset by net cash used for changes in operating assets and liabilities of approximately \$80.1 million. Net cash provided by operating activities was approximately \$90.6 million for the year ended December 31, 2018, which resulted from net income of approximately \$39.4 million and non-cash charges to operations of approximately \$65.5 million, partially offset by net cash used for changes in operating assets and liabilities of approximately \$14.3 million.

For the year ended December 31, 2020, net cash used in investing activities was approximately \$63.5 million and primarily related to additions to property, plant, and equipment totaling approximately \$63.5 million. Net cash used in investing activities was approximately \$353.2 million for the year ended December 31, 2019 and was primarily related to \$273.4 million for the Washington Acquisition and additions to property, plant, and equipment totaling approximately \$83.9 million. Net cash used in investing activities was approximately \$175.8 million for the year ended December 31, 2018 and was primarily related

to \$74.3 million for the Northwest Retail Acquisition, \$53.9 million for the Par West Acquisition, and additions to property, plant, and equipment totaling approximately \$48.4 million.

Net cash provided by financing activities for the year ended December 31, 2020 was approximately \$42.6 million and consisted primarily of proceeds from net borrowings on our debt agreements, J. Aron deferred payment arrangement, and MLC receivable advances of \$49.3 million, partially offset by deferred loan costs of \$6.3 million related to the issuance of the 12.875% Senior Secured Notes. Net cash provided by financing activities for the year ended December 31, 2019 of approximately \$300.2 million consisted primarily of proceeds from net borrowings on our debt agreements, J. Aron deferred payment arrangement, and MLC receivable advances of \$313.0 million and the exercise of employee stock options of \$8.2 million, partially offset by deferred loan costs of \$13.5 million and payments of \$8.1 million in commitment and other fees related to the funding for the Washington Acquisition and the financing costs related to the repurchase and cancellation of a portion of our 5.00% Convertible Senior Notes. Net cash provided by financing activities for the year ended December 31, 2018 of approximately \$41.9 million consisted primarily of proceeds from net repayments of borrowings and net borrowings on our deferred payment arrangement of \$27.3 million and the issuance of common stock totaling approximately \$19.3 million, partially offset by the payment of \$3.4 million in commitment and other fees related to the funding for the Washington Acquisition.

Capital Expenditures and Turnaround Costs

Our deferred turnaround costs and capital expenditures, excluding acquisitions, for the year ended December 31, 2020, totaled approximately \$113.3 million and were primarily related to equipment purchases and engineering work for the 2020 turnarounds at our Par East Hawaii and Wyoming refineries, the second phase of a Washington renewables logistics project, tank compliance construction and repairs within our Wyoming logistics network, and scheduled maintenance. Our capital expenditures and deferred turnaround costs budget for 2021 ranges from \$35 to \$45 million and primarily relates to a partial turnaround at our Washington refinery, scheduled maintenance, and other capital projects related to regulatory and safety compliance.

We also continue to seek strategic investments in business opportunities, but the amount and timing of those investments are not predictable.

Contractual Obligations

We have various contractual obligations and financial commitments in the normal course of our operations and financing activities. Contractual obligations include future cash payments required under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly related to our operating activities. The following table summarizes our contractual obligations as of December 31, 2020. Cash obligations reflected in the table below are not discounted.

	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(in thousands)				
Long-term debt (including current portion)	\$ 731,523	\$ 62,950	\$ 28,792	\$ 363,016	\$ 276,765
Interest payments on debt	252,357	54,353	94,934	91,467	11,603
Operating leases (1)	495,456	82,212	123,212	88,066	201,966
Finance leases (1)	12,484	2,143	3,877	3,007	3,457
Purchase commitments	670,065	518,700	150,751	585	29

(1) Additionally, we have \$6.6 million and \$4.9 million in future undiscounted cash flows for operating leases and finance leases, respectively, that have not yet commenced. These leases are expected to commence when the lessor has made the equipment or location available to the Company to operate or begin construction, respectively.

Long-Term Debt (including Current Portion). Long-term debt includes the scheduled principal payments related to our outstanding debt obligations and letters of credit. Please read Note 13—Debt to our consolidated financial statements under Item 8 of this Form 10-K for further discussion.

Interest Payments on Debt. Interest payments on debt represent estimated periodic interest payment obligations associated with our outstanding debt obligations using interest rates in effect as of December 31, 2020. Please read Note 13—Debt to our consolidated financial statements under Item 8 of this Form 10-K for further discussion.

Operating Leases. Operating leases primarily include obligations associated with the lease of land, office space, retail facilities, and other facilities used in the storage and transportation of crude oil and refined products. Please read Note 16—Leases to our consolidated financial statements under Item 8 of this Form 10-K for further discussion.

Finance Leases. Finance leases primarily include obligations associated with the lease of retail facilities and vehicles. Please read Note 16—Leases to our consolidated financial statements under Item 8 of this Form 10-K for further discussion.

Purchase Commitments. Purchase commitments primarily consist of contracts executed as of December 31, 2020 for the purchase of crude oil for use at our refineries that are scheduled for delivery in 2021 and 2022.

Commitments and Contingencies

Supply and Offtake Agreements. On June 1, 2015, we entered into several agreements with J. Aron to support the operations of our Hawaii refineries (the “Supply and Offtake Agreements”). On May 8, 2017, we and J. Aron amended the Supply and Offtake Agreements and extended the term through May 31, 2021 with a one-year extension option upon mutual agreement of the parties. On June 27, 2018, we and J. Aron amended the Supply and Offtake Agreements to increase the amount that we may defer under the deferred payment arrangement. On December 5, 2018, we amended the Supply and Offtake Agreements to account for additional processing capacity expected to be provided through the Par West Acquisition. We are evaluating options to extend or replace the Supply and Offtake Agreements. Please read Note 11—Inventory Financing Agreements to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Washington Refinery Intermediation Agreement. In connection with the consummation of the Washington Acquisition on January 11, 2019, we assumed the Washington Refinery Intermediation Agreement with MLC to support the operations of our Washington refinery. On November 1, 2019, we amended the Washington Refinery Intermediation Agreement and extended the term through June 30, 2021. We further amended the Washington Refinery Intermediation Agreement on February 11, 2021 and extended the term through March 31, 2022. Please read Note 11—Inventory Financing Agreements and Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Environmental Matters. Our operations and Laramie Energy’s oil and gas exploration and production operations in which we have a working interest are subject to extensive and periodically-changing federal, state, and local environmental laws and regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. Many of these laws and regulations are becoming increasingly stringent and the cost of compliance can be expected to increase over time. Our policy is to accrue environmental and clean-up related costs of a non-capital nature when it is probable that a liability has been incurred and the amount can be reasonably estimated. Such estimates may be subject to revision in the future as regulations and other conditions change.

Periodically, we receive communications from various federal, state, and local governmental authorities asserting violations of environmental laws and/or regulations. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. We intend to respond in a timely manner to all such communications and to take appropriate corrective action. Except as disclosed below, we do not anticipate that any such matters currently asserted will have a material impact on our financial condition, results of operations, or cash flows.

Regulation of Greenhouse Gases

The EPA regulates GHG under the CAA. New construction or material expansions that meet certain GHG emissions thresholds will likely require that, among other things, a GHG permit be issued in accordance with the federal CAA regulations and we will be required, in connection with such permitting, to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce GHG emissions.

Furthermore, the EPA has in the past begun developing refinery-specific GHG regulations and performance standards that are expected to impose GHG emission limits and/or technology requirements. If adopted, these control requirements may affect a wide range of refinery operations. Any such controls could result in material increased compliance costs, additional operating restrictions for our business, and an increase in cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, or cash flows.

Additionally, the EPA's final rule updating standards that control toxic air emissions from petroleum refineries imposed additional controls and monitoring requirements on flaring operations, storage tanks, sulfur recovery units, delayed coking units, and required fence-line monitoring. Compliance with this rule has not had a material impact on our financial condition, results of operations, or cash flows to date.

In 2007, the State of Hawaii passed Act 234, which required that GHG emissions be rolled back on a statewide basis to 1990 levels by the year 2020. In June of 2014, the DOH adopted regulations that require each major facility to reduce CO₂ emissions by 16% by 2020 relative to a calendar year 2010 baseline (the first year in which GHG emissions were reported to the EPA under 40 CFR Part 98). The Hawaii refineries' capacity to materially reduce fuel use and GHG emissions is limited because most energy conservation measures have already been implemented over the past 20 years. Hawaii's regulation allows for "partnering" with other facilities (principally power plants) that have already dramatically reduced GHG emissions or are on schedule to reduce CO₂ emissions in order to comply with the state's Renewable Portfolio Standards. Accordingly, our Hawaii refineries submitted a GHG reduction plan that incorporates the partnering provisions and demonstrates that additional reductions are not cost-effective or necessary because the State of Hawaii has already reached the 1990 levels according to a report prepared by the DOH in January 2019.

Fuel Standards

In 2007, the U.S. Congress passed the EISA which, among other things, set a target fuel economy standard of 35 miles per gallon for the combined fleet of cars and light trucks in the U.S. by model year 2020 and contained an expanded RFS. In August 2012, the EPA and NHTSA jointly adopted regulations that establish vehicle carbon dioxide emissions standards and an average industry fuel economy of 54.5 miles per gallon by model year 2025. On August 8, 2018, the EPA and NHTSA jointly proposed to revise existing fuel economy standards for model years 2021-2025 and to set standards for 2026 for the first time. On March 31, 2020, the agencies released updated fuel economy and vehicle emissions standards, which provide for an increase in stringency by 1.5% each year through model year 2026, as compared with the standards issued in 2012 that required 5% annual increases. Higher fuel economy standards have the potential to reduce demand for our refined transportation fuel products.

Under EISA, the RFS requires an increasing amount of renewable fuel to be blended into the nation's transportation fuel supply, up to 36.0 billion gallons by 2022. Over time, higher annual RFS requirements have the potential to reduce demand for our refined transportation fuel products. In the near term, the RFS will be satisfied primarily with fuel ethanol blended into gasoline. We, and other refiners subject to the RFS, may meet the RFS requirements by blending the necessary volumes of renewable fuels produced by us or purchased from third parties. To the extent that refiners will not or cannot blend renewable fuels into the products they produce in the quantities required to satisfy their obligations under the RFS program, those refiners must purchase RINs to maintain compliance. The EPA has not yet set volumetric requirements for 2021, which makes it difficult to estimate our obligations. To the extent that we exceed the minimum volumetric requirements for blending of renewable fuels, we have the option of retaining these RINs for current or future RFS compliance or selling those RINs on the open market. The RFS may present production and logistics challenges for both the renewable fuels and petroleum refining and marketing industries in that we may have to enter into arrangements with other parties or purchase D3 waivers from the EPA to meet our obligations to use advanced biofuels, including biomass-based diesel and cellulosic biofuel, with potentially uncertain supplies of these new fuels.

In October 2010, the EPA issued a partial waiver decision under the federal CAA to allow for an increase in the amount of ethanol permitted to be blended into gasoline from 10% to 15% for 2007 and newer light duty motor vehicles. In January 2011, the EPA issued a second waiver for the use of E15 in vehicles model years 2001-2006. In 2019, the EPA approved year-round sales of E15. There are numerous issues, including state and federal regulatory issues, which need to be addressed before E15 can be marketed on a large scale for use in traditional gasoline engines; however, increased renewable fuel in the nation's transportation fuel supply could reduce demand for our refined products.

In March 2014, the EPA published a final Tier 3 gasoline standard that requires, among other things, that gasoline contain no more than 10 ppm sulfur on an annual average basis and no more than 80 ppm sulfur on a per-gallon basis. The standard also lowers the allowable benzene, aromatics, and olefins content of gasoline. The effective date for the new standard was January 1, 2017, however, approved small volume refineries had until January 1, 2020 to meet the standard. The Par East Hawaii refinery was required to comply with Tier 3 gasoline standards within 30 months of June 21, 2016, the date it was disqualified from small volume refinery status. On March 19, 2015, the EPA confirmed the small refinery status of our Wyoming refinery. The Par East Hawaii refinery, our Wyoming refinery, and our Washington refinery, acquired in January 2019, were all granted small refinery status by the EPA for 2018. All of our refineries are compliant with the final Tier 3 gasoline standard.

Beginning on June 30, 2014, new sulfur standards for fuel oil used by marine vessels operating within 200 miles of the U.S. coastline (which includes the entire Hawaiian Island chain) was lowered from 10,000 ppm (1%) to 1,000 ppm (0.1%). The sulfur standards began at the Hawaii refineries and were phased in so that by January 1, 2015, they were to be fully aligned with IMO standards and deadline. The more stringent standards apply universally to both U.S. and foreign-flagged ships. Although the marine fuel regulations provided vessel operators with a few compliance options such as installation of on-board pollution controls and demonstration unavailability, many vessel operators will be forced to switch to a distillate fuel while operating within the ECA. Beyond the 200 mile ECA, large ocean vessels are still allowed to burn marine fuel with up to 3.5% sulfur. Our Hawaii refineries are capable of producing the 1% sulfur residual fuel oil that was previously required within the ECA. Although our Hawaii refineries remain in a position to supply vessels traveling to and through Hawaii, the market for 0.1% sulfur distillate fuel and 3.5% sulfur residual fuel is much more competitive.

In addition to U.S. fuels requirements, the IMO has also adopted newer standards that further reduce the global limit on sulfur content in maritime fuels to 0.5% beginning in 2020.

There will be compliance costs and uncertainties regarding how we will comply with the various requirements contained in the EISA, RFS, IMO 2020, and other fuel-related regulations. We may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

Wyoming Refinery and Recent Acquisitions

Our Wyoming refinery is subject to a number of consent decrees, orders, and settlement agreements involving the EPA and/or the Wyoming Department of Environmental Quality, some of which date back to the late 1970s and several of which remain in effect, requiring further actions at the Wyoming refinery. Our recent acquisition of the Par West Hawaii refinery and the Washington Acquisition also subject us to additional environmental compliance costs. Please read Note 17—Commitments and Contingencies to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Environmental Agreement

On September 25, 2013, Par Petroleum, LLC, Tesoro, and PHR entered into an Environmental Agreement (“Environmental Agreement”), which allocated responsibility for known and contingent environmental liabilities related to the acquisition of PHR, including a consent decree. Please read Note 17—Commitments and Contingencies to our consolidated financial statements under Item 8 of this Form 10-K for more information.

Off-Balance Sheet Arrangements

We are guarantors of Laramie Energy’s credit facility, with recourse limited to the pledge of our equity interest in our wholly owned subsidiary, Par Piceance Energy Equity, LLC. As of June 30, 2020, we have discontinued the application of the equity method of accounting for our investment in Laramie Energy because the book value of such investment has been reduced to zero. Please read Note 3—Investment in Laramie Energy, LLC to our consolidated financial statements under Item 8 of this Form 10-K for further information. Other than this guarantee and the purchase commitments described in the Contractual Obligations section above, we have no material off-balance sheet arrangements as of December 31, 2020 that are reasonably likely to have a current or future material effect on our financial condition, results of operations, or cash flows.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations were based on the consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements required us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Our significant accounting policies are described in Note 2—Summary of Significant Accounting Policies to our audited consolidated financial statements under Item 8 of this Form 10-K. We have identified certain policies as being of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. We analyze our estimates on a periodic basis, including those related to fair value, impairments, natural gas and crude oil reserves, bad debts, natural gas and oil properties, income taxes, derivatives, contingencies, and litigation and base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Inventory

Commodity inventories, excluding commodity inventories at the Washington refinery, are stated at the lower of cost and net realizable value using the FIFO accounting method. Commodity inventories at the Washington refinery are stated at the lower of cost and net realizable value using the LIFO inventory accounting method. We value merchandise along with spare parts, materials, and supplies at average cost.

Estimating the net realizable value of our inventory requires management to make assumptions about the timing of sales and the expected proceeds that will be realized for these sales. Please read Note 6—Inventories to our consolidated financial statements under Item 8 of this Form 10-K for additional information.

All of the crude oil utilized at the Hawaii refineries is financed by J. Aron under procurement contracts. The crude oil remains in the legal title of J. Aron and is stored in our storage tanks governed by a storage agreement. Legal title to the crude oil passes to us at the tank outlet. After processing, J. Aron takes title to the refined products stored in our storage tanks until they are sold to our retail locations or to third parties. We record the inventory owned by J. Aron on our behalf as inventory with a corresponding accrued liability on our balance sheet because we maintain the risk of loss until the refined products are sold to third parties and we have an obligation to repurchase it. The valuation of our repurchase obligation requires that we make estimates of the prices and differentials assuming settlement occurs at the end of the reporting period. Please read Note 11—Inventory Financing Agreements to our consolidated financial statements under Item 8 of this Form 10-K for additional information.

In connection with the consummation of the Washington Acquisition, we became a party to the Washington Refinery Intermediation Agreement with MLC. Under this arrangement, U.S. Oil purchases crude oil supplied from third-party suppliers and MLC provides credit support for certain of these purchases. MLC's credit support can consist of providing a payment guaranty, procuring the issuance of a letter of credit from a third party issuing bank, or purchasing crude oil directly from third parties on our behalf. U.S. Oil holds title to all crude oil and refined products inventories at all times and pledges such inventories, together with all receivables arising from the sales of same, exclusively to MLC. The valuation of our terminal obligation requires that we make estimates of the prices and differentials for our then monthly forward purchase obligations. Please read Note 11—Inventory Financing Agreements to our consolidated financial statements under Item 8 of this Form 10-K for additional information.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In estimating fair value, we use discounted cash flow projections, recent comparable market transactions, if available, or quoted prices. We consider assumptions that third parties would make in estimating fair value, including the highest and best use of the asset. The assumptions used by another party could differ significantly from our assumptions.

We classify fair value balances based on the classification of the inputs used to calculate the fair value of a transaction. The inputs used to measure fair value have been placed in a hierarchy based on priority. The hierarchy gives the highest priority to unadjusted, readily observable quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Please read Note 15—Fair Value Measurements to our consolidated financial statements under Item 8 of this Form 10-K for additional information.

We recognize assets acquired and liabilities assumed in business combinations at their estimated fair values as of the date of acquisition. Significant judgment is required in estimating the fair value of assets acquired. We obtain the assistance of third-party valuation specialists in estimating fair values of tangible and intangible assets based on available historical information and on expectations and assumptions about the future, considering the perspectives of marketplace participants. These valuation methods require management to make estimates and assumptions regarding characteristics of the acquired property and future revenues and expenses. Changes in these estimates and assumptions would result in different amounts allocated to the related assets and liabilities.

Impairment of Goodwill and Long-lived Assets

We assess the recoverability of the carrying value of goodwill during the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount of the goodwill of a reporting unit may not be fully recoverable. We first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, a quantitative test is required. Under the quantitative test, we compare the

carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. If the carrying value exceeds the estimated fair value of the reporting unit, an impairment loss is recorded. The fair value of a reporting unit is determined using the income approach and the market approach. Under the income approach, we estimate the present value of expected future cash flows using a market participant discount rate. Under the market approach, we estimate fair value using observable multiples for comparable companies within our industry. These valuation methods require us to make significant estimates and assumptions regarding future cash flows, capital projects, commodity prices, long-term growth rates, and discount rates.

We review property, plant, and equipment, operating leases, and other long-lived assets whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. If this occurs, an impairment loss is recognized for the difference between the fair value and carrying value. The fair value of long-lived assets is determined using the income approach.

Impairment of our Investment in Laramie Energy

We evaluate our investment in Laramie Energy for impairment when factors indicate that a decrease in the value of our investment has occurred and the carrying amount of our investment may not be recoverable. The fair value of our investment in Laramie Energy is determined using the income approach and/or the market approach. Under the income approach, we estimate the present value of expected future cash flows using a market participant discount rate. Other significant inputs used in the income approach include proved and unproved reserves information and forecasts of operating expenditures obtained from Laramie Energy's management. Under the market approach, we estimate fair value using observable multiples for comparable companies within our industry. These valuation methods require us to make significant estimates and assumptions regarding future cash flows, capital projects, commodity prices, long-term growth rates, and discount rates. An impairment loss, based on the difference between the carrying value and the estimated fair value of the investment, is recognized in earnings when an impairment is deemed to be other than temporary.

Derivatives and Other Financial Instruments

We are exposed to commodity price risk related to crude oil and refined products. We manage this exposure through the use of various derivative commodity instruments. These instruments include exchange traded futures and over-the-counter swaps, forwards, and options.

For our forward contracts that are derivatives, we have elected the normal purchase normal sale exclusion, as it is our policy to fulfill or accept the physical delivery of the product and not net settle. Therefore, we did not recognize the unrealized gains or losses related to these contracts in our consolidated financial statements. We apply the accrual method of accounting to contracts qualifying for the normal purchase and sale exemption.

All derivative instruments not designated as normal purchases or sales are recorded in the balance sheet as either assets or liabilities measured at their fair values. Changes in the fair value of these derivative instruments are recognized currently in earnings. We have not designated any derivative instruments as cash flow or fair value hedges and, therefore, do not apply hedge accounting treatment.

In addition, we may have other financial instruments, such as warrants or embedded debt features, that may be classified as liabilities when either (a) the holders possess rights to net cash settlement, (b) physical or net equity settlement is not in our control, or (c) the instruments contain other provisions that cause us to conclude that they are not indexed to our equity. We have accounted for our obligation to repurchase crude oil and refined products from J.Aron at the termination of the Supply and Offtake Agreements and to repay MLC for monthly crude oil and refined products' financing under the Washington Refinery Intermediation Agreement as embedded derivatives. Additionally, we have determined that the redemption option and the related make-whole premium on our 5.00% Convertible Senior Notes represent an embedded derivative. These liabilities were initially recorded at fair value and subsequently adjusted to fair value at the end of each reporting period through earnings.

Asset Retirement Obligations

We record asset retirement obligations ("AROs") at fair value in the period in which we have a legal obligation, whether by government action or contractual arrangement, to incur these costs and can make a reasonable estimate of the fair value of the liability. Our AROs arise from our refining, logistics, and retail operations. AROs are calculated based on the present value of the estimated removal and other closure costs using our credit-adjusted risk-free rate. When the liability is initially recorded, we capitalize the cost by increasing the book value of the related long-lived tangible asset. The liability is accreted to its estimated settlement value and the related capitalized cost is depreciated over the asset's useful life. Both

expenses are recorded in Depreciation, depletion, and amortization in the consolidated statements of operations. The difference between the settlement amount and the recorded liability is recorded as a gain or loss on asset disposals in our consolidated statements of operations. We estimate settlement dates by considering our past practice, industry practice, management's intent, and estimated economic lives.

We cannot currently estimate the fair value for certain AROs primarily because we cannot estimate settlement dates (or ranges of dates) associated with these assets. These AROs include disposal of hazardous materials (such as petroleum manufacturing by-products, chemical catalysts, and sealed insulation material containing asbestos) and removal or dismantlement requirements associated with the closure of our refining facilities, terminal facilities, or pipelines, including the demolition or removal of certain major processing units, buildings, tanks, pipelines, or other equipment.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss ("NOL") and tax credit carry forwards. The realizability of deferred tax assets is evaluated quarterly based on a "more likely than not" standard and, to the extent this threshold is not met, a valuation allowance is recorded. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based upon the level of historical taxable income and projections for future results of operations over the periods in which the deferred tax assets are deductible, among other factors, management concluded that we did not meet the "more likely than not" requirement in order to recognize deferred tax assets and therefore, a valuation allowance has been recorded for substantially all of our net deferred tax assets at December 31, 2020 and 2019.

Environmental Matters

We capitalize environmental expenditures that extend the life or increase the capacity of facilities as well as expenditures that prevent environmental contamination. We expense costs that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation. We record liabilities when environmental assessments and/or remedial efforts are probable and can be reasonably estimated. Cost estimates are based on the expected timing and extent of remedial actions required by governing agencies, experience gained from similar sites for which environmental assessments or remediation have been completed, and the amount of our anticipated liability considering the proportional liability and financial abilities of other responsible parties. Usually, the timing of these accruals coincides with the completion of a feasibility study or our commitment to a formal plan of action. Estimated liabilities are not discounted to present value and are presented within Other liabilities on our consolidated balance sheets. Environmental expenses are recorded in Operating expense (excluding depreciation) on our consolidated statements of operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

Our earnings, cash flows, and liquidity are significantly affected by commodity price volatility. Our Revenues fluctuate with refined product prices and our Cost of revenues (excluding depreciation) fluctuates with movements in crude oil and feedstock prices. Assuming all other factors remain constant, a \$1 per barrel change in average gross refining margins, based on our throughput of 124 Mbpd for the full year of 2020, would change annualized operating income by approximately \$44.7 million. This analysis may differ from actual results.

In order to manage commodity price risks, we utilize exchange-traded futures, options, and over-the-counter ("OTC") swaps to manage commodity price risks associated with:

- the price for which we sell our refined products;
- the price we pay for crude oil and other feedstocks;
- our crude oil and refined products inventory; and
- our fuel requirements for our refineries.

All of our futures and OTC swaps are executed to economically hedge our physical commodity purchases, sales, and inventory. Our open futures and OTC swaps expired in January 2021. At December 31, 2020, these open commodity derivative contracts represent (in thousands of barrels):

Contract type	Purchases	Sales	Net
Futures	360	—	360
Swaps	1,190	(1,000)	190
Total	1,550	(1,000)	550

Based on our net open futures positions at December 31, 2020, a \$1 change in the price of crude oil, assuming all other factors remain constant, would result in \$0.6 million change to the fair value of our derivative instruments and Cost of revenues (excluding depreciation).

Our predominant variable operating cost is the cost of fuel consumed in the refining process, which is included in Cost of revenues (excluding depreciation) on our consolidated statements of operations. For the year ended December 31, 2020, we consumed approximately 124 thousand barrels per day of crude oil during the refining process at our Hawaii, Washington, and Wyoming refineries. We internally consume approximately 4% of this throughput in the refining process, which is accounted for as a fuel cost. We have economically hedged 25 thousand barrels per month through December 2021 of our internally consumed fuel cost at our Hawaii refineries by executing option collars. These option collars have a weighted-average strike price ranging from a floor of \$36.50 per barrel to a ceiling of \$60.00 per barrel and expire in December 2021. We do not currently economically hedge our internally consumed fuel cost at our Wyoming or Washington refineries.

Compliance Program Price Risk

We are exposed to market risks related to the volatility in the price of RINs required to comply with the Renewable Fuel Standard. Our renewable volume obligation ("RVO") is based on a percentage of our Hawaii, Wyoming, and Washington refineries' production of on-road transportation fuel. The EPA sets the RVO percentages annually. EPA has not yet set volumetric requirements for 2021, which makes it difficult to estimate our obligations. To the degree we are unable to blend the required amount of biofuels to satisfy our RVO, we must purchase RINs on the open market. To mitigate the impact of this risk on our results of operations and cash flows, we may purchase RINs when the price of these instruments is deemed favorable. Some of these contracts are derivative instruments, however, we elect the normal purchases normal sales exception and do not record these contracts at their fair values.

Interest Rate Risk

As of December 31, 2020, we had \$270.6 million of indebtedness that was subject to floating interest rates. We also had interest rate exposure in connection with our liability under the J. Aron Supply and Offtake Agreements and the MLC Washington Refinery Intermediation Agreement for which we pay charges based on three-month LIBOR. An increase of 1% in the variable rate on our indebtedness, after considering the instruments subject to minimum interest rates, would result in an increase to our Cost of revenues (excluding depreciation) and Interest expense and financing costs, net of approximately \$3.0 million and \$3.8 million per year, respectively.

We may utilize interest rate swaps to manage our interest rate risk. As of December 31, 2020, we had entered into an interest rate swap at an average fixed rate of 3.91% in exchange for the floating interest rate on the notional amounts due under the Retail Property Term Loan. This swap was set to expire on April 1, 2024, the maturity date of the Retail Property Term Loan. On February 23, 2021, we terminated and repaid all amounts outstanding under the Retail Property Term Loan and the related interest rate swap. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment.

We have several contracts that reference London Interbank Offered Rate ("LIBOR"), some of which terminate after LIBOR is anticipated to cease being reported in 2021. We are currently working or discussing with our lenders to amend our relevant contracts and will continue to assess and monitor the effect that the transition away from LIBOR would have on our financial condition, results of operations, and cash flows.

Credit Risk

We are subject to the risk of loss resulting from nonpayment or nonperformance by our counterparties. We will continue to closely monitor the creditworthiness of customers to whom we grant credit and establish credit limits in accordance with our credit policy.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and schedule required by this item are set forth beginning on page F-1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed with the objective of ensuring that all information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended ("Exchange Act"), such as this report, is recorded, processed, summarized, and reported within the time periods specified by the SEC. In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2020, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of 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). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There were no changes during the quarter ended December 31, 2020 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

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.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on such assessment, the Company's management concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective based on those criteria.

Deloitte & Touche LLP, the Company's independent registered public accounting firm that audited the Company's financial statements included in this Annual Report on Form 10-K, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Par Pacific Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Par Pacific Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 8, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, 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/ DELOITTE & TOUCHE LLP

Houston, Texas
March 8, 2021

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item is incorporated in this Annual Report on Form 10-K by reference to our definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended December 31, 2020.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated in this Annual Report on Form 10-K by reference to our definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended December 31, 2020.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated in this Annual Report on Form 10-K by reference to our definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended December 31, 2020.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated in this Annual Report on Form 10-K by reference to our definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended December 31, 2020.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated in this Annual Report on Form 10-K by reference to our definitive proxy statement or an amendment to this Annual Report on Form 10-K to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended December 31, 2020.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as part of this report:
- (1) Consolidated Financial Statements (Included under Item 8). The Index to the Consolidated Financial Statements is included on page [E-1](#) of this Annual Report on Form 10-K and is incorporated herein by reference.
 - (2) Financial Statement Schedules

Schedule I – Condensed Financial Information of Registrant

- 2.1 [Third Amended Joint Chapter 11 Plan of Reorganization of Delta Petroleum Corporation and Its Debtor Affiliates dated August 16, 2012. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on September 7, 2012.](#)
- 2.2 [Contribution Agreement, dated as of June 4, 2012, among Piceance Energy, L.L.C., Laramie Energy, L.L.C. and the Company. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 8, 2012.](#)
- 2.3 [Membership Interest Purchase Agreement dated as of June 17, 2013, by and among Tesoro Corporation, Tesoro Hawaii, L.L.C. and Hawaii Pacific Energy, L.L.C. Incorporated by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013, filed on August 14, 2013.](#)
- 2.4 [Agreement and Plan of Merger dated as of June 2, 2014, by and among the Company, Bogeve, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholders' Representative. Incorporated by reference to Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed on August 11, 2014.](#)
- 2.5 [Amendment of Agreement and Plan of Merger dated as of September 9, 2014, by and among the Company, Bogeve, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholders' Representative. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 10, 2014.](#)
- 2.6 [Second Amendment of Agreement and Plan of Merger dated as of December 31, 2014, by and among Par Petroleum Corporation, Bogeve, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholder's Representative. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 7, 2015.](#)
- 2.7 [Third Amendment to Agreement and Plan of Merger dated as of March 31, 2015, by and among the Company, Bogeve, Inc., Koko'oha Investments, Inc., and Bill D. Mills, in his capacity as the Shareholders' Representative. Incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.](#)
- 2.8 [Unit Purchase Agreement, dated as of June 13, 2016, between Par Wyoming, L.L.C. and Black Elk Refining, L.L.C. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 15, 2016.](#)
- 2.9 [First Amendment to Unit Purchase Agreement dated as of July 14, 2016, between Par Wyoming, L.L.C. and Black Elk Refining, L.L.C. Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 15, 2016.](#)
- 2.10 [Purchase and Sale Agreement dated as of November 26, 2018, among Par Petroleum, L.L.C., TrailStone NA Oil & Refining Holdings, L.L.C. and solely for certain purposes specified therein, the Company. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed on November 30, 2018.#](#)
- 2.11 [Amendment No. 1 to Purchase and Sale Agreement dated as of January 11, 2019, among Par Petroleum, L.L.C., TrailStone NA Oil & Refining Holdings, L.L.C. and Par Pacific Holdings, Inc. Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 3.1 [Restated Certificate of Incorporation of the Company dated October 20, 2015. Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 20, 2015.](#)
- 3.2 [Second Amended and Restated Bylaws of the Company dated October 20, 2015. Incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on October 20, 2015.](#)
- 4.1 [Form of the Company's Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on March 31, 2014.](#)

- 4.2 [Registration Rights Agreement effective as of August 31, 2012, by and among the Company, Zell Credit Opportunities Master Fund, L.P., Waterstone Capital Management, L.P., Pandora Select Partners, LP, Iam Mini-Fund 14 Limited, Whitebox Multi-Strategy Partners, LP, Whitebox Credit Arbitrage Partners, LP, HFR RVA Combined Master Trust, Whitebox Concentrated Convertible Arbitrage Partners, LP, and Whitebox Asymmetric Partners, LP. Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on September 7, 2012.](#)
- 4.3 [First Amendment to Registration Rights Agreement dated as of December 19, 2018, by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.3 to the Company's registration statement on Form S-3 filed on December 21, 2018.](#)
- 4.4 [Par Pacific Holdings, Inc. Amended and Restated 2012 Long Term Incentive Plan. Incorporated by reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed on April 21, 2016.****](#)
- 4.5 [Par Pacific Holdings, Inc. Second Amended and Restated 2012 Long Term Incentive Plan. Incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-8 filed on May 18, 2018.****](#)
- 4.6 [Par Pacific Holdings, Inc. 2018 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 filed on May 18, 2018.****](#)
- 4.7 [Registration Rights Agreement dated as of September 25, 2013, by and among the Company and the Purchasers party thereto. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 27, 2013.](#)
- 4.8 [Stockholders Agreement dated April 10, 2015. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 13, 2015.](#)
- 4.9 [Registration Rights Agreement, dated June 21, 2016, between Par Pacific Holdings, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Initial Purchasers. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 22, 2016.](#)
- 4.10 [Registration Rights Agreement dated as of July 14, 2016, by and among Par Pacific Holdings, Inc. and the purchasers party thereto. Incorporated by Reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 15, 2016.](#)
- 4.11 [First Amendment to Registration Rights Agreement dated as of September 27, 2016, by and among the Company and the purchasers party thereof. Incorporated by reference to Exhibit 4.14 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.12 [Second Amendment to Registration Rights Agreement dated as of September 30, 2016, by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.15 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.13 [Third Amendment to Registration Rights Agreement dated as of October 7, 2016, by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.16 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.14 [Fourth Amendment to Registration Rights Agreement dated as of October 14, 2016, by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.17 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.15 [Fifth Amendment to Registration Rights Agreement dated as of October 21, 2016, by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.18 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.16 [Sixth Amendment to Registration Rights Agreement dated as of October 28, 2016 by and among the Company and the holders party thereto. Incorporated by reference to Exhibit 4.19 to the Company's Quarterly Report on Form 10-O filed on November 4, 2016.](#)
- 4.17 [Indenture, dated June 21, 2016, between Par Pacific Holdings, Inc. and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 22, 2016.](#)
- 4.18 [Indenture, dated December 21, 2017, among Par Petroleum, LLC, Par Petroleum Finance Corp., the Guarantors \(as defined therein\), and Wilmington Trust, National Association, as Trustee and Collateral Trustee. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 22, 2017.](#)
- 4.19 [First Supplemental Indenture, dated November 20, 2018, among Par Petroleum, LLC, Par Petroleum Finance Corp., the Guarantors \(as defined therein\), and Wilmington Trust, National Association, as Trustee. Incorporated by reference to Exhibit 4.21 to the Company's registration statement on Form S-3 filed on December 21, 2018.](#)

4.20 [Second Supplemental Indenture, dated January 11, 2019, among Par Tacoma, LLC \(f/k/a TrailStone NA Asset Finance I, LLC\), U.S. Oil & Refining Co., McChord Pipeline Co., Par Petroleum, LLC, Par Petroleum Finance Corp., Par Pacific Holdings, Inc., the other guarantors party thereto, and Wilmington Trust, National Association. Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)

4.21 [Third Supplemental Indenture, dated August 15, 2019, among Par Hawaii, LLC \(successor by conversion to Par Hawaii, Inc.\), Par Petroleum, LLC, Par Petroleum Finance Corp., Par Pacific Holdings, Inc., the other guarantors party thereto, and Wilmington Trust, National Association. Incorporated by reference to Exhibit 4.23 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2020.](#)

4.22 [Registration Rights Agreement dated as of December 19, 2018, by and between the Company and IES Downstream, LLC. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 20, 2018.](#)

4.23 [Registration Rights Agreement dated as of January 11, 2019, by and between the Company and TrailStone NA Oil & Refining Holdings, LLC. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)

4.24 [Indenture, dated as of June 5, 2020, among Par Petroleum, LLC, Par Petroleum Finance Corp., the Guarantors \(as defined therein\) and Wilmington Trust, National Association, as Trustee and Collateral Trustee. Incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K, filed on June 8, 2020.](#)

4.25 [Description of Registrant's Securities.*](#)

10.1 [Loan and Security Agreement dated as of December 21, 2017, among Par Petroleum, LLC, Par Hawaii, Inc, Mid Pae Petroleum, LLC, HIE Retail, LLC, Hermes Consolidated, LLC, Wyoming Pipeline Company, LLC, and the other members party thereto, the financial institutions party thereto, and Bank of America, N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 22, 2017.](#)

10.2 [Fourth Amended and Restated Limited Liability Company Agreement of Laramie Energy, LLC, dated as of October 18, 2018, by and among Par Piceance Energy Equity LLC and the other members party thereto. Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 7, 2018.](#)

10.3 [Credit Agreement dated as of June 4, 2012 among Piceance Energy, LLC, the financial institutions party thereto, JPMorgan Chase Bank, N.A., as administrative agent and Wells Fargo Bank, National Association, as syndication agent, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on September 7, 2012.](#)

10.4 [First Amendment to Credit Agreement dated August 31, 2012, by and among Piceance Energy, LLC, the financial institutions party thereto and JPMorgan Chase Bank, N.A. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on September 7, 2012.](#)

10.5 [Delta Petroleum General Recovery Trust Agreement dated August 27, 2012, by and among the Company, DPCA LLC, Delta Exploration Company, Inc., Delta Pipeline, LLC, DLC, Inc., CEC, Inc., Castle Texas Production Limited Partnership, Amber Resources Company of Colorado, Castle Exploration Company, Inc., and John T. Young. Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on September 7, 2012.](#)

10.6 [Form of Indemnification Agreement between the Company and its Directors and Executive Officers. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 19, 2012.****](#)

10.7 [Letter Agreement dated as of September 17, 2013 but effective as of January 1, 2013, by and between Equity Group Investments and the Company. Incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2013.](#)

10.8 [Environmental Agreement dated as of September 25, 2013, by and among Tesoro Corporation, Tesoro Hawaii, LLC, and Hawaii Pacific Energy, LLC. Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2013.](#)

10.9 [Employment Offer Letter with William Monteleone dated September 25, 2013. Incorporated by reference to Exhibit 10.43 to the Company's Amendment No. 3 to Annual Report on Form 10-K/A filed on July 2, 2014.****](#)

10.10 [Employment Offer Letter with Joseph Israel dated December 12, 2014. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 17, 2014.****](#)

10.11 [Employment Offer Letter with James Matthew Vaughn dated July 3, 2014. Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2016.****](#)

- 10.12 [Employment Offer Letter with Jim Yates dated March 10, 2015. Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2016.****](#)
- 10.13 [Initial Award with Jim Yates dated May 8, 2015. Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2016.****](#)
- 10.14 [Form of Award of Restricted Stock \(Discretionary Long Term Incentive Plan\). Incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed on March 2, 2020.****](#)
- 10.15 [Form of Award of Restricted Stock Units \(Discretionary Long Term Incentive Plan\). Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 2, 2015.****](#)
- 10.16 [Form of Nonstatutory Stock Option Agreement \(Discretionary Long Term Incentive Plan\). Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 2, 2015.****](#)
- 10.17 [Par Petroleum \(and subsidiaries\) Incentive Compensation Plan. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 12, 2015.****](#)
- 10.18 [Amended and Restated Supply and Offtake Agreement dated as of December 21, 2017, between Par Hawaii Refining, LLC and J. Aron & Company, LLC. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 22, 2017.](#)
- 10.19 [Amendment to Amended and Restated Supply and Offtake Agreement dated as of December 5, 2018, between Par Hawaii Refining, LLC and J. Aron & Company, LLC. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 11, 2018.](#)
- 10.20 [Amendment to Amended and Restated Supply and Offtake Agreement dated as of February 19, 2019 by and among Par Hawaii Refining, LLC, Par Petroleum, LLC, and J. Aron & Company LLC. Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.](#)
- 10.21 [Amendment to Amended and Restated Supply and Offtake Agreement dated as of June 20, 2019, among Par Hawaii Refining, LLC f/k/a Hawaii Independent Energy, LLC, Par Petroleum, LLC, and J. Aron & Company LLC. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2019.](#)
- 10.22 [Amendment to Amended and Restated Supply and Offtake Agreement dated as of March 31, 2020, by and among Par Hawaii Refining, LLC f/k/a Hawaii Independent Energy, LLC, Par Petroleum, LLC, and J. Aron & Company LLC. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2020.](#)
- 10.23 [Amended and Restated Pledge and Security Agreement dated as of December 21, 2017, between Par Hawaii Refining, LLC and J. Aron & Company, LLC. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 22, 2017.](#)
- 10.24 [Amendment to Amended and Restated Pledge and Security Agreement dated January 11, 2019, among Par Hawaii Refining, LLC and J. Aron & Company LLC. Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 10.25 [Environmental Indemnity Agreement dated as of June 1, 2015, by Hawaii Independent Energy, LLC in favor of J. Aron & Company. Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed June 2, 2015.](#)
- 10.26 [Employment Offer Letter with William C. Pate dated October 12, 2015. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 14, 2015.****](#)
- 10.27 [Amendment to Employment Offer Letter with Joseph Israel dated October 12, 2015. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 14, 2015.****](#)
- 10.28 [Par Pacific Holdings, Inc. Non-Qualified Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 6, 2017.****](#)
- 10.29 [Par Pacific Holdings, Inc. Severance Plan for Senior Officers. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 6, 2017. ****](#)
- 10.30 [First Amendment to Loan and Security Agreement dated as of April 3, 2018 by and among Par Petroleum, LLC, Par Hawaii, Inc., Mid Pac Petroleum, LLC, HIE Retail, LLC, Hermes Consolidated, LLC, Wyoming Pipeline Company, and Bank of America N.A. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2018.](#)

- 10.31 [Asset Purchase Agreement dated as of January 9, 2018 by and among CHS Inc., Par Hawaii, Inc., and Par Pacific Holdings, Inc. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2018. #](#)
- 10.32 [First Amendment to Asset Purchase Agreement dated as of March 23, 2018 by and among CHS Inc., Par Hawaii, Inc., and Par Pacific Holdings, Inc. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2018. #](#)
- 10.33 [Term Loan and Guaranty Agreement, dated as of January 11, 2019, among Par Petroleum, L.L.C. Par Petroleum Finance Corp., the guarantors party thereto, Par Pacific Holdings, Inc. solely for the limited purposes set forth therein, the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 10.34 [Collateral Trust and Intercreditor Agreement, dated as of December 21, 2017, among Par Petroleum, L.L.C. Par Petroleum Finance Corp., the guarantors from time to time party thereto, Wilmington Trust, National Association, as indenture trustee and as collateral trustee, J. Aron & Company L.L.C. and Goldman Sachs Bank USA. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 10.35 [Fourth Amendment to Loan and Security Agreement, dated as of January 11, 2019, among Par Petroleum, L.L.C. Par Hawaii, Inc., Mid Pac Petroleum, L.L.C. HIE Retail, LLC, Hermes Consolidated, LLC, Wyoming Pipeline Company L.L.C. the guarantors party thereto, the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent and collateral agent for the lenders. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 10.36 [Fifth Amendment to Loan and Security Agreement, dated as of June 5, 2020, among Par Petroleum, L.L.C. Par Hawaii, L.L.C. Hermes Consolidated, LLC, Wyoming Pipeline Company L.L.C. the guarantors party thereto, the financial institutions party thereto, as lenders, and Bank of America, N.A., as administrative agent and collateral agent for the lenders. Incorporated by reference to Exhibit 10.1 to the Company's current report on Form 8-K filed on June 8, 2020.](#)
- 10.37 [Conformed Copy of First Lien ISDA Master Agreement dated as of January 11, 2019, between Merrill Lynch Commodities, Inc. and U.S. Oil & Refining Co. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on January 14, 2019.](#)
- 10.38 [Ninth Amendment to First Lien ISDA 2002 Master Agreement entered into as of November 1, 2019 by and between U.S. Oil & Refining Co. and Merrill Lynch Commodities, Inc. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 4, 2019.](#)
- 10.39 [Thirteenth Amendment to First Lien ISDA 2002 Master Agreement entered into as of February 11, 2021 by and between U.S. Oil & Refining Co. and Merrill Lynch Commodities, Inc. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2021.](#)
- 10.40 [Omnibus Amendment to Amended and Restated Pledge and Security Agreement and Amended and Restated Supply and Offtake Agreement, dated as of June 5, 2020, among Par Hawaii Refining, L.L.C. Par Petroleum, L.L.C. and J. Aron & Company L.L.C. Incorporated by reference to Exhibit 10.2 to the Company's current report on Form 8-K filed on June 8, 2020.](#)
- 10.41 [Increase Agreement dated July 24, 2018 among Par Petroleum, L.L.C. Par Hawaii, Inc., Mid Pac Petroleum, L.L.C. HIE Retail, LLC, Hermes Consolidated, LLC, Wyoming Pipeline Company, L.L.C. and certain lenders. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 27, 2018.](#)
- 10.42 [Topping Unit Purchase Agreement by and among IES Downstream, L.L.C. Eagle Island, L.L.C. Par Hawaii Refining, L.L.C. and Par Pacific Holdings, Inc., dated as of August 29, 2018. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 7, 2018. #](#)
- 10.43 [Second Amendment to Loan and Security Agreement dated as of October 16, 2018 by and among Par Petroleum, L.L.C. Par Hawaii, Inc., Mid Pac Petroleum, L.L.C. HIE Retail, LLC, Hermes Consolidated, LLC, Wyoming Pipeline Company, L.L.C. and the other members party thereto, the financial institutions party thereto, and Bank of America, N.A., as administrative agent. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 7, 2018.](#)
- 10.44 [Form of Exchange Agreement. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 16, 2019.](#)
- 10.45 [Pledge and Security Agreement dated as of December 21, 2017 among Par Petroleum, L.L.C. and Wilmington Trust, National Association, as collateral trustee.](#)
- 14.1 [Par Pacific Holdings, Inc. Code of Business Conduct and Ethics for Employees, Executive Officers and Directors, effective December 3, 2015. Incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K filed March 3, 2016.](#)

21.1	Subsidiaries of the Registrant.*
23.1	Consent of Deloitte & Touche LLP*
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.***
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.***
101.INS	Inline XBRL Instance Document the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Documents.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*
*	Filed herewith.
***	Furnished herewith.
****	Management contract or compensatory plan or arrangement.
#	Confidential treatment has been granted for portions of this exhibit. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the SEC.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2020, 2019, and 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Par Pacific Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Par Pacific Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2021 expressed an unqualified opinion on the Company's internal control over financial reporting.

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 Matters

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

Goodwill — Certain Reporting Units — Refer to Notes 2, 10, and 15 to the financial statements.

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to discount rates and forecasts of future gross margin and operating expenses. The determination of the fair value using the market approach requires management to make significant assumptions related to valuation multiples. Changes in these assumptions could have a significant impact on either the fair value, or the amount of any goodwill impairment charge, or both. The goodwill balance was \$128.0 million as of December 31, 2020, net of a \$67.9 million impairment loss recorded during the year ended December 31, 2020.

We identified goodwill associated with certain reporting units as a critical audit matter because of the significant judgments made by management to estimate the fair value of the reporting units and, consequently, the difference between their fair value

and carrying value. The audit procedures performed to evaluate the reasonableness of management's estimates and assumptions related to the selection of discount rate, valuation multiples, and forecasts of future gross margin and operating expenses required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the discount rate, valuation multiples, and forecasts of future gross margin and operating expenses used by management to estimate the fair value of certain reporting units included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the underlying assumptions, such as management's selection of the discount rate, selection of valuation multiples, and forecasts of future gross margin and operating expenses.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's gross margin and operating expenses forecasts by comparing the forecasts to:
 - Historical financial results.
 - Internal communications to management and the Board of Directors.
 - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- We evaluated the impact of changes in financial results compared to management's forecast between the March 31, 2020 interim measurement date and the October 1, 2020 annual measurement date.
- We evaluated the impact of changes in management's forecasts from the measurement dates to December 31, 2020.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) discount rate, and (3) valuation multiples by:
 - Testing the source information underlying the determination of the discount rate and valuation multiples and the mathematical accuracy of the calculations.
 - Developing a range of independent estimates and comparing those to the discount rate and valuation multiples selected by management.

Impairment – Investment in Laramie Energy, LLC — Refer to Note 3 to the financial statements.

Critical Audit Matter Description

The Company's investment in Laramie Energy, LLC is evaluated for impairment when events or changes in circumstances indicate that the carrying value of the Company's investment may not be recoverable. The Company's evaluation of the recoverability of its investment involves comparison of the estimated fair value based on discounted future cash flows expected to be generated by Laramie Energy, LLC to the carrying amount of its investment.

At March 31, 2020, the Company conducted an impairment evaluation of its investment in Laramie Energy, LLC because of (i) the global economic impact of the COVID-19 pandemic, (ii) an increase in the weighted-average cost of capital for energy companies, and (iii) continuing declines in natural gas prices through the first quarter of 2020. As the carrying value of the Company's investment was determined not to be recoverable, the Company adjusted its investment to fair value based on the discounted future cash flows and recognized an impairment for the carrying amount in excess of fair value. Due to a \$45.3 million other-than-temporary impairment charge recorded and additional losses incurred by Laramie Energy, LLC during the year ended December 31, 2020, the Company no longer had any carrying amount recorded related to its investment in Laramie Energy, LLC as of December 31, 2020.

The development of the Company's oil and natural gas reserve quantities and the related discounted future cash flows requires management to make significant estimates and assumptions related to future oil and natural gas prices and the discount rate applied to future cash flows. Laramie Energy, LLC engages an independent reserve engineer to estimate the oil and natural gas quantities using these estimates and assumptions and engineering data. Changes in these assumptions or engineering data could have a significant impact on the amount of impairment. The audit procedures performed to evaluate the discounted future cash flows, including management's estimates and assumptions related to future oil and gas prices and the discount rate applied to future cash flows, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's significant judgments and assumptions utilized in the discounted future cash flow analysis included the following, among others:

- We tested the effectiveness of controls over the impairment evaluation, including management's controls over the determination of the fair value of Laramie Energy, LLC and reviewing the work of third-party specialists.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the future oil and natural gas prices and the discount rate applied to future cash flows by:
 - Understanding the methodology used by management for development of the future oil and natural gas prices and comparing management's estimates to published forward pricing indices and third-party industry sources.
 - Understanding the methodology used by management for determination of the applicable discount rate and by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.
 - Evaluating the experience, qualifications and objectivity of Laramie Energy LLC's expert, an independent reservoir engineering firm.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
March 8, 2021

We have served as the Company's auditor since 2013.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 68,309	\$ 126,015
Restricted cash	2,000	2,413
Total cash, cash equivalents, and restricted cash	70,309	128,428
Trade accounts receivable, net of allowances of \$0.6 million and \$1.2 million at December 31, 2020 and December 31, 2019, respectively	111,657	228,718
Inventories	429,855	615,872
Prepaid and other current assets	24,648	59,156
Total current assets	636,469	1,032,174
Property, plant, and equipment		
Property, plant, and equipment	1,183,878	1,146,983
Less accumulated depreciation, depletion, and amortization	(251,113)	(185,040)
Property, plant, and equipment, net	932,765	961,943
Long-term assets		
Operating lease right-of-use ("ROU") assets	357,166	420,073
Investment in Laramie Energy, LLC	—	46,905
Intangible assets, net	18,892	21,549
Goodwill	127,997	195,919
Other long-term assets	60,572	21,997
Total assets	\$ 2,133,861	\$ 2,700,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 59,933	\$ 12,297
Obligations under inventory financing agreements	423,686	656,162
Accounts payable	106,945	162,402
Deferred revenue	4,083	7,905
Accrued taxes	27,440	30,813
Operating lease liabilities	56,965	79,999
Other accrued liabilities	199,628	84,744
Total current liabilities	878,680	1,034,322
Long-term liabilities		
Long-term debt, net of current maturities	648,660	599,634
Common stock warrants	—	8,206
Finance lease liabilities	7,925	6,227
Operating lease liabilities	304,355	340,909
Other liabilities	47,967	63,020
Total liabilities	1,887,587	2,052,318
Commitments and Contingencies (Note 17)		
Stockholders' equity		
Preferred stock, \$0.01 par value; 3,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized at December 31, 2020 and December 31, 2019, 54,002,538 shares and 53,254,151 shares issued at December 31, 2020 and December 31, 2019, respectively	540	533
Additional paid-in capital	726,504	715,069
Accumulated deficit	(477,028)	(67,942)
Accumulated other comprehensive income (loss)	(3,742)	582
Total stockholders' equity	246,274	648,242
Total liabilities and stockholders' equity	\$ 2,133,861	\$ 2,700,560

See accompanying notes to consolidated financial statements.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Revenues	\$ 3,124,870	\$ 5,401,516	\$ 3,410,728
Operating expenses			
Cost of revenues (excluding depreciation)	2,947,697	4,803,589	3,003,116
Operating expense (excluding depreciation)	277,427	312,899	215,284
Depreciation, depletion, and amortization	90,036	86,121	52,642
Impairment expense	85,806	—	—
General and administrative expense (excluding depreciation)	41,288	46,223	47,426
Acquisition and integration costs	614	4,704	10,319
Total operating expenses	<u>3,442,868</u>	<u>5,253,536</u>	<u>3,328,787</u>
Operating income (loss)	(317,998)	147,980	81,941
Other income (expense)			
Interest expense and financing costs, net	(70,222)	(74,839)	(39,768)
Debt extinguishment and commitment costs	—	(11,587)	(4,224)
Other income, net	1,049	2,516	1,046
Change in value of common stock warrants	4,270	(3,199)	1,801
Change in value of contingent consideration	—	—	(10,500)
Equity earnings (losses) from Laramie Energy, LLC	(46,905)	(89,751)	9,464
Total other expense, net	<u>(111,808)</u>	<u>(176,860)</u>	<u>(42,181)</u>
Income (loss) before income taxes	(429,806)	(28,880)	39,760
Income tax benefit (expense)	20,720	69,689	(333)
Net income (loss)	<u>\$ (409,086)</u>	<u>\$ 40,809</u>	<u>\$ 39,427</u>
Income (loss) per share			
Basic	\$ (7.68)	\$ 0.80	\$ 0.85
Diluted	\$ (7.68)	\$ 0.80	\$ 0.85
Weighted-average number of shares outstanding			
Basic	53,295	50,352	45,726
Diluted	53,295	50,470	45,755

See accompanying notes to consolidated financial statements.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Other comprehensive income (loss):			
Other post-retirement benefits income (loss), net of tax	(4,324)	(2,091)	529
Total other comprehensive income (loss), net of tax	<u>(4,324)</u>	<u>(2,091)</u>	<u>529</u>
Comprehensive income (loss)	<u>\$ (413,410)</u>	<u>\$ 38,718</u>	<u>\$ 39,956</u>

See accompanying notes to consolidated financial statements.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation, depletion, and amortization	90,036	86,121	52,642
Impairment expense	85,806	—	—
Debt extinguishment and commitment costs	—	11,587	4,224
Non-cash interest expense	6,902	9,118	7,127
Non-cash lower of cost and net realizable value adjustment	10,595	(3,752)	3,752
Change in value of common stock warrants	(4,270)	3,199	(1,801)
Deferred taxes	(20,895)	(66,886)	661
Stock-based compensation	7,342	6,437	6,196
Unrealized (gain) loss on derivative contracts	(3,322)	9,350	2,122
Equity (earnings) losses from Laramie Energy, LLC	46,905	89,751	(9,464)
Net changes in operating assets and liabilities:			
Trade accounts receivable	117,801	(36,652)	(35,790)
Collateral posted with broker for derivative transactions	7,035	(8,797)	(3,790)
Prepaid and other assets	29,465	(24,121)	(5,521)
Inventories	171,880	(191,688)	28,088
Deferred turnaround expenditures	(49,770)	(9,800)	—
Obligations under inventory financing agreements	(190,831)	121,985	(17,138)
Accounts payable, other accrued liabilities, and operating lease ROU assets and liabilities	67,193	68,969	19,885
Net cash provided by (used in) operating activities	(37,214)	105,630	90,620
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	—	(273,399)	(74,331)
Proceeds (expenditures) related to asset acquisition	—	3,226	(53,867)
Capital expenditures	(63,522)	(83,920)	(48,439)
Other investing activities	58	864	816
Net cash used in investing activities	(63,464)	(353,229)	(175,821)
Cash flows from financing activities:			
Proceeds from sale of common stock, net of offering costs	—	—	19,318
Proceeds from borrowings	250,387	510,906	118,741
Repayments of borrowings	(159,489)	(241,336)	(118,751)
Net borrowings (repayments) on deferred payment arrangements and receivable advances	(41,645)	43,422	27,264
Payment of deferred loan costs	(6,266)	(13,450)	(379)
Exercise of stock options	—	8,171	—
Payments for debt extinguishment and commitment costs	—	(8,087)	(3,390)
Other financing activities, net	(428)	582	(860)
Net cash provided by financing activities	42,559	300,208	41,943
Net increase (decrease) in cash, cash equivalents, and restricted cash	(58,119)	52,609	(43,258)
Cash, cash equivalents, and restricted cash at beginning of period	128,428	75,819	119,077
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 70,309</u>	<u>\$ 128,428</u>	<u>\$ 75,819</u>
Supplemental cash flow information:			
Net cash received (paid) for:			
Interest	\$ (54,256)	\$ (58,250)	\$ (28,186)
Taxes	190	(136)	(49)
Non-cash investing and financing activities:			
Accrued capital expenditures	\$ 4,686	\$ 6,386	\$ 6,199
Value of warrants reclassified to equity	3,936	—	—
ROU assets obtained in exchange for new finance lease liabilities	3,476	963	1,678
ROU assets obtained in exchange for new operating lease liabilities	22,529	79,382	—
ROU assets terminated in exchange for release from finance lease liabilities	—	—	—
ROU assets terminated in exchange for release from operating lease liabilities	7,738	193	—
Common stock issued for business combination	—	36,980	—
Common stock issued to repurchase convertible notes	—	74,290	—

See accompanying notes to consolidated financial statements.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity
	Shares	Amount				
Balance, January 1, 2018	45,776	\$ 458	\$ 593,295	\$ (148,178)	\$ 2,144	\$ 447,719
Issuance of common stock in connection with acquisition	1,108	11	19,307	—	—	19,318
Stock-based compensation	147	1	6,195	—	—	6,196
Purchase of common stock for retirement	(47)	—	(860)	—	—	(860)
Other comprehensive income	—	—	—	—	529	529
Net income	—	—	—	39,427	—	39,427
Balance, December 31, 2018	46,984	\$ 470	\$ 617,937	\$ (108,751)	\$ 2,673	\$ 512,329
Issuance of common stock in connection with acquisition	2,364	23	36,957	—	—	36,980
Issuance of common stock for convertible notes repurchase, net (1)	3,243	32	45,585	—	—	45,617
Issuance of common stock for employee stock purchase plan	68	1	1,489	—	—	1,490
Stock-based compensation	202	3	6,210	—	—	6,213
Purchase of common stock for retirement	(54)	—	(1,276)	—	—	(1,276)
Exercise of stock options	447	4	8,167	—	—	8,171
Other comprehensive loss	—	—	—	—	(2,091)	(2,091)
Net income	—	—	—	40,809	—	40,809
Balance, December 31, 2019	53,254	\$ 533	\$ 715,069	\$ (67,942)	\$ 582	\$ 648,242
Issuance of common stock for employee stock purchase plan	145	2	1,551	—	—	1,553
Exercise of common stock warrants	351	3	3,933	—	—	3,936
Stock-based compensation	322	3	7,106	—	—	7,109
Purchase of common stock for retirement	(69)	(1)	(1,155)	—	—	(1,156)
Other comprehensive loss	—	—	—	—	(4,324)	(4,324)
Net loss	—	—	—	(409,086)	—	(409,086)
Balance, December 31, 2020	54,003	\$ 540	\$ 726,504	\$ (477,028)	\$ (3,742)	\$ 246,274

(1) The issuance of common stock for the repurchase of a portion of our 5.00% Convertible Senior Notes during the year ended December 31, 2019, is presented net of a \$28.7 million write-off associated with the equity component of the repurchased notes.

See accompanying notes to consolidated financial statements.

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Note 1—Overview

Par Pacific Holdings, Inc. and its wholly owned subsidiaries (“Par” or the “Company”) own and operate market-leading energy and infrastructure businesses. Our strategy is to acquire and develop businesses in logistically-complex markets. Currently, we operate in three primary business segments:

1) **Refining** - We own and operate four refineries, including one idled refinery, with total operating throughput capacity of over 150 thousand barrels per day (“Mbpd”). Our operational refinery in Kapolei, Hawaii, produces ultra-low sulfur diesel (“ULSD”), gasoline, jet fuel, marine fuel, low sulfur fuel oil (“LSFO”), and other associated refined products primarily for consumption in Hawaii. We idled the smaller of our two Kapolei refineries in the first quarter of 2020 for economic reasons. Our refinery in Newcastle, Wyoming, produces gasoline, ULSD, jet fuel, and other associated refined products that are primarily marketed in Wyoming and South Dakota. Our refinery in Tacoma, Washington, produces distillates, gasoline, asphalt, and other associated refined products primarily marketed in the Pacific Northwest.

2) **Retail** - We operate 123 retail outlets in Hawaii, Washington, and Idaho. Our fuel retail outlets in Hawaii sell gasoline and diesel throughout the islands of Oahu, Maui, Hawaii, and Kauai. We operate convenience stores at 34 of our Hawaii retail fuel outlets that sell merchandise such as soft drinks, prepared foods, and other sundries. Our Hawaii retail network includes Hele and “76” branded retail sites, company-operated convenience stores, 7-Eleven operated convenience stores, other sites operated by third parties, and unattended cardlock stations. 42 of our sites operate under our proprietary Hele (the Hawaiian word for movement or “let’s go”) fuel brand. Our eight cardlock locations on Kauai are branded Kauai Automated Fuels (“KAF”). Through December 31, 2020, we completed the rebranding of all of our 34 company-operated convenience stores in Hawaii to “nomnom,” a new proprietary brand.

As of December 31, 2020, most of our retail outlets in Washington and Idaho continued to operate under the “Cenex®” and “Zip Trip®” brand names. A rebranding of those sites to our proprietary “nomnom” brand began in December 2020 and the rebranding of four sites was completed as of December 31, 2020. As part of the Northwest Retail Acquisition, Par and CHS, Inc. entered into a multi-year branded petroleum marketing agreement for the continued supply of Cenex®-branded refined products to the 33 acquired Cenex® Zip Trip convenience stores. As these stores are rebranded, Par will begin self-supplying the fuel with equity barrels and/or unbranded fuels procured in the open market.

3) **Logistics** - We operate an extensive multi-modal logistics network spanning the Pacific, the Northwest, and the Rockies. We own and operate terminals, pipelines, a single point mooring (“SPM”), and trucking operations to distribute refined products throughout the islands of Oahu, Maui, Hawaii, Molokai, and Kauai. We lease marine vessels for the movement of petroleum, refined products, and ethanol between the U.S. West Coast and Hawaii. We own and operate a crude oil pipeline gathering system, a refined products pipeline, storage facilities, and loading racks in Wyoming and a jet fuel storage facility and pipeline that serve Ellsworth Air Force Base in South Dakota. We own and operate logistics assets in Washington, including a marine terminal, a unit train-capable rail loading terminal, storage facilities, a truck rack, and a proprietary pipeline that serves Joint Base Lewis McChord.

As of December 31, 2020, we owned a 46.0% equity investment in Laramie Energy, LLC (“Laramie Energy”), a joint venture entity operated by Laramie Energy II, LLC (“Laramie”). Laramie Energy is focused on producing natural gas in Garfield, Mesa, and Rio Blanco counties, Colorado.

Our Corporate and Other reportable segment primarily includes general and administrative costs.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Par Pacific Holdings, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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Certain amounts previously reported in our consolidated financial statements for prior periods have been reclassified to conform to the current presentation.

Use of Estimates

The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosures. Actual amounts could differ from these estimates.

The worldwide spread and severity of a new coronavirus, referred to as COVID-19, and certain developments in the global crude oil markets have impacted our businesses, people, and operations. We are actively responding to these ongoing matters and many uncertainties remain. Due to the rapid development and fluidity of the situation, the full magnitude of the COVID-19 pandemic’s impact on our estimates and assumptions, financial condition, future results of operations, and future cash flows and liquidity is uncertain and has been and may continue to be material.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less. The carrying value of cash equivalents approximates fair value because of the short-term nature of these investments.

Restricted Cash

Restricted cash consists of cash not readily available for general purpose cash needs. Restricted cash relates to cash held at commercial banks to support letter of credit facilities and certain ongoing bankruptcy recovery trust claims.

Allowance for Credit Losses

We are exposed to credit losses primarily through our sales of refined products. Credit limits and/or prepayment requirements are set based on such factors as the customer’s financial results, credit rating, payment history, and industry and are reviewed annually for customers with material credit limits. Credit allowances are reviewed at least quarterly based on changes in the customer’s creditworthiness due to economic conditions, liquidity, and business strategy as publicly reported and through discussions between the customer and the Company. We establish provisions for losses on trade receivables based on the estimated credit loss we expect to incur over the life of the receivable. We did not have a material change in our allowances on trade receivables during the years ended December 31, 2020, 2019, or 2018.

Inventories

Commodity inventories, excluding commodity inventories at the Washington refinery, are stated at the lower of cost and net realizable value using the first-in, first-out (“FIFO”) inventory accounting method. Commodity inventories at the Washington refinery are stated at the lower of cost and net realizable value using the last-in, first-out (“LIFO”) inventory accounting method. We value merchandise along with spare parts, materials, and supplies at average cost.

All of the crude oil utilized at the Hawaii refineries is financed by J. Aron & Company LLC (“J. Aron”) under the Supply and Offtake Agreements as described in Note 11—Inventory Financing Agreements. The crude oil remains in the legal title of J. Aron and is stored in our storage tanks governed by a storage agreement. Legal title to the crude oil passes to us at the tank outlet. After processing, J. Aron takes title to the refined products stored in our storage tanks until they are sold to our retail locations or to third parties. We record the inventory owned by J. Aron on our behalf as inventory with a corresponding obligation on our balance sheet because we maintain the risk of loss until the refined products are sold to third parties and we are obligated to repurchase the inventory.

In connection with the consummation of the Washington Acquisition (as defined in Note 4—Acquisitions), we became a party to an intermediation arrangement (the “Washington Refinery Intermediation Agreement”) with Merrill Lynch Commodities, Inc. (“MLC”) as described in Note 11—Inventory Financing Agreements. Under this arrangement, U.S. Oil (as defined in Note 4—Acquisitions) purchases crude oil supplied from third-party suppliers and MLC provides credit support for certain crude oil purchases. MLC’s credit support can consist of either providing a payment guaranty, causing the issuance of a letter of credit from a third-party issuing bank, or purchasing crude oil directly from third parties on our behalf. U.S. Oil holds title to all crude oil and refined products inventories at all times and pledges such inventories, together with all receivables arising from the sales of same, exclusively to MLC.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
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We enter into refined product and crude oil exchange agreements with other oil companies. Exchange receivables or payables are stated at cost and are presented within Trade accounts receivable and Accounts payable on our consolidated balance sheets.

Environmental Credits and Obligations

Inventories also include Renewable Identification Numbers ("RINs"), sulfur credits, and other environmental credits. Our RINs assets, which include RINs purchased in the open market and RINs obtained by purchasing biofuels which are later blended into our refined products, are presented as Inventories on our consolidated balance sheets and stated at the lower of cost and net realizable value ("NRV") as of the end of the reporting period. Our sulfur credits and other environmental credits generated as part of our refining process are presented as Inventories on our consolidated balance sheets and stated at the lower of cost and NRV as of the end of the reporting period. Our renewable volume obligation and other environmental credit obligations to comply with the U.S. Environmental Protection Agency ("EPA") regulations (as discussed in Note 17—Commitments and Contingencies) are presented in Other accrued liabilities on our consolidated balance sheets and measured at fair value as of the end of the reporting period. The net cost of environmental credits is recognized within Cost of revenues (excluding depreciation) on our consolidated statements of operations.

Investment in Laramie Energy, LLC

Prior to June 30, 2020, we accounted for our Investment in Laramie Energy, LLC using the equity method as we have the ability to exert significant influence, but do not control its operating and financial policies. Our proportionate share of the net income (loss) of this entity was included in Equity earnings (losses) from Laramie Energy, LLC in the consolidated statements of operations. As of June 30, 2020, we discontinued the application of the equity method of accounting for our investment in Laramie Energy because the book value of such investment had been reduced to zero. The investment is reviewed for impairment when events or changes in circumstances indicate that there may have been an other-than-temporary decline in the value of the investment. During the years ended December 31, 2020 and 2019, we recorded impairment charges of \$45.3 million and \$81.5 million in our consolidated statement of operations due to the significant decline in natural gas prices during the first quarter of 2020 and during the second and third quarters of 2019, respectively. Please read Note 3—Investment in Laramie Energy, LLC for further information.

Property, Plant, and Equipment

We capitalize the cost of additions, major improvements, and modifications to property, plant, and equipment. The cost of repairs and normal maintenance of property, plant, and equipment is expensed as incurred. Major improvements and modifications of property, plant, and equipment are those expenditures that either extend the useful life, increase the capacity, or improve the operating efficiency of the asset or the safety of our operations. We compute depreciation of property, plant, and equipment using the straight-line method, based on the estimated useful life of each asset as follows:

Assets	Lives in Years
Refining	2 to 47
Logistics	3 to 30
Retail	3 to 40
Corporate	3 to 7
Software	3 to 5

Impairment of Long-Lived Assets

We review property, plant, and equipment, operating leases, deferred turnaround costs, and other long-lived assets for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. Impairment is indicated when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. If this occurs, an impairment loss is recognized for the difference between the fair value and carrying value. Factors that indicate potential impairment include a significant decrease in the market value of the asset, operating or cash flow losses associated with the use of the asset, and a significant change in the asset's physical condition or use.

Simultaneously with our review of our property, plant, and equipment, operating leases, deferred turnaround costs, and other long-lived assets for impairment, we evaluate whether an abandonment has occurred. Abandonment occurs either when a business terminates its operations or an asset is no longer profitable to operate. When the act of abandonment occurs, we

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determine if the assets have a shortened useful life or should be considered abandoned and accelerate depreciation or write off the asset balance and any associated accumulated depreciation and record an impairment loss.

Lease Liabilities and Right-of-Use Assets

We determine whether a contract is or contains a lease when we have the right to control the use of the identified asset in exchange for consideration. Lease liabilities and right-of-use assets ("ROU assets") are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate in the calculation of present value unless the implicit rate can be readily determined, however, the lease liability associated with leases calculated through the use of implicit rates is not significant. Certain leases include provisions for variable payments based upon percentage of sales and/or other operating metrics; escalation provisions to adjust rental payments to reflect changes in price indices and fair market rents; and provisions for the renewal, termination, and/or purchase of the leased asset. We only consider fixed payments and those options that are reasonably certain to be exercised in the determination of the lease term and the initial measurement of lease liabilities and ROU assets. Expense for finance leases is recognized as amortization expense on a straight-line basis and interest expense on an effective rate basis over the lease term. Expense for operating lease payments is recognized as lease expense on a straight-line basis over the lease term. We do not separate lease and nonlease components of a contract. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Finance lease ROU assets are presented within Property, plant, and equipment and operating lease ROU assets within Operating lease right-of-use assets on our consolidated balance sheets. Please read Note 16—Leases for further disclosures and information on leases.

Asset Retirement Obligations

We record asset retirement obligations ("AROs") in the period in which we have a legal obligation, whether by government action or contractual arrangement, to incur these costs and can make a reasonable estimate of the liability. Our AROs arise from our refining, logistics, and retail operations. AROs are calculated based on the present value of the estimated removal and other closure costs using our credit-adjusted risk-free rate. When the liability is initially recorded, we capitalize the cost by increasing the book value of the related long-lived tangible asset. The liability is accreted to its estimated settlement value with accretion expense recognized in Depreciation, depletion, and amortization ("DD&A") on our consolidated statements of operations and the related capitalized cost is depreciated over the asset's useful life. The difference between the settlement amount and the recorded liability is recorded as a gain or loss on asset disposals in our consolidated statements of operations. We estimate settlement dates by considering our past practice, industry practice, contractual terms, management's intent, and estimated economic lives.

We cannot currently estimate the fair value for certain AROs primarily because we cannot estimate settlement dates (or ranges of dates) associated with these assets. These AROs include hazardous materials disposal (such as petroleum manufacturing by-products, chemical catalysts, and sealed insulation material containing asbestos) and removal or dismantlement requirements associated with the closure of our refining facilities, terminal facilities, or pipelines, including the demolition or removal of certain major processing units, buildings, tanks, pipelines, or other equipment.

Deferred Turnaround Costs

Refinery turnaround costs, which are incurred in connection with planned major maintenance activities at our refineries, are deferred and amortized on a straight-line basis over the period of time estimated until the next planned turnaround (generally three to five years). During 2020 and 2019, we recognized deferred turnaround costs of approximately \$49.8 million and \$9.8 million, respectively. No deferred turnaround costs were recorded during 2018. Deferred turnaround costs are presented within Other long-term assets on our consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill represents the amount the purchase price exceeds the fair value of net assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment annually on October 1. We assess the recoverability of the carrying value of goodwill during the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying amount of the goodwill of a reporting unit may not be fully recoverable. We first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the qualitative assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, a quantitative test is required. Under the quantitative test, we compare the carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. If the carrying value exceeds the estimated fair value of the reporting unit, an impairment loss is recorded. During the year ended December 31, 2020, we recorded goodwill impairment charges of \$67.9 million related to our Refining and Retail segments. Please read Note 10—Goodwill and Intangible Assets for further discussion on the goodwill impairment.

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Our intangible assets include relationships with customers, trade names, and trademarks. These intangible assets are amortized over their estimated useful lives on a straight-line basis. We evaluate the carrying value of our intangible assets when impairment indicators are present. When we believe impairment indicators may exist, projections of the undiscounted future cash flows associated with the use of and eventual disposition of the intangible assets are prepared. If the projections indicate that their carrying values are not recoverable, we reduce the carrying values to their estimated fair values.

Environmental Matters

We capitalize environmental expenditures that extend the life or increase the capacity of facilities as well as expenditures that prevent environmental contamination. We expense costs that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation. We record liabilities when environmental assessments and/or remedial efforts are probable and can be reasonably estimated. Cost estimates are based on the expected timing and extent of remedial actions required by governing agencies, experience gained from similar sites for which environmental assessments or remediation have been completed, and the amount of our anticipated liability considering the proportional liability and financial abilities of other responsible parties. Usually, the timing of these accruals coincides with the completion of a feasibility study or our commitment to a formal plan of action. Estimated liabilities are not discounted to present value and are presented within Other liabilities on our consolidated balance sheets. Environmental expenses are recorded in Operating expense (excluding depreciation) on our consolidated statements of operations.

Derivatives and Other Financial Instruments

We are exposed to commodity price risk related to crude oil and refined products. We manage this exposure through the use of various derivative commodity instruments. These instruments include exchange traded futures and over-the-counter ("OTC") swaps, forwards, and options.

For our forward contracts that are derivatives, we have elected the normal purchase normal sale exclusion, as it is our policy to fulfill or accept the physical delivery of the product and we will not net settle. Therefore, we did not recognize the unrealized gains or losses related to these contracts in our consolidated financial statements.

All derivative instruments not designated as normal purchases or sales are recorded in the balance sheet as either assets or liabilities measured at their fair values. Changes in the fair value of these derivative instruments are recognized currently in earnings. We have not designated any derivative instruments as cash flow or fair value hedges and, therefore, do not apply hedge accounting treatment.

In addition, we may have other financial instruments, such as warrants or embedded debt features, that may be classified as liabilities when either (a) the holders possess rights to net cash settlement, (b) physical or net equity settlement is not in our control, or (c) the instruments contain other provisions that cause us to conclude that they are not indexed to our equity. Our embedded derivatives include: our obligations to repurchase crude oil and refined products from J. Aron at the termination of the Supply and Offtake Agreements and to repay MLC for monthly crude oil and refined product financing under the Washington Refinery Intermediation Agreement and the redemption option and the related make-whole premium on our 5.00% Convertible Senior Notes. These liabilities were initially recorded at fair value and subsequently adjusted to fair value at the end of each reporting period through earnings.

Please read Note 14—Derivatives and Note 15—Fair Value Measurements for information regarding our derivatives and other financial instruments.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss ("NOL") and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the results of operations in the period that includes the enactment date. The realizability of deferred tax assets is evaluated quarterly based on a "more likely than not" standard and, to the extent this threshold is not met, a valuation allowance is recorded.

We have determined that any uncertain tax positions outstanding at December 31, 2020 and 2019 would not have a material impact on our financial condition, results of operations, or cash flows as any uncertain tax positions taken would have

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been fully covered by the Company's deferred tax assets related to its historical net operating losses and corresponding valuation allowance.

As a general rule, our open years for Internal Revenue Service ("IRS") examination purposes are 2017, 2018, and 2019. However, since we have NOL carryforwards, the IRS has the ability to make adjustments to items that originate in a year otherwise barred by the statute of limitations in order to re-determine tax for an open year to which those items are carried. Therefore, in a year in which a NOL deduction is claimed, the IRS may examine the year in which the NOL was generated and adjust it accordingly for purposes of assessing additional tax in the year the net operating loss deduction was claimed. Any penalties or interest as a result of an examination will be recorded in the period assessed.

Stock-Based Compensation

We recognize the cost of share-based payments on a straight-line basis over the period the employee provides service, generally the vesting period, and include such costs in General and administrative expense (excluding depreciation) and Operating expense (excluding depreciation) in the consolidated statements of operations. We account for forfeitures as they occur. The grant date fair value of restricted stock awards is equal to the market price of our common stock on the date of grant. The fair value of stock options is estimated using the Black-Scholes option-pricing model as of the date of grant. The fair value of the discount offered on the employee stock purchase plan is equal to 15% of the market price of our common stock on the purchase date.

Revenue Recognition

Refining and Retail

Our refining and retail segment revenues are primarily associated with the sale of refined products. We recognize revenues upon physical delivery of refined products to a customer, which is the point in time at which control of the refined products is transferred to the customer. The pricing of our refined products is variable and primarily driven by commodity prices. The refining segment's contracts with its customers state the terms of the sale, including the description, quantity, delivery terms, and price of each product sold. Payments from refining and bulk retail customers are generally due in full within 2 to 30 days of product delivery or invoice date. Payments for our other retail customers occur at the point of sale and are typically collected in cash or occur by credit or debit card. As such, we have no significant financing element to our revenues and have immaterial product returns and refunds.

We account for certain transactions on a net basis under Financial Accounting Standards Board ("FASB") ASC Topic 845, "Nonmonetary Transactions." These transactions include nonmonetary crude oil and refined product exchange transactions, certain crude oil buy/sell arrangements, and sale and purchase transactions entered into with the same counterparty that are deemed to be in contemplation with one another.

We made an accounting policy election to apply the sales tax practical expedient, whereby all taxes assessed by a governmental authority that are both imposed on and concurrent with a revenue-producing transaction and collected from our customers will be recognized on a net basis within Cost of revenues (excluding depreciation). This accounting policy did not have a material impact on our consolidated financial information for the years ended December 31, 2020, 2019, and 2018.

Logistics

We recognize transportation and storage fees as services are provided to a customer. Substantially all of our logistics revenues represent intercompany transactions that are eliminated in consolidation.

Cost Classifications

Cost of revenues (excluding depreciation) includes the hydrocarbon-related costs of inventory sold, transportation costs of delivering product to customers, crude oil consumed in the refining process, costs to satisfy our environmental credit obligations, and certain hydrocarbon fees and taxes. Cost of revenues (excluding depreciation) also includes the unrealized gains (losses) on derivatives and inventory valuation adjustments. Certain direct operating expenses related to our logistics segment are also included in Cost of revenues (excluding depreciation).

Operating expense (excluding depreciation) includes direct costs of labor, maintenance and services, energy and utility costs, property taxes, and environmental compliance costs, as well as chemicals and catalysts and other direct operating expenses.

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The following table summarizes depreciation and finance lease amortization expense excluded from each line item in our consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenues	\$ 21,755	\$ 16,882	\$ 6,722
Operating expense	56,637	55,181	28,037
General and administrative expense	3,429	3,145	4,233

Benefit Plans

We recognize an asset for the overfunded status or a liability for the underfunded status of our defined benefit pension plans. The funded status is recorded within Other liabilities on our consolidated balance sheets. Certain changes in the plans' funded status are recognized in Other comprehensive income (loss) in the period the change occurs.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurements are categorized with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Assets or liabilities for which the item is valued based on quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Assets or liabilities valued based on observable market data for similar instruments.

Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed and considers risk premiums that a market participant would require.

The level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. Our policy is to recognize transfers in and/or out of fair value hierarchy levels as of the end of the reporting period for which the event or change in circumstances caused the transfer. We have consistently applied these valuation techniques for the periods presented. The fair value of the J. Aron repurchase obligation derivative is measured using estimates of the prices and differentials assuming settlement at the end of the reporting period.

Income (Loss) Per Share

Basic income (loss) per share ("EPS") is computed by dividing net income (loss) attributable to common stockholders by the sum of the weighted-average number of common shares outstanding and the weighted-average number of shares issuable under the warrants. The common stock warrants were included in the calculation of basic EPS because they were issuable for minimal consideration. Basic and diluted EPS are computed taking into account the effect of participating securities. Participating securities include restricted stock that has been issued but has not yet vested. Please read Note 20—Income (Loss) Per Share for further information.

Foreign Currency Transactions

We may, on occasion, enter into transactions denominated in currencies other than the U.S. dollar, which is our functional currency. Gains and losses resulting from changes in currency exchange rates between the functional currency and the currency in which a transaction is denominated are included in Other income, net, in the accompanying consolidated statement of operations in the period in which the currency exchange rates change.

Accounting Principles Not Yet Adopted

In March 2020 and January 2021, the FASB issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") and ASU No. 2021-01, *Reference Rate Reform (Topic 848)* ("ASU 2021-01"), respectively. These ASUs provide for optional expedients and allowable exceptions to GAAP to ease the potential burden in recognizing the effects of reference rate reform, especially in regards to the cessation of the London Interbank Offered Rate ("LIBOR"). ASU 2020-04 and ASU 2021-01 are

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applicable to contract modifications that meet certain requirements and are entered into between March 12, 2020 and December 31, 2022. We have several contracts that reference LIBOR, some of which terminate after LIBOR is anticipated to cease being reported in 2021. We are currently reviewing the effect that the election of ASU 2020-04 and ASU 2021-01 would have on our financial condition, results of operations, and cash flows.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). The objective of ASU 2019-12 is to simplify the accounting for income taxes by removing certain exceptions to general principles and to clarify and amend guidance to improve consistency under FASB ASC Topic 740 “Income Taxes.” The guidance in ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. On January 1, 2021, we adopted ASU 2019-12 under the prospective method and information that was presented prior to January 1, 2021 has not been restated and continues to be reported under the accounting standards in effect for that period. Our adoption of ASU 2019-12 did not have a material impact on our financial condition, results of operations, and cash flows.

Accounting Principles Adopted

On December 31, 2020, we adopted ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* (“ASU 2018-14”), using the required retrospective transition method. This ASU amended, added, and removed certain disclosure requirements under FASB ASC Topic 715 “Compensation—Retirement Benefits.” Our adoption of ASU 2018-14 did not have a material impact on our financial condition, results of operations, cash flows, or related disclosures.

On January 1, 2020, we adopted ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended by other ASUs issued since June 2016 (“ASU 2016-13”), using the modified retrospective transition method. Under this optional transition method, information presented prior to January 1, 2020 has not been restated and continues to be reported under the accounting standards in effect for the period. There was no adjustment to our opening retained earnings as a result of the adoption of this ASU. ASU 2016-13 requires expected credit losses on financial instruments to be recorded over the estimated life of the financial instrument. Prior to this ASU, the guidance required recording of credit losses when those losses were incurred. ASU 2016-13 is applicable to credit losses and allowances on loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and certain other financial assets, but excludes derivative assets under FASB ASC Topic 815 “Derivatives and Hedging.” Our adoption of ASU 2016-13 did not have a material impact on our financial condition, results of operations, cash flows, or related disclosures.

On January 1, 2020, we adopted ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which eliminated Step 2 from the current goodwill impairment test. Under ASU 2017-04, an entity is no longer required to determine a goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. This ASU changed the policy under which we perform our goodwill impairment assessments by eliminating Step 2 of the test.

On January 1, 2020, we adopted ASU No. 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). This ASU amended, added, and removed certain disclosure requirements under FASB ASC Topic 820 “Fair Value Measurement.” The adoption of ASU 2018-13 did not have a material impact on our financial condition, results of operations, cash flows, or related disclosures.

On January 1, 2020, we adopted ASU No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* (“ASU 2018-15”), using the prospective method and information that was presented prior to January 1, 2020 has not been restated and continues to be reported under the accounting standards in effect for that period. This ASU required entities to account for implementation costs incurred in a cloud computing agreement that is a service contract under the guidance in FASB ASC Topic 350, “Goodwill and Intangible Assets,” which results in a capitalized and amortizable intangible asset. The adoption of ASU 2018-15 did not have a material impact on our financial condition, results of operations, or cash flows.

Note 3—Investment in Laramie Energy, LLC

As of December 31, 2020, we owned a 46.0% ownership interest in Laramie Energy, a joint venture entity focused on developing and producing natural gas in Garfield, Mesa, and Rio Blanco counties, Colorado. Laramie Energy has a \$400.0 million revolving credit facility secured by a lien on its natural gas and crude oil properties and related assets with a borrowing

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base currently set at \$139.7 million. On November 20, 2020, Laramie Energy amended its revolving credit facility agreement whereby the borrowing base was reduced to \$140.0 million, resulting in a borrowing base deficiency of \$60.0 million. In conjunction with the borrowing base deficiency, Laramie entered into a forbearance agreement through June 15, 2021 with its lenders. As of December 31, 2020 and 2019, the balance outstanding on the revolving credit facility was approximately \$139.7 million and \$201.2 million, respectively. As of December 31, 2020, the outstanding balance on the deficiency loan was \$60.0 million. We are guarantors of Laramie Energy's credit facility, with recourse limited to the pledge of our equity interest in our wholly owned subsidiary, Par Piceance Energy Equity, LLC. Under the terms of its credit facility, Laramie Energy is generally prohibited from making future cash distributions to its owners, including us. Laramie Energy's credit facility matures on December 15, 2021.

At March 31, 2020, we conducted an impairment evaluation of our investment in Laramie Energy because of (i) the global economic impact of the COVID-19 pandemic, (ii) an increase in the weighted-average cost of capital for energy companies, and (iii) continuing declines in natural gas prices through the first quarter of 2020. Based on our evaluation, we determined that the estimated fair value of our investment in Laramie Energy was \$1.9 million, compared to a carrying value of \$47.2 million at March 31, 2020. The fair value estimate was determined using a discounted cash flow analysis based on natural gas forward strip prices as of March 31, 2020 for the years 2020 and 2021 of the forecast, and a blend of forward strip pricing and third-party analyst pricing for the years 2022 through 2028. Other significant inputs used in the discounted cash flow analysis included proved and unproved reserves information, forecasts of operating expenditures, and the applicable discount rate. As a result, we recorded an other-than-temporary impairment charge of \$45.3 million in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statement of operations for the year ended December 31, 2020. Please read Note 15—Fair Value Measurements for further information. During the quarter ended June 30, 2020, Laramie Energy incurred additional losses that reduced the book value of our investment to zero and, as such, as of June 30, 2020, we discontinued the application of the equity method of accounting for our investment in Laramie Energy.

During the fourth quarter of 2019, Laramie Energy recorded an impairment loss of \$355.2 million associated with the carrying value of proved reserves. As a result of Laramie Energy's impairment loss and the liquidity impact associated with the previous maturity of the revolving credit facility in December 2020, we updated the impairment evaluation of our investment in Laramie Energy as of December 31, 2019. The fair value estimate was determined using a discounted cash flow analysis based on reserves volumes and natural gas forward strip prices as of December 31, 2019. Based on our evaluation, we determined that the estimated fair value of our investment in Laramie Energy approximated carrying value as of December 31, 2019.

At September 30, 2019, we conducted an impairment evaluation of our investment in Laramie Energy because of the significant decline in natural gas prices over the second quarter of 2019 and continued deterioration in the third quarter of 2019. Based on our evaluation, we determined that the estimated fair value of our investment in Laramie Energy was \$51.8 million, compared to a carrying value of \$133.3 million at September 30, 2019. The fair value estimate was determined using a discounted cash flow analysis based on natural gas forward strip prices as of September 30, 2019 for two years through December 31, 2021. A blend of 2021 forward strip pricing and third-party analyst pricing was used for years after 2021 through December 31, 2028. Other significant inputs used in the discounted cash flow analysis included proved and unproved reserves information, forecasts of operating expenditures, and the applicable discount rate. Based on the significant decline in natural gas prices and the reduced likelihood that natural gas prices would recover in the near term, we concluded that the decline in the fair value of our investment in Laramie Energy was other than temporary. As a result, we recorded an impairment charge of \$81.5 million in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statement of operations for the year ended December 31, 2019. Please read Note 15—Fair Value Measurements for further information.

On March 4, 2019, Laramie entered into a binding agreement to divest an insignificant amount of producing property for approximately \$17.5 million. This divestiture did not result in a change in our ownership percentage.

On October 18, 2018, Laramie Energy repurchased 138,795 of its Class A Units from certain unitholders for an aggregate purchase price of \$14.8 million. As a result of this transaction, our ownership interest in Laramie Energy increased from 39.1% to 46.0%.

On February 28, 2018, Laramie Energy closed on a purchase and contribution agreement with an unaffiliated third party that contributed all of its oil and gas properties located in the Piceance Basin and a \$20.0 million cash payment, collectively with a fair market value of \$28.1 million, into Laramie Energy in exchange for 70,227 of Laramie Energy's newly issued Class A Units. The unaffiliated third party also contributed a \$3.5 million cash payment for asset reclamation liabilities related to the properties conveyed. As a result of this transaction, our ownership interest in Laramie Energy decreased from 42.3% to 39.1%.

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The change in our equity investment in Laramie Energy is as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 46,905	\$ 136,656	\$ 127,192
Equity earnings (losses) from Laramie Energy (1)	(1,611)	(175,018)	4,487
Accretion of basis difference	—	5,018	4,977
Adjustment of basis difference (2)	—	161,764	—
Impairment of our investment in Laramie Energy	(45,294)	(81,515)	—
Ending balance	\$ —	\$ 46,905	\$ 136,656

(1) As of June 30, 2020, we have discontinued the application of the equity method of accounting for our investment in Laramie Energy because the book value of such investment has been reduced to zero.

(2) Represents the reduction in our basis difference resulting from the asset impairment loss recorded by Laramie Energy for the year ended December 31, 2019.

Summarized financial information for Laramie Energy is as follows (in thousands):

	December 31,		
	2020	2019	2018
Current assets	\$ 34,573	\$ 23,367	\$ 23,367
Non-current assets	355,538	393,575	393,575
Current liabilities	217,523	229,687	229,687
Non-current liabilities	93,193	85,287	85,287

	Year Ended December 31,		
	2020	2019	2018
Natural gas and oil revenues	\$ 121,893	\$ 193,906	\$ 226,974
Income (loss) from operations	(2,994)	(360,967)	34,206
Net income (loss)	(22,589)	(380,473)	6,347

Laramie Energy's net income (loss) includes (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Asset impairment loss	\$ —	\$ 355,220	\$ —
Depreciation, depletion, and amortization	34,966	82,632	66,604
Unrealized (gain) loss on derivative instruments	4,245	(4,283)	4,063

Note 4—Acquisitions

Washington Acquisition

On November 26, 2018, we entered into a Purchase and Sale Agreement to acquire U.S. Oil & Refining Co. and certain affiliated entities (collectively, "U.S. Oil"), a privately-held downstream business (the "Washington Acquisition"). The Washington Acquisition included a 42 Mbdp refinery, a marine terminal, a unit train-capable rail loading terminal, and 2.9 MMBbls of refined product and crude oil storage. The refinery and associated logistics system are strategically located in Tacoma, Washington, and currently serve the Pacific Northwest market. On January 11, 2019, we completed the Washington Acquisition for a total purchase price of \$326.5 million, including acquired working capital, consisting of cash consideration of \$289.5 million and approximately 2.4 million shares of Par's common stock with a fair value of \$37.0 million issued to the seller of U.S. Oil. The cash consideration was funded in part through cash on hand, proceeds from borrowings under a new term loan facility entered into with Goldman Sachs Bank USA, as administrative agent, of \$250.0 million (the "Term Loan B"), and proceeds from borrowings under a term loan from the Bank of Hawaii of \$45.0 million (the "Par Pacific Term Loan"). Please

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read Note 13—Debt for further information on the Term Loan B and Par Pacific Term Loan. During December 2018 and January 2019, we incurred \$4.2 million and \$5.4 million of commitment fees associated with the funding of the Washington Acquisition, respectively. Such commitment fees are presented as Debt extinguishment and commitment costs on our consolidated statements of operations for the years ended December 31, 2019 and 2018.

In connection with the consummation of the Washington Acquisition, we assumed the Washington Refinery Intermediation Agreement with MLC that provides a structured financing arrangement based on U.S. Oil's crude oil and refined products inventories and associated accounts receivable. Please read Note 11—Inventory Financing Agreements for further information on the Washington Refinery Intermediation Agreement.

We accounted for the Washington Acquisition as a business combination whereby the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values on the date of the acquisition. Goodwill recognized in the transaction was attributable to opportunities expected to arise from combining our operations with those of the Washington refinery and the utilization of our net operating loss carryforwards, as well as other intangible assets that do not qualify for separate recognition. Goodwill recognized as a result of the Washington Acquisition is not expected to be deductible for income tax reporting purposes.

A summary of the fair value of the assets acquired and liabilities assumed is as follows (in thousands):

Cash	\$	16,146
Accounts receivable		34,954
Inventories		98,367
Prepaid and other assets		5,320
Property, plant, and equipment		412,766
Operating lease right-of-use assets		62,337
Goodwill (1)		42,522
Total assets (2)		672,412
Obligations under inventory financing agreements		(116,873)
Accounts payable		(55,357)
Current operating lease liabilities		(21,571)
Other current liabilities		(18,411)
Long-term operating lease liabilities		(40,766)
Deferred tax liability		(92,103)
Other non-current liabilities		(804)
Total liabilities		(345,885)
Total	\$	326,527

(1) We allocated \$24.7 million and \$17.8 million of goodwill to our refining and logistics segments, respectively.

(2) We allocated \$403.9 million and \$268.5 million of total assets to our refining and logistics segments, respectively.

As of December 31, 2019, we finalized the Washington Acquisition purchase price allocation. We incurred \$2.2 million and \$2.6 million of acquisition costs related to the Washington Acquisition for the years ended December 31, 2019 and 2018, respectively. These costs are included in Acquisition and integration costs on our consolidated statements of operations.

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The results of operations of U.S. Oil were included in our results beginning on January 11, 2019. For the year ended December 31, 2019, our results of operations included revenues of \$1.2 billion and income before income taxes of \$65.8 million related to U.S. Oil. The following unaudited pro forma financial information presents our consolidated revenues and net income (loss) as if the Washington Acquisition had been completed on January 1, 2018 (in thousands except per share information):

	Year Ended December 31,	
	2019	2018
Revenues	\$ 5,429,530	\$ 4,709,850
Net income (loss)	(4,547)	88,174
Income (loss) per share		
Basic	\$ (0.09)	\$ 1.81
Diluted	\$ (0.09)	\$ 1.79

These pro forma results were based on estimates and assumptions that we believe are reasonable. They are not necessarily indicative of our consolidated results of operations in future periods or the results that actually would have been realized had we been a combined company during the periods presented. The pro forma results for the years ended December 31, 2019 and 2018, include adjustments to remeasure U.S. Oil's LIFO inventory reserve as if the Washington Acquisition had been completed on January 1, 2018, record interest and other debt extinguishment costs related to issuance of the Term Loan B and Par Pacific Term Loan, and adjust U.S. Oil's historical depreciation expense as a result of the fair value adjustment to Property, plant, and equipment, net. The pro forma results for the year ended December 31, 2019 also include an adjustment to eliminate the \$64.2 million tax benefit associated with a partial release of our valuation allowance in connection with the Washington Acquisition.

Par West Acquisition

On August 29, 2018, we entered into a Topping Unit Purchase Agreement with IES Downstream, LLC ("IES") to purchase certain of IES's refining units and related assets in addition to certain hydrocarbon and non-hydrocarbon inventory (collectively, the "Par West Acquisition"). On December 19, 2018, we completed the asset purchase for total consideration of approximately \$66.9 million, net of a \$4.3 million receivable related to net working capital adjustments. The purchase price consisted of \$47.6 million in cash and approximately 1.1 million shares of our common stock with a fair value of \$19.3 million.

We accounted for the Par West Acquisition as an asset acquisition whereby the purchase price was allocated entirely to the assets acquired. Of the total purchase price of \$66.9 million, \$45.2 million was allocated to property, plant, and equipment, \$4.3 million to non-hydrocarbon inventory, and \$17.4 million to hydrocarbon inventory. With the completion of the Par West Acquisition, we now have two refineries in Hawaii that are approximately two miles from one another: Par East, our legacy refinery assets, and Par West, the recently-acquired assets.

We incurred \$5.7 million of acquisition costs related to the Par West Acquisition for the year ended December 31, 2018. These costs are included in Acquisition and integration costs on our consolidated statement of operations.

The Par West refinery was idled in the first quarter of 2020 due to the reduction in demand resulting from the COVID-19 global pandemic's effect on the economy. Please read Note 8—Property, Plant, and Equipment and Impairment of Long-Lived Assets and Note 15—Fair Value Measurements for further information.

Northwest Retail Acquisition

On January 9, 2018, we entered into an Asset Purchase Agreement with CHS, Inc. to acquire twenty-one (21) owned retail gasoline, convenience store facilities and twelve (12) leased retail gasoline, convenience store facilities, all at various locations in Washington and Idaho (collectively, "Northwest Retail"). On March 23, 2018, we completed the acquisition for cash consideration of approximately \$74.5 million (the "Northwest Retail Acquisition").

As part of the Northwest Retail Acquisition, Par and CHS, Inc. entered into a multi-year branded petroleum marketing agreement for the continued supply of Cenex®-branded refined products to the acquired Cenex® Zip Trip convenience stores. In addition, the parties also entered into a multi-year supply agreement pursuant to which Par supplies refined products to CHS, Inc. within the Rocky Mountain and Pacific Northwest markets.

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We accounted for the acquisition of Northwest Retail as a business combination whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. Goodwill recognized in the transaction was attributable to opportunities expected to arise from combining our operations with Northwest Retail and utilization of our net operating loss carryforwards, as well as intangible assets that do not qualify for separate recognition. Goodwill recognized as a result of the Northwest Retail Acquisition is expected to be deductible for income tax reporting purposes.

A summary of the fair value of the assets acquired and liabilities assumed is as follows (in thousands):

Cash	\$	200
Inventories		4,138
Prepaid and other current assets		243
Property, plant, and equipment		30,230
Goodwill (1)		46,210
Accounts payable and other current liabilities		(759)
Long-term capital lease obligations		(5,244)
Other non-current liabilities		(487)
Total	\$	<u>74,531</u>

(1) The total goodwill balance of \$46.2 million was allocated to our retail segment.

As of December 31, 2018, we finalized the Northwest Retail Acquisition purchase price allocation. We incurred \$0.6 million of acquisition costs related to the Northwest Retail Acquisition for the year ended December 31, 2018. These costs are included in Acquisition and integration costs on our consolidated statement of operations.

Note 5—Revenue Recognition

As of December 31, 2020 and 2019, receivables from contracts with customers were \$104.9 million and \$214.5 million, respectively. Our refining segment recognizes deferred revenues when cash payments are received in advance of delivery of products to the customer. Deferred revenue was \$4.1 million and \$7.9 million as of December 31, 2020 and 2019, respectively. We have elected to apply a practical expedient not to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected duration of less than one year and (ii) contracts where the variable consideration has been allocated entirely to our unsatisfied performance obligation.

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The following table provides information about disaggregated revenue by major product line and includes a reconciliation of the disaggregated revenues to total segment revenues (in thousands):

Year Ended December 31, 2020	Refining	Logistics	Retail
Product or service:			
Gasoline	\$ 846,294	\$ —	\$ 241,003
Distillates (1)	1,256,618	—	30,739
Other refined products (2)	753,591	—	—
Merchandise	—	—	90,173
Transportation and terminalling services	—	180,909	—
Other revenue	30,198	—	1,798
Total segment revenues (3)	\$ 2,886,701	\$ 180,909	\$ 363,713
Year Ended December 31, 2019			
Product or service:			
Gasoline	\$ 1,416,706	\$ —	\$ 326,304
Distillates (1)	2,503,981	—	40,189
Other refined products (2)	1,242,401	—	—
Merchandise	—	—	90,480
Transportation and terminalling services	—	199,226	—
Other revenue	4,854	—	1,916
Total segment revenues (3)	\$ 5,167,942	\$ 199,226	\$ 458,889
Year Ended December 31, 2018			
Product or service:			
Gasoline	\$ 981,090	\$ —	\$ 317,434
Distillates (1)	1,770,381	—	39,835
Other refined products (2)	458,596	—	—
Merchandise	—	—	83,771
Transportation and terminalling services	—	125,743	—
Total segment revenues (3)	\$ 3,210,067	\$ 125,743	\$ 441,040

(1) Distillates primarily include diesel and jet fuel.

(2) Other refined products include fuel oil, gas oil, asphalt, and naphtha.

(3) Refer to Note 22—Segment Information for the reconciliation of segment revenues to total consolidated revenues.

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Note 6—Inventories

Inventories at December 31, 2020 and 2019 consisted of the following (in thousands):

	<u>Titled Inventory</u>	<u>Supply and Offtake Agreements (1)</u>	<u>Total</u>
December 31, 2020			
Crude oil and feedstocks	\$ 88,307	\$ 75,340	\$ 163,647
Refined products and blendstock	112,146	83,601	195,747
Warehouse stock and other (2)	70,461	—	70,461
Total	\$ 270,914	\$ 158,941	\$ 429,855
December 31, 2019			
Crude oil and feedstocks	\$ 117,717	\$ 148,303	\$ 266,020
Refined products and blendstock	127,966	158,737	286,703
Warehouse stock and other (2)	63,149	—	63,149
Total	\$ 308,832	\$ 307,040	\$ 615,872

(1) Please read Note 11—Inventory Financing Agreements for further information.

(2) Includes \$26.7 million and \$19.1 million of RINs and environmental credits, reported at cost, as of December 31, 2020 and 2019, respectively. Our renewable volume obligation and other gross environmental credit obligations of \$150.5 million and \$22.8 million, reported at market value, are included in Other accrued liabilities on our consolidated balance sheets as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, there was \$10.6 million reserve for the lower of cost and net realizable value of inventory. As of December 31, 2019, there was no reserve for the lower of cost and net realizable value of inventory. Our LIFO inventories, net of the lower of cost or net realizable reserve, were equal to current cost as of December 31, 2020. As of December 31, 2019, the current replacement cost exceeded the LIFO inventory carrying value by approximately \$6.4 million.

Note 7—Prepaid and Other Current Assets

Prepaid and other current assets at December 31, 2020 and 2019 consisted of the following (in thousands):

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Advances to suppliers	\$ —	\$ 27,635
Collateral posted with broker for derivative instruments (1)	1,489	10,306
Prepaid insurance	14,932	13,536
Derivative assets	1,346	2,075
Other	6,881	5,604
Total	\$ 24,648	\$ 59,156

(1) Our cash margin that is required as collateral deposits on our commodity derivatives cannot be offset against the fair value of open contracts except in the event of default. Please read Note 14—Derivatives for further information.

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Note 8—Property, Plant, and Equipment and Impairment of Long-Lived Assets

Major classes of property, plant, and equipment, including assets acquired under finance leases, consisted of the following (in thousands):

	December 31,	
	2020	2019
Land	\$ 188,096	\$ 188,096
Buildings and equipment (1)	974,305	937,926
Other (1)	21,477	20,961
Total property, plant, and equipment	1,183,878	1,146,983
Less accumulated depreciation, depletion, and amortization	(251,113)	(185,040)
Property, plant, and equipment, net	\$ 932,765	\$ 961,943

(1) Please read Note 16—Leases for further disclosures and information on finance leases.

Depreciation and finance lease amortization expense was approximately \$81.8 million, \$75.2 million, and \$39.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The Par West refinery was idled in the first quarter of 2020 due to the reduction in demand resulting from the COVID-19 global pandemic's effect on the economy. Pursuant to GAAP accounting guidelines, this refinery was deemed abandoned in the fourth quarter of 2020 due to the following factors: the idling of the assets for more than an insignificant amount of time, the significant cost to restart the refinery, and a lack of a current plan or timeline to restart the refinery. As a result, in the year ended December 31, 2020, we recorded impairment charges of \$10.7 million, \$5.0 million, and \$2.2 million in Impairment expense on our consolidated statement of operations related to the write-offs of Par West property, plant, and equipment, deferred turnaround costs, and inventory, respectively. Please read Note 15—Fair Value Measurements for additional information.

Note 9—Asset Retirement Obligations

The table below summarizes the changes in our recorded asset retirement obligations (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 10,180	\$ 9,985	\$ 9,103
Obligations acquired	—	—	487
Accretion expense	490	331	395
Liabilities settled during period	(34)	(136)	—
Ending balance	\$ 10,636	\$ 10,180	\$ 9,985

Note 10—Goodwill and Intangible Assets

During the years ended December 31, 2020, 2019, and 2018, the change in the carrying amount of goodwill was as follows (in thousands):

Balance at January 1, 2018	\$ 107,187
Acquisition of Northwest Retail (1)	46,210
Balance at December 31, 2018	153,397
Acquisition of U.S. Oil (1)	42,522
Balance at December 31, 2019	195,919
Impairment expense	(67,922)
Balance at December 31, 2020	\$ 127,997

(1) Please read Note 4—Acquisitions for further discussion.

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At March 31, 2020, we performed a quantitative goodwill impairment test of all of our reporting units due to (i) the global economic impact of the COVID-19 pandemic and (ii) a steep decline in current and forecasted prices and demand for crude oil and refined products. As part of our quantitative impairment test, we compared the carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. In assessing the fair value of the reporting units, we primarily utilized a market approach based on observable multiples for comparable companies within our industry. Our refining reporting units in Hawaii and Washington were fully impaired and the goodwill associated with our retail reporting unit in Washington and Idaho was partially impaired, resulting in a charge of \$67.9 million in our consolidated statement of operations for the year ended December 31, 2020. The goodwill impairment expense was allocated to the Refining segment (\$38.1 million) and to the Retail segment (\$29.8 million).

Intangible assets consisted of the following (in thousands):

	December 31,	
	2020	2019
Intangible assets:		
Trade names and trademarks	\$ 6,267	\$ 6,267
Customer relationships	32,064	32,064
Other	261	261
Total intangible assets	38,592	38,592
Accumulated amortization:		
Trade name and trademarks	(5,210)	(5,124)
Customer relationships	(14,490)	(11,919)
Other	—	—
Total accumulated amortization	(19,700)	(17,043)
Net:		
Trade name and trademarks	1,057	1,143
Customer relationships	17,574	20,145
Other	261	261
Total intangible assets, net	\$ 18,892	\$ 21,549

Amortization expense was approximately \$2.7 million for each of the years ended December 31, 2020, 2019, and 2018. Our intangible assets related to customer relationships and trade names have an average useful life of 13.5 years. Expected amortization expense for each of the next five years and thereafter is as follows (in thousands):

Year Ended	Amount
2021	\$ 2,658
2022	2,658
2023	2,658
2024	1,400
2025	979
Thereafter	8,539
	\$ 18,892

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Note 11—Inventory Financing Agreements

The following table summarizes our outstanding obligations under our inventory financing agreements (in thousands):

	December 31,	
	2020	2019
Supply and Offtake Agreements	\$ 312,185	\$ 517,001
Washington Refinery Intermediation Agreement	111,501	139,161
Obligations under inventory financing agreements	<u>\$ 423,686</u>	<u>\$ 656,162</u>

Supply and Offtake Agreements

On June 1, 2015, we entered into several agreements with J. Aron to support the operations of our Par East Hawaii refinery (the “Supply and Offtake Agreements”). The Supply and Offtake Agreements mature on May 31, 2021 and have a one-year extension option upon mutual agreement of the parties. We are evaluating options to extend or replace the Supply and Offtake Agreements. Under the Supply and Offtake Agreements, J. Aron may enter into agreements with third parties whereby J. Aron will remit payments to these third parties for refinery procurement contracts for which we will become immediately obligated to reimburse J. Aron. As of December 31, 2020, we had no obligations due to J. Aron under this contractual undertakings agreement. On June 27, 2018, we and J. Aron amended the Supply and Offtake Agreements to increase the amount that we may defer under the deferred payment arrangement. Prior to June 27, 2018, we had the right to defer payments owed to J. Aron up to the lesser of \$125 million or 85% of eligible accounts receivable and inventory. Effective June 27, 2018, we have the right to defer payments owed to J. Aron up to the lesser of \$165 million or 85% of eligible accounts receivable and inventory. On December 5, 2018, we amended the Supply and Offtake Agreements to account for additional processing capacity expected to be provided through the Par West Acquisition. The December 5, 2018 amendment to the Supply and Offtake Agreements also (i) required us to increase our margin requirements by an aggregate \$2.5 million by making certain additional margin payments on December 19, 2018, March 1, 2019, and June 3, 2019, and (ii) only allows dividends, payments, or other distributions with respect to any equity interests in Par Hawaii Refining, LLC (“PHR”), our wholly owned subsidiary, in limited and restricted circumstances.

During the term of the Supply and Offtake Agreements, J. Aron and we will identify mutually acceptable contracts for the purchase of crude oil from third parties. Per the Supply and Offtake Agreements, J. Aron will provide up to 150 Mbpd of crude oil to our Hawaii refineries. Additionally, we agreed to sell and J. Aron agreed to buy, at market prices, refined products produced at our Hawaii refineries. We will then repurchase the refined products from J. Aron prior to selling the refined products to our retail operations or to third parties. The agreements also provide for the lease of crude oil and certain refined product storage facilities to J. Aron. Following the expiration or termination of the Supply and Offtake Agreements, we are obligated to purchase the crude oil and refined product inventories then owned by J. Aron and located at the leased storage facilities at then-current market prices.

Though title to the crude oil and certain refined product inventories resides with J. Aron, the Supply and Offtake Agreements are accounted for similar to a product financing arrangement; therefore, the crude oil and refined products inventories will continue to be included in our consolidated balance sheets until processed and sold to a third party. Each reporting period, we record a liability in an amount equal to the amount we expect to pay to repurchase the inventory held by J. Aron based on current market prices.

The Supply and Offtake Agreements also include a deferred payment arrangement (“Deferred Payment Arrangement”) whereby we can defer payments owed under the agreements up to the lesser of \$165 million or 85% of the eligible accounts receivable and inventory. Upon execution of the Supply and Offtake Agreements, we paid J. Aron a deferral arrangement fee of \$1.3 million. The deferred amounts under the Deferred Payment Arrangement bear interest at a rate equal to three-month LIBOR plus 3.50% per annum. We also agreed to pay a deferred payment availability fee equal to 0.75% of the unused capacity under the Deferred Payment Arrangement. Amounts outstanding under the Deferred Payment Arrangement are included in Obligations under inventory financing agreements on our consolidated balance sheets. Changes in the amount outstanding under the Deferred Payment Arrangement are included within Cash flows from financing activities on the consolidated statements of cash flows. As of December 31, 2020 and 2019, the capacity of the Deferred Payment Arrangement was \$80.1 million and \$155.5 million, respectively, and we had \$78.6 million and \$97.5 million outstanding, respectively.

Under the Supply and Offtake Agreements, we pay or receive certain fees from J. Aron based on changes in market prices over time. In February 2016, we fixed the market fee for the period from December 1, 2016 through May 31, 2018 for \$14.6 million to be settled in eighteen equal monthly payments. In 2017, we fixed the market fee for the period from

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June 1, 2018 through May 2021 for an additional \$2.2 million. In 2020, we fixed the market fee for the period from February 1, 2020 through April 1, 2021 for an additional \$0.8 million to be settled in fifteen payments. The receivable from J. Aron was recorded as a reduction to our Obligations under inventory financing agreements as allowed under the Supply and Offtake Agreements. As of both December 31, 2020 and 2019, the receivable was \$0.5 million.

Washington Refinery Intermediation Agreement

In connection with the consummation of the Washington Acquisition, we became a party to the Washington Refinery Intermediation Agreement with MLC that provides a structured financing arrangement based on U.S. Oil's crude oil and refined products inventories and associated accounts receivable. Under this arrangement, U.S. Oil purchases crude oil supplied from third-party suppliers and MLC provides credit support for such crude oil purchases. MLC's credit support can consist of either providing a payment guaranty, causing the issuance of a letter of credit from a third-party issuing bank, or purchasing crude oil directly from third parties on our behalf. U.S. Oil holds title to all crude oil and refined products inventories at all times and pledges such inventories, together with all receivables arising from the sales of the same, exclusively to MLC. On February 11, 2021, we and MLC amended the Washington Refinery Intermediation Agreement and extended the term through March 31, 2022. This amendment also includes transition guidance on the interest rate of the MLC receivable advances to be based on another industry standard benchmark rate that will be effective upon LIBOR's scheduled retirement at the end of 2021. Please read Note 24—Subsequent Events for additional information.

During the remaining term of the Washington Refinery Intermediation Agreement, MLC will make receivable advances to U.S. Oil based on an advance rate of 95% of eligible receivables, up to a total receivables advance maximum of \$90.0 million (the "MLC receivable advances"), and additional advances based on crude oil and products inventories. Changes in the amount outstanding under the MLC receivable advances are included within Cash flows from financing activities on the consolidated statements of cash flows. The MLC receivable advances bear interest at a rate equal to three-month LIBOR plus 3.25% per annum. We also agreed to pay an availability fee equal to 1.50% of the unused capacity under the MLC receivable advances. As part of the November 1, 2019 amendment, the availability fee was amended to equal 0.75% of the unused capacity under the MLC receivable advances. As of December 31, 2020 and 2019, our outstanding balance included in our Obligations under inventory financing agreements on our consolidated balance sheets under the MLC receivable advances was equal to our borrowing base of \$41.1 million and \$63.8 million, respectively. Additionally, as of December 31, 2020 and 2019, we had approximately \$93.6 million and \$127.2 million in letters of credit outstanding through MLC's credit support, respectively.

The following table summarizes the inventory intermediation fees, which are included in Cost of revenues (excluding depreciation) on our consolidated statements of operations, and Interest expense and financing costs, net related to the intermediation agreements (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net fees and expenses:			
Supply and Offtake Agreements			
Inventory intermediation fees	\$ 12,034	\$ 35,459	\$ 21,470
Interest expense and financing costs, net	3,044	5,863	4,493
Washington Refinery Intermediation Agreement			
Inventory intermediation fees	\$ 4,112	\$ 3,734	—
Interest expense and financing costs, net	2,791	6,359	—

The Supply and Offtake Agreements and the Washington Refinery Intermediation Agreement also provide us with the ability to economically hedge price risk on our inventories and crude oil purchases. Please read Note 14—Derivatives for further information.

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Note 12—Other Accrued Liabilities

Other accrued liabilities at December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Accrued payroll and other employee benefits	\$ 14,916	\$ 22,828
Gross environmental credit obligations (1)	150,482	22,776
Other	34,230	39,140
Total	\$ 199,628	\$ 84,744

(1) Gross environmental credit obligations are stated at market as of December 31, 2020 and 2019. A portion of these obligations are expected to be settled with our RINs assets and other environmental credits, which are presented as Inventories on our consolidated balance sheet and are stated at the lower of cost and net realizable value. The carrying costs of these assets were \$26.7 million and \$19.1 million as of December 31, 2020 and 2019, respectively.

Note 13—Debt

The following table summarizes our outstanding debt (in thousands):

	December 31,	
	2020	2019
5.00% Convertible Senior Notes due 2021	\$ 48,665	\$ 48,665
ABL Credit Facility due 2022	—	—
Retail Property Term Loan due 2024	42,494	44,014
7.75% Senior Secured Notes due 2025	300,000	300,000
Term Loan B due 2026	228,125	240,625
12.875% Senior Secured Notes due 2026	105,000	—
Mid Pac Term Loan due 2028	1,399	1,433
PHL Term Loan due 2030	5,840	—
Principal amount of long-term debt	731,523	634,737
Less: unamortized discount and deferred financing costs	(22,930)	(22,806)
Total debt, net of unamortized discount and deferred financing costs	708,593	611,931
Less: current maturities, net of unamortized discount and deferred financing costs	(59,933)	(12,297)
Long-term debt, net of current maturities	\$ 648,660	\$ 599,634

Annual maturities of our long-term debt for the next five years and thereafter are as follows (in thousands):

Year Ended	Amount Due
2021	\$ 62,950
2022	14,358
2023	14,434
2024	50,283
2025	312,733
Thereafter	276,765
Total	\$ 731,523

Additionally, as of December 31, 2020 and 2019, we had approximately \$1.7 million and \$0.2 million in letters of credit outstanding under the ABL Credit Facility, respectively. As of both December 31, 2020 and 2019, we also had \$3.6 million in cash-collateralized letters of credit and surety bonds outstanding.

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Under the ABL Credit Facility, the indentures governing the 7.75% Senior Secured Notes and 12.875% Senior Secured Notes, and the Term Loan B Facility, our subsidiaries are restricted from paying dividends or making other equity distributions, subject to certain exceptions.

7.75% Senior Secured Notes Due 2025

On December 21, 2017, Par Petroleum, LLC and Par Petroleum Finance Corp. (collectively, the "Issuers"), both our wholly owned subsidiaries, completed the issuance and sale of \$300 million in aggregate principal amount of 7.75% Senior Secured Notes in a private placement under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The net proceeds of \$289.2 million (net of financing costs and original issue discount of 1%) from the sale were used to repay certain previous credit facilities and a forward sale agreement with J. Aron and for general corporate purposes.

The 7.75% Senior Secured Notes bear interest at a rate of 7.750% per year (payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2018) and will mature on December 15, 2025.

The indenture governing the 7.75% Senior Secured Notes contains restrictive covenants limiting the ability of Par Petroleum, LLC and its Restricted Subsidiaries (as defined in the indenture) to, among other things, incur additional indebtedness, issue certain preferred shares, create liens on certain assets to secure debt, sell or otherwise dispose of all or substantially all assets, or pay dividends.

The 7.75% Senior Secured Notes are secured on a *pari passu* basis by first priority liens (subject to the relative priority of permitted liens) on substantially all of the property and assets of the Issuers and the subsidiary guarantors, including but not limited to, material real property now owned or hereafter acquired by the Issuers or subsidiary guarantors and their equipment, intellectual property, and equity interests, but excluding certain property which is collateral under the ABL Credit Facility, the Supply and Offtake Agreements, and the Washington Refinery Intermediation Agreement. The 7.75% Senior Secured Notes are fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by each of Par Petroleum, LLC's existing wholly owned subsidiaries (other than Par Petroleum Finance Corp.), and are guaranteed on a senior unsecured basis only as to the payment of principal and interest by Par Pacific Holdings, Inc. In the future, the 7.75% Senior Secured Notes will be guaranteed on a senior secured basis by additional subsidiaries of Par Petroleum, LLC that guarantee material indebtedness of the Issuers or otherwise become obligated with respect to material indebtedness under a credit facility, subject to certain exceptions.

Term Loan B Facility due 2026

On January 11, 2019, the Issuers entered into a new term loan facility with Goldman Sachs Bank USA, as administrative agent, and the lenders party thereto from time to time (the "Term Loan B Facility"). Pursuant to the Term Loan B Facility, the lenders made a term loan to the borrowers in the amount of \$250.0 million ("Term Loan B") on the closing date. The net proceeds from Term Loan B totaled \$232.0 million after deducting the original issue discount, deferred financing costs, and commitment and other fees.

Loans under the Term Loan B bear interest at a rate per annum equal to Adjusted LIBOR (as defined in the Term Loan B Facility) plus an applicable margin of 6.75% or at a rate per annum equal to Alternate Base Rate (as defined in the Term Loan B Facility) plus an applicable margin of 5.75%. The average effective interest rate for 2020 on the Term Loan B was 7.8%.

In addition to the quarterly interest payments, the Term Loan B requires quarterly principal payments of \$3.1 million. The Term Loan B matures on January 11, 2026.

The obligations of the borrowers under the Term Loan B Facility are guaranteed by Par Petroleum, LLC's and Par Petroleum Finance Corp.'s existing and future direct or indirect domestic subsidiaries and, by Par Pacific Holdings, Inc., with respect to principal and interest only. The Term Loan B Facility is secured on a *pari passu* basis by first priority liens (subject to the relative priority of permitted liens) on substantially all of the property and assets of Par Petroleum, LLC, Par Petroleum Finance Corp., and their subsidiary guarantors, but excluding certain property which is collateral under the ABL Credit Facility, the Supply and Offtake Agreements, and the Washington Refinery Intermediation Agreement.

12.875% Senior Secured Notes due 2026

On June 5, 2020, the Issuers completed the issuance and sale of \$105.0 million in aggregate principal amount of 12.875% Senior Secured Notes in a private placement under Rule 144A and Regulation S of the Securities Act of 1933, as amended. The net proceeds of \$98.8 million from the sale were used for general corporate purposes.

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The 12.875% Senior Secured Notes bear interest at an annual rate of 12.875% per year (payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2021) and will mature on January 15, 2026. The indenture for the 12.875% Senior Secured Notes also allows for optional early redemptions, some of which require the Issuers to pay a premium and some of which have certain other restrictions related to timing and the maximum redeemable principal amount.

The obligations of the borrowers under the 12.875% Senior Secured Notes are guaranteed by the Issuers' existing and future direct or indirect domestic subsidiaries (other than Par Petroleum Finance Corp.) and by Par Pacific Holdings, Inc., with respect to principal and interest only. The 12.875% Senior Secured Notes are secured on a *pari passu* basis by first priority liens (subject to the relative priority of permitted liens) on substantially all of the property and assets of the Issuers and the subsidiary guarantors, but excluding certain assets which are collateral under the ABL Credit Facility, the Supply and Offtake Agreements, and the Washington Refinery Intermediation Agreement.

ABL Credit Facility

On December 21, 2017, in connection with the issuance of the 7.75% Senior Secured Notes, Par Petroleum, LLC, Par Hawaii, LLC ("PHL", formerly known as Par Hawaii, Inc. and includes the assets previously owned by the dissolved entities Mid Pac Petroleum, LLC and HIE Retail, LLC), Hermes Consolidated, LLC, and Wyoming Pipeline Company (collectively, the "ABL Borrowers"), entered into a Loan and Security Agreement dated as of December 21, 2017 (the "ABL Credit Facility") with certain lenders and Bank of America, N.A., as administrative agent and collateral agent. The ABL Credit Facility provides for a revolving credit facility that provides for revolving loans and for the issuance of letters of credit (the "ABL Revolver"). On July 24, 2018, we amended the ABL Credit Facility to increase the maximum principal amount at any time outstanding of the ABL Revolver by \$10 million to \$85 million, subject to a borrowing base. As of December 31, 2020, the ABL Revolver had no outstanding balance and a borrowing base of approximately \$39.8 million.

The revolving loans under the ABL Revolver bear interest at a fluctuating rate per annum equal to (i) during the periods such revolving loan is a base rate loan, the base rate plus the applicable margin in effect from time to time, and (ii) during the periods such revolving loan is a LIBOR Loan, at LIBOR for the applicable interest period plus the applicable margin in effect from time to time. The base rate is equal to (i) daily LIBOR ("LIBOR Daily Floating Rate") or (ii) if the LIBOR Daily Floating Rate is unavailable for any reason, a rate as calculated per the agreement (the "Prime Rate") for such day. We also pay a *de minimis* fee for any undrawn amounts available under the ABL Revolver. The maturity date of the ABL Revolver is December 21, 2022, on which date all revolving loans will be due and payable in full. The average effective interest rate for 2020 and 2019 on the ABL Revolver loan was 2.3% and 4.3%, respectively.

The applicable margins for the ABL Credit Facility and advances under the ABL Revolver are as specified below:

Level	Arithmetic Mean of Daily Availability (as a percentage of the borrowing base)	LIBOR Loans and Base Rate Loans Subject to LIBOR Daily Floating Rate	Applicable Margin for LIBOR Loans and Base Rate Loans Subject to LIBOR Daily Floating Rate	Applicable Margin for Base Rate Loans Subject to the Prime Rate
1	>50%		1.75%	0.75%
2	>30% but ≤50%		2.00%	1.00%
3	≤30%		2.25%	1.25%

The obligations of the ABL Borrowers are guaranteed by Par and Par Petroleum, LLC's existing and future direct or indirect domestic subsidiaries that are not borrowers under the ABL Credit Facility. The loans and letters of credit issued under the ABL Credit Facility are secured by a first-priority security interest in and lien on certain assets of the borrowers and the guarantors, including cash and cash equivalents and inventory, and excluding the assets of PHR and U.S. Oil.

5.00% Convertible Senior Notes Due 2021

In June 2016, we completed the issuance and sale of \$115 million in aggregate principal amount of the 5.00% Convertible Senior Notes in a private placement under Rule 144A (the "Notes Offering"). The Notes Offering included the exercise in full of an option to purchase an additional \$15 million in aggregate principal amount of the 5.00% Convertible Senior Notes granted to the initial purchasers. The net proceeds of \$111.6 million (net of original issue discount of 3%) from the sale of the 5.00% Convertible Senior Notes were used to finance a portion of the acquisition of the Wyoming refinery and related logistics assets (the "WRC Acquisition"), to repay \$5 million in principal amount of term loans, and for general corporate purposes.

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The 5.00% Convertible Senior Notes bear interest at a rate of 5.00% per year beginning June 21, 2016 (payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2016) and will mature on June 15, 2021. The initial conversion rate for the notes is 55.5556 shares of common stock per \$1,000 principal amount of the 5.00% Convertible Senior Notes (or a total amount of 6,388,894 shares), which is equivalent to an initial conversion price of approximately \$18.00 per share of common stock, subject to adjustment upon the occurrence of certain events. Conversions of the 5.00% Convertible Senior Notes will be settled in cash, shares of common stock, or a combination thereof at our election. The holders of the 5.00% Convertible Senior Notes may exercise their conversion rights at any time prior to the close of business on the business day immediately preceding the maturity date under certain circumstances.

The 5.00% Convertible Senior Notes were not redeemable by us prior to June 20, 2019. On or after June 20, 2019, we may redeem all or any portion of the 5.00% Convertible Senior Notes if the last reported sales price of our common stock is at least 140% of the conversion price then in effect (i) on the trading day immediately preceding the date on which we provide notice of redemption and (ii) for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the 5.00% Convertible Senior Notes to be redeemed, plus accrued and unpaid interest and a make-whole premium, which is equal to the present value of the remaining scheduled payments of interest on the 5.00% Convertible Senior Notes to be redeemed from the relevant redemption date to the maturity date of June 15, 2021. We have determined that the redemption option and the related make-whole premium represent an embedded derivative that is not clearly and closely related to the 5.00% Convertible Senior Notes. Please read Note 14—Derivatives for further information on embedded derivatives.

During May, June, and December 2019, we entered into privately negotiated exchange agreements with a limited number of holders (the “Noteholders”) to repurchase \$66.3 million in aggregate principal amount of the 5.00% Convertible Senior Notes held by the Noteholders for an aggregate of \$18.6 million in cash and approximately 3.2 million shares of Par’s common stock with a fair value of \$74.3 million. We recognized a loss of approximately \$6.1 million related to the extinguishment of the repurchased 5.00% Convertible Senior Notes in the year ended December 31, 2019.

We separately account for the liability and equity components of the 5.00% Convertible Senior Notes. The fair value of the liability component was calculated using a discount rate of an identical debt instrument without a conversion feature. Based on this borrowing rate, the fair value of the liability component of the 5.00% Convertible Senior Notes on the issuance date was \$89.3 million. The carrying amount of the equity component was determined to be \$22.2 million by deducting the fair value of the liability component from the \$111.6 million net proceeds of the 5.00% Convertible Senior Notes. The deferred financing costs of \$0.6 million related to 5.00% Convertible Senior Notes were allocated on a proportionate basis between Long-term debt and Additional paid-in capital on the consolidated balance sheet. As of December 31, 2020, the if-converted value did not exceed the outstanding principal amount of the 5.00% Convertible Senior Notes.

As of December 31, 2020, the outstanding principal amount of the 5.00% Convertible Senior Notes was \$48.7 million, the unamortized discount and deferred financing cost was \$1.4 million, and the carrying amount of the liability component was \$47.3 million. The unamortized discount and deferred financing costs will be amortized to Interest expense and financing costs, net over the term of the 5.00% Convertible Senior Notes.

Par Pacific Term Loan Agreement

On January 9, 2019, we entered into a loan agreement (the “Par Pacific Term Loan Agreement”) with Bank of Hawaii (“BOH”), pursuant to which BOH made a loan to the Company in the principal amount of \$45.0 million, the net proceeds of which were used to finance the Washington Acquisition (the “Par Pacific Term Loan”).

During the term of the Par Pacific Term Loan, the interest payments were due monthly and were based on the outstanding principal balance multiplied by a floating rate equal to 3.50% above the applicable LIBOR rate (as defined in the Par Pacific Term Loan Agreement) subject to an increased default interest rate in the event of a default. The Par Pacific Term Loan Agreement was originally scheduled to mature on July 9, 2019. We terminated and repaid all amounts outstanding under the Par Pacific Term Loan Agreement on March 29, 2019 using the proceeds from the Retail Property Term Loan (as defined below). We recognized approximately \$0.1 million of debt extinguishment costs related to the unamortized deferred financing costs associated with the Par Pacific Term Loan Agreement in the year ended December 31, 2019.

Retail Property Term Loan

On March 29, 2019, Par Pacific Hawaii Property Company, LLC (“Par Property LLC”), our wholly owned subsidiary, entered into a term loan agreement (the “Retail Property Term Loan”) with BOH, which provided a term loan in the principal

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amount of \$45.0 million. The proceeds from the Retail Property Term Loan were used to repay and terminate the Par Pacific Term Loan Agreement.

The Retail Property Term Loan was guaranteed by Par and secured by a lien on substantially all of the assets of Par Property LLC, including a mortgage lien on 21 retail properties in Hawaii (the "Portfolio Properties"). Certain covenants required us to maintain a loan-to-appraisal value of the Portfolio Properties ratio of not greater than 75% and an annual debt yield of at least 9%. Par was also subject to a minimum liquidity covenant measured on the last day of each fiscal quarter.

The Retail Property Term Loan bore interest based on a floating rate equal to the applicable LIBOR for a one-month interest period plus 1.5%. The average effective interest rate for 2020 on the Retail Property Term Loan was 2.3%. Principal and interest payments were payable monthly based on a 20-year amortization schedule, principal prepayments were allowed subject to applicable prepayment penalties, and the remaining unpaid principal, plus any unpaid interest or other charges, was due on April 1, 2024, the maturity date of the Retail Property Term Loan. On February 23, 2021, we terminated and repaid all amounts outstanding under the Retail Property Term Loan. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment.

Mid Pac Term Loan

On September 27, 2018, PHL (which includes the assets of the dissolved entity formerly known as Mid Pac Petroleum, LLC), our wholly owned subsidiary, entered into the Mid Pac Term Loan with American Savings Bank, F.S.B., which provided a term loan of up to \$1.5 million. We received the proceeds on October 18, 2018, which were used to purchase certain retail property. The Mid Pac Term Loan is scheduled to mature on October 18, 2028.

The Mid Pac Term Loan is payable monthly, bears interest at an annual rate of 4.375%, is secured by a first-priority lien on the real property purchased with the funds, including leases and rents on the property and the property's fixed assets and fixtures, and is guaranteed by Par Petroleum, LLC.

PHL Term Loan

On April 13, 2020, PHL, our wholly owned subsidiary, entered into a Term Loan Agreement ("PHL Term Loan") with American Savings Bank F.S.B., which provided a term loan in the principal amount of approximately \$6.0 million. The proceeds from the PHL Term Loan were used to finance PHL's equity in certain real property.

The PHL Term Loan bore interest at a fixed rate of 2.750% per annum. Principal and interest payments were payable monthly based on a 25-year amortization schedule, principal prepayments were allowed with no prepayment charge, and the remaining principal, plus any unpaid interest or other charges, was due on April 15, 2030, the maturity date of the PHL Term Loan. The PHL Term Loan was guaranteed by Par Petroleum, LLC. On February 23, 2021, we terminated and repaid all amounts outstanding under the PHL Term Loan. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment.

Cross Default Provisions

Included within each of our debt agreements are affirmative and negative covenants and customary cross default provisions that require the repayment of amounts outstanding on demand unless the triggering payment default or acceleration is remedied, rescinded, or waived. As of December 31, 2020, we were in compliance with all of our debt instruments.

Guarantors

In connection with our shelf registration statement on Form S-3, which was filed with the Securities and Exchange Commission ("SEC") on February 6, 2019 and declared effective on February 15, 2019 ("Registration Statement"), we may sell non-convertible debt securities and other securities in one or more offerings with an aggregate initial offering price of up to \$750.0 million. Any non-convertible debt securities issued under the Registration Statement may be fully and unconditionally guaranteed (except for customary release provisions), on a joint and several basis, by some or all of our subsidiaries, other than subsidiaries that are "minor" within the meaning of Rule 3-10 of Regulation S-X (the "Guarantor Subsidiaries"). We have no "independent assets or operations" within the meaning of Rule 3-10 of Regulation S-X and certain of the Guarantor Subsidiaries may be subject to restrictions on their ability to distribute funds to us, whether by cash dividends, loans, or advances.

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Note 14—Derivatives

Commodity Derivatives

We utilize commodity derivative contracts to manage our price exposure in our inventory positions, future purchases of crude oil, future purchases and sales of refined products, and crude oil consumption in our refining process. The derivative contracts that we execute to manage our price risk include exchange traded futures, options, and OTC swaps. Our futures, options, and OTC swaps are marked-to-market and changes in the fair value of these contracts are recognized within Cost of revenues (excluding depreciation) on our consolidated statements of operations.

We are obligated to repurchase the crude oil and refined products from J. Aron at the termination of the Supply and Offtake Agreements. Our Washington Refinery Intermediation Agreement contains forward purchase obligations for certain volumes of crude oil and refined products that are required to be settled at market prices on a monthly basis. We have determined that these obligations under the Supply and Offtake Agreements and Washington Refinery Intermediation Agreement contain embedded derivatives. As such, we have accounted for these embedded derivatives at fair value with changes in the fair value recorded in Cost of revenues (excluding depreciation) on our consolidated statements of operations.

We have entered into forward purchase contracts for crude oil and forward purchases and sales contracts of refined products. We elect the normal purchases normal sales (“NPNS”) exception for all forward contracts that meet the definition of a derivative and are not expected to net settle. Any gains and losses with respect to these forward contracts designated as NPNS are not reflected in earnings until the delivery occurs.

We elect to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. Our consolidated balance sheets present derivative assets and liabilities on a net basis. Please read Note 15—Fair Value Measurements for the gross fair value and net carrying value of our derivative instruments. Our cash margin that is required as collateral deposits cannot be offset against the fair value of open contracts except in the event of default.

Our open futures and OTC swaps expired in January 2021. At December 31, 2020, our open commodity derivative contracts represented (in thousands of barrels):

Contract type	Purchases	Sales	Net
Futures	360	—	360
Swaps	1,190	(1,000)	190
Total	1,550	(1,000)	550

At December 31, 2020, we also had option collars that economically hedge 25 thousand barrels of crude oil per month of our internally consumed fuel at our Hawaii refineries. These option collars have a weighted-average strike price ranging from a floor of \$36.50 per barrel to a ceiling of \$60.00 per barrel and expire in December 2021.

Interest Rate Derivatives

We are exposed to interest rate volatility in our ABL Revolver, Term Loan B Facility, Retail Property Term Loan, Supply and Offtake Agreements, and Washington Refinery Intermediation Agreement. We may utilize interest rate swaps to manage our interest rate risk. As of December 31, 2020, we had entered into an interest rate swap at an average fixed rate of 3.91% in exchange for the floating interest rate on the notional amounts due under the Retail Property Term Loan. This swap was set to expire on April 1, 2024, the maturity date of the Retail Property Term Loan. On February 23, 2021, we terminated and repaid all amounts outstanding under the Retail Property Term Loan and the related interest rate swap. Please read Note 24—Subsequent Events to our consolidated financial statements under Item 8 of this Form 10-K for additional discussion on the repayment. In February 2018, we terminated a separate \$100 million floating interest rate swap originally maturing in March 2021, which resulted in a realized gain of \$3.7 million for the year ended December 31, 2018.

In June 2016, we completed the issuance and sale of an aggregate of \$115.0 million principal amount of the 5.00% Convertible Senior Notes. Please read Note 13—Debt for further discussion. Upon redemption of our 5.00% Convertible Senior Notes on or after June 20, 2019 at our election, we are obligated to pay a make-whole premium equal to the present value of the remaining scheduled payments of interest on the 5.00% Convertible Senior Notes to be redeemed from the relevant redemption date to the maturity date of June 15, 2021. We have determined that the redemption option and the related make-whole premium represent an embedded derivative that is not clearly and closely related to the 5.00% Convertible Senior Notes. As such, we have accounted for this embedded derivative at fair value with changes in the fair value recorded in Interest expense

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and financing costs, net on our consolidated statements of operations. As of December 31, 2020, this embedded derivative was deemed to have a *de minimis* fair value.

The following table provides information on the fair value amounts (in thousands) of these derivatives as of December 31, 2020 and 2019 and their placement within our consolidated balance sheets.

	Balance Sheet Location	December 31,	
		2020	2019
			<i>Asset (Liability)</i>
Commodity derivatives (1)	Prepaid and other current assets	\$	2,075
Commodity derivatives	Other accrued liabilities		(5,534)
J. Aron repurchase obligation derivative	Obligations under inventory financing agreements	(20,797)	173
MLC terminal obligation derivative	Obligations under inventory financing agreements	(10,161)	(14,717)
Interest rate derivatives	Other accrued liabilities		(966)
Interest rate derivatives	Other liabilities		(1,113)

(1) Does not include cash collateral of \$1.5 million and \$10.3 million recorded in Prepaid and other current assets and \$9.5 million and \$9.5 million in Other long-term assets as of December 31, 2020 and 2019, respectively.

The following table summarizes the pre-tax gains (losses) recognized in Net income (loss) on our consolidated statements of operations resulting from changes in fair value of derivative instruments not designated as hedges charged directly to earnings (in thousands):

	Statement of Operations Classification	Year Ended December 31,		
		2020	2019	2018
Commodity derivatives	Cost of revenues (excluding depreciation)	\$ (51,902)	\$ (1,547)	\$ (3,420)
J. Aron repurchase obligation derivative	Cost of revenues (excluding depreciation)	(20,970)	(3,912)	23,649
MLC terminal obligation derivative	Cost of revenues (excluding depreciation)	39,820	(19,326)	—
Interest rate derivatives	Interest expense and financing costs, net	(2,265)	(1,506)	1,309

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Note 15—Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Purchase Price Allocation of U.S. Oil

The fair values of the assets acquired and liabilities assumed as a result of the Washington Acquisition were estimated as of January 11, 2019, the date of the acquisition, using valuation techniques described in notes (1) through (6) below.

	<u>Fair Value</u>	<u>Valuation</u>
	(in thousands)	Technique
Net working capital excluding operating leases	\$ (35,854)	(1)
Property, plant, and equipment	412,766	(2)
Operating lease right-of-use assets	62,337	(3)
Goodwill	42,522	(4)
Current operating lease liabilities	(21,571)	(3)
Long-term operating lease liabilities	(40,766)	(3)
Deferred tax liability	(92,103)	(5)
Other non-current liabilities	(804)	(6)
Total	\$ 326,527	

- (1) Current assets acquired and liabilities assumed were recorded at their net realizable value.
- (2) The fair value of personal property was estimated using the cost approach. Key assumptions in the cost approach include determining the replacement cost by evaluating recent purchases of comparable assets or published data, and adjusting replacement cost for economic and functional obsolescence, location, normal useful lives, and capacity (if applicable). The fair value of real property was estimated using the market approach. Key assumptions in the market approach include determining the asset value by evaluating recent purchases of comparable assets under similar circumstances.
- (3) Operating lease right-of-use assets and liabilities were recognized based on the present value of lease payments over the lease term using the incremental borrowing rate at acquisition of 9.6%.
- (4) The excess of the purchase price paid over the fair value of the identifiable assets acquired and liabilities assumed is allocated to goodwill.
- (5) The deferred tax liability was determined based on the differences between the tax bases of the assets acquired and the values of those assets recorded on our consolidated balance sheets as of the date of acquisition.
- (6) Other non-current liabilities are related to pension plan obligations. The underfunded status of the defined benefit plan represents the difference between the fair value of the plan's assets and the projected benefit obligations.

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Purchase Price Allocation of Northwest Retail

The fair values of the assets acquired and liabilities assumed as a result of the Northwest Retail Acquisition were estimated as of March 23, 2018, the date of the acquisition, using valuation techniques described in notes (1) through (5) below.

	<u>Fair Value</u>	<u>Valuation</u>
	(in thousands)	Technique
Net working capital	\$ 3,822	(1)
Property, plant, and equipment	30,230	(2)
Goodwill	46,210	(3)
Long-term capital lease obligations	(5,244)	(4)
Other non-current liabilities	(487)	(5)
Total	<u>\$ 74,531</u>	

- (1) Current assets acquired and liabilities assumed were recorded at their net realizable value.
- (2) The fair value of property, plant, and equipment was estimated using the cost approach. Under the cost approach, the total replacement cost of the property is determined based on industry sources with adjustments for regional factors. The total cost is then adjusted for depreciation based on the physical age of the assets and obsolescence. The fair value of the land was estimated using the sales comparison approach. Under this approach, the sales prices of similar properties are adjusted to account for differences in land characteristics. We consider this to be a Level 3 fair value measurement. The fair value of capital lease assets was estimated using the income approach. Under the income approach, the annual lease market rental rate cash flow stream is estimated and then discounted to present value over the remaining life of the lease using a pre-tax discount rate based on expected return for the specific asset type and location.
- (3) The excess of the purchase price paid over the fair value of the identifiable assets acquired and liabilities assumed is allocated to goodwill.
- (4) Long-term capital lease obligations were estimated based on the present value of lease payments over the term of the lease.
- (5) Other non-current liabilities are primarily related to asset retirement obligations. AROs are calculated based on the present value of the estimated removal and other closure costs using our credit-adjusted risk-free rate.

Goodwill

At March 31, 2020, we performed a quantitative goodwill impairment test of all of our reporting units due to (i) the global economic impact of the COVID-19 pandemic and (ii) a steep decline in current and forecasted prices and demand for crude oil and refined products. As part of our quantitative impairment test, we compared the carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. In assessing the fair value of the reporting units, we primarily utilized a market approach based on observable multiples for comparable companies within our industry. Our refining reporting units in Hawaii and Washington were fully impaired and the goodwill associated with our retail reporting unit in Washington and Idaho was partially impaired, resulting in a charge of \$67.9 million in our consolidated statement of operations for the year ended December 31, 2020. The goodwill impairment expense was allocated to the Refining segment (\$38.1 million) and to the Retail segment (\$29.8 million). We consider the impairment of our goodwill to be a Level 3 fair value measurement.

Investment in Laramie Energy

We evaluate equity method investments for impairment when factors indicate that a decrease in the value of our investment has occurred and the carrying amount of our investment may not be recoverable. An impairment loss, based on the difference between the carrying value and the estimated fair value of the investment, is recognized in earnings when an impairment is deemed to be other than temporary.

At March 31, 2020, we conducted an impairment evaluation of our investment in Laramie Energy because of (i) the global economic impact of the COVID-19 pandemic, (ii) an increase in the weighted-average cost of capital for energy companies, and (iii) continuing declines in natural gas prices through the first quarter of 2020. Based on our evaluation, we determined that the estimated fair value of our investment in Laramie Energy was \$1.9 million, compared to a carrying value of \$47.2 million at March 31, 2020. The fair value estimate was determined using a discounted cash flow analysis based on natural

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gas forward strip prices as of March 31, 2020 for the years 2020 and 2021 of the forecast, and a blend of forward strip pricing and third-party analyst pricing for the years 2022 through 2028. Other significant inputs used in the discounted cash flow analysis included proved and unproved reserves information, forecasts of operating expenditures, and the applicable discount rate. As part of our evaluation, we considered the likelihood that NYMEX Henry Hub prices, which declined from an average spot price of \$2.29 (\$/MMBtu) at December 31, 2019 to \$2.03 (\$/MMBtu) in the first quarter of 2020, will recover in the near term. A discount rate of 10% was used to reflect the higher cost of capital under the economic conditions as of March 31, 2020. As a result, we recorded an other-than temporary impairment charge of \$45.3 million in Equity earnings (losses) from Laramie Energy, LLC on our consolidated statement of operations for the year ended December 31, 2020.

At September 30, 2019, we conducted an impairment evaluation of our investment in Laramie Energy because of the significant decline in natural gas prices over the second quarter of 2019 and continued deterioration in the third quarter of 2019. At September 30, 2019, we determined that the estimated fair value of our investment in Laramie Energy was \$51.8 million, compared to a carrying value of \$133.3 million. The fair value estimate was determined using a discounted cash flow analysis based on natural gas forward strip prices as of September 30, 2019 for two years through December 31, 2021. A blend of 2021 forward strip pricing and third-party analyst pricing was used for years after 2021 through December 31, 2028. Other significant inputs used in the discounted cash flow analysis included proved and unproved reserves information, forecasts of operating expenditures, and the applicable discount rate. As part of our evaluation, we considered the likelihood that Colorado Interstate Gas ("CIG") prices, which declined from an average spot price of \$2.48 (\$/MMBtu) in the first quarter of 2019, to \$1.84 (\$/MMBtu) in the second quarter of 2019 and \$1.77 (\$/MMBtu) in the third quarter of 2019, will recover in the near term. A discount rate of 8% was used to reflect the cost of capital under the economic conditions as of September 30, 2019. As a result, we recorded an impairment charge of \$81.5 million on our statement of operations for the year ended December 31, 2019. We consider the impairments of our investment in Laramie Energy to be Level 3 fair value measurements.

Par West Refinery

Pursuant to GAAP accounting guidelines, the Par West refinery was deemed abandoned in the fourth quarter of 2020 due to the following factors: the idling of the assets for more than an insignificant amount of time, the significant cost to restart the refinery, and a lack of a current plan or timeline to restart the refinery. Given the lack of alternative uses of the Par West refinery assets, we impaired all assets that are not expected to be used as part of our ongoing refining operations in Hawaii down to their salvage value, which is immaterial. As a result of this evaluation, we recorded an impairment charge of \$17.9 million on our statement of operations for the year ended December 31, 2020.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Common stock warrants

As of December 31, 2019, we had 354,350 common stock warrants outstanding. We estimated the fair value of our outstanding common stock warrants using the difference between the strike price of the warrant and the market price of our common stock, which was a Level 3 fair value measurement. As of December 31, 2019, the warrants had a weighted-average exercise price of \$0.09 and a remaining term of 2.67 years. The estimated fair value of the common stock warrants was \$23.16 per share as of December 31, 2019.

During January and March 2020, one of our stockholders and its affiliates exercised 354,350 common stock warrants with a fair value of \$3.9 million. As a result of this cashless transaction, 350,542 shares of common stock were issued. As of December 31, 2020, we had no common stock warrants outstanding.

Derivative instruments

We classify financial assets and liabilities according to the fair value hierarchy. Financial assets and liabilities classified as Level 1 instruments are valued using quoted prices in active markets for identical assets and liabilities. These include our exchange traded futures. Level 2 instruments are valued using quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability. Our Level 2 instruments include OTC swaps and options. These derivatives are valued using market quotations from independent price reporting agencies and commodity exchange price curves that are corroborated with market data. Level 3 instruments are valued using significant unobservable inputs that are not supported by sufficient market activity. The valuation of the embedded derivatives related to our J. Aron repurchase and MLC terminal obligations is based on estimates of the prices and differentials assuming settlement at the end of the reporting period. Estimates of the J. Aron and MLC settlement prices are based on observable inputs, such as Brent and WTI indices, and unobservable inputs, such as contractual price differentials as defined in the Supply and Offtake Agreements and Washington Refinery Intermediation Agreement. Such contractual differentials vary by location and by the type of product and range from a discount of \$10.57 per barrel to a premium of \$16.54 per barrel as of December 31, 2020.

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Contractual price differentials are considered unobservable inputs; therefore, these embedded derivatives are classified as Level 3 instruments. We do not have other commodity derivatives classified as Level 3 at December 31, 2020 or 2019. Please read Note 14—Derivatives for further information on derivatives.

Gross Environmental credit obligations

Estimates of our gross environmental credit obligations are based on the amount of RINs or other environmental credits required to comply with EPA regulations and the market prices of those RINs or other environmental credits as of the end of the reporting period. The gross environmental credit obligations are classified as a Level 2 instruments as we obtain the pricing inputs for our RINs and other environmental credits from brokers based on market quotes on similar instruments. Please read Note 17—Commitments and Contingencies for further information on the EPA regulations related to greenhouse gases.

Financial Statement Impact

Fair value amounts by hierarchy level as of December 31, 2020 and 2019 are presented gross in the tables below (in thousands):

	December 31, 2020					
	Level 1	Level 2	Level 3	Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet (1)
Assets						
Commodity derivatives	\$ 616	\$ 1,573	\$ —	\$ 2,189	\$ (843)	\$ 1,346
Liabilities						
Commodity derivatives	\$ (3)	\$ (840)	\$ —	\$ (843)	\$ 843	\$ —
J. Aron repurchase obligation derivative	—	—	(20,797)	(20,797)	—	(20,797)
MLC terminal obligation derivative	—	—	(10,161)	(10,161)	—	(10,161)
Interest rate derivatives	—	(2,993)	—	(2,993)	—	(2,993)
Gross environmental credit obligations (2)	—	(150,482)	—	(150,482)	—	(150,482)
Total	\$ (3)	\$ (154,315)	\$ (30,958)	\$ (185,276)	\$ 843	\$ (184,433)

	December 31, 2019					
	Level 1	Level 2	Level 3	Gross Fair Value	Effect of Counter-party Netting	Net Carrying Value on Balance Sheet (1)
Assets						
Commodity derivatives	\$ 4,595	\$ 2,075	\$ —	\$ 6,670	\$ (4,595)	\$ 2,075
Liabilities						
Common stock warrants	\$ —	\$ —	\$ (8,206)	\$ (8,206)	\$ —	\$ (8,206)
Commodity derivatives	(10,129)	—	—	(10,129)	4,595	(5,534)
J. Aron repurchase obligation derivative	—	—	173	173	—	173
MLC terminal obligation derivative	—	—	(14,717)	(14,717)	—	(14,717)
Interest rate derivatives	—	(1,427)	—	(1,427)	—	(1,427)
Gross environmental credit obligations (2)	—	(22,776)	—	(22,776)	—	(22,776)
Total	\$ (10,129)	\$ (24,203)	\$ (22,750)	\$ (57,082)	\$ 4,595	\$ (52,487)

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- (1) Does not include cash collateral of \$11.0 million and \$19.8 million as of December 31, 2020 and 2019, respectively, included within Prepaid and other current assets and Other long-term assets on our consolidated balance sheets.
- (2) Does not include RINs assets and other environmental credits of \$26.7 million and \$19.1 million presented as Inventories on our consolidated balance sheet and stated at the lower of cost and net realizable value as of December 31, 2020 and 2019, respectively.

A roll forward of Level 3 derivative instruments measured at fair value on a recurring basis is as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance, beginning of period	\$ (22,750)	\$ (922)	\$ (26,372)
Settlements	(31,328)	13,263	—
Acquired	—	(8,654)	—
Total gains (losses) included in earnings	23,120	(26,437)	25,450
Balance, end of period	\$ (30,958)	\$ (22,750)	\$ (922)

The carrying value and fair value of long-term debt and other financial instruments as of December 31, 2020 and 2019 are as follows (in thousands):

	December 31, 2020	
	Carrying Value	Fair Value
5.00% Convertible Senior Notes due 2021 (1) (3)	\$ 47,301	\$ 50,311
ABL Credit Facility due 2022	—	—
Retail Property Term Loan due 2024 (2)	41,891	41,891
7.75% Senior Secured Notes due 2025 (1)	293,289	289,521
Term Loan B Facility due 2026 (1)	219,708	215,578
12.875% Senior Secured Notes due 2026 (1)	99,213	112,901
Mid Pac Term Loan due 2028 (2)	1,399	1,399
PHL Term Loan due 2030 (2)	5,792	5,792

	December 31, 2019	
	Carrying Value	Fair Value
5.00% Convertible Senior Notes due 2021 (1) (3)	\$ 44,783	\$ 66,477
ABL Credit Facility due 2022	—	—
Retail Property Term Loan due 2024 (2)	43,226	43,226
7.75% Senior Secured Notes due 2025 (1)	292,015	309,375
Term Loan B Facility due 2026 (1)	230,474	240,625
Mid Pac Term Loan due 2028 (2)	1,433	1,433
Common stock warrants (2)	8,206	8,206

- (1) The fair value measurements of the 5.00% Convertible Senior Notes, 7.75% Senior Secured Notes, Term Loan B Facility, and 12.875% Senior Secured Notes are considered Level 2 measurements in the fair value hierarchy as discussed below.
- (2) The fair value measurements of the common stock warrants, Mid Pac Term Loan, Retail Property Term Loan, and PHL Term Loan are considered Level 3 measurements in the fair value hierarchy.
- (3) The carrying value of the 5.00% Convertible Senior Notes excludes the fair value of the equity component, which was classified as equity upon issuance.

The fair value of the 5.00% Convertible Senior Notes was determined by aggregating the fair value of the liability and equity components of the notes. The fair value of the liability component of the 5.00% Convertible Senior Notes was

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determined using a discounted cash flow analysis in which the projected interest and principal payments were discounted at an estimated market yield for a similar debt instrument without the conversion feature. The equity component was estimated based on the Black-Scholes model for a call option with strike price equal to the conversion price, a term matching the remaining life of the 5.00% Convertible Senior Notes, and an implied volatility based on market values of options outstanding as of December 31, 2020. The fair value of the 5.00% Convertible Senior Notes is considered a Level 2 measurement in the fair value hierarchy.

The fair value of the 7.75% Senior Secured Notes, Term Loan B Facility, and 12.875% Senior Secured Notes were determined using a market approach based on quoted prices. The inputs used to measure the fair value are classified as Level 2 inputs within the fair value hierarchy because the 7.75% Senior Secured Notes, Term Loan B Facility, and 12.875% Senior Secured Notes may not be actively traded.

The Retail Property Term Loan is subject to a market-based floating interest rate. The Mid Pac Term Loan and PHL Term Loan are subject to fixed interest rates of 4.375% and 2.750%, respectively. The carrying values of our Retail Property, Mid Pac, and PHL Term Loans were determined to approximate fair value as of December 31, 2020. The fair value of all non-derivative financial instruments recorded in current assets, including cash and cash equivalents, restricted cash, and trade accounts receivable, and current liabilities, including accounts payable, approximate their carrying value due to their short-term nature.

Note 16—Leases

We have cancelable and non-cancelable finance and operating lease liabilities for the lease of land, vehicles, office space, retail facilities, and other facilities used in the storage and transportation of crude oil and refined products. Most of our leases include one or more options to renew, with renewal terms that can extend the lease term from one to 30 years or more. There are no material lease arrangements where we are the lessor and no material residual value guarantees associated with any of our leases.

The following table provides information on the amounts (in thousands, except lease term and discount rates) of our ROU assets and liabilities as of December 31, 2020 and 2019 and their placement within our consolidated balance sheets:

Lease type	Balance Sheet Location	December 31, 2020	December 31, 2019
Assets			
Finance	Property, plant, and equipment	\$ 14,998	\$ 11,552
Finance	Accumulated amortization	(6,486)	(4,447)
Finance	Property, plant, and equipment, net	\$ 8,512	\$ 7,105
Operating	Operating lease right-of-use assets	357,166	420,073
	Total right-of-use assets	<u>\$ 365,678</u>	<u>\$ 427,178</u>
Liabilities			
Current			
Finance	Other accrued liabilities	\$ 1,491	\$ 1,784
Operating	Operating lease liabilities	56,965	79,999
Long-term			
Finance	Finance lease liabilities	7,925	6,227
Operating	Operating lease liabilities	304,355	340,909
	Total lease liabilities	<u>\$ 370,736</u>	<u>\$ 428,919</u>
Weighted-average remaining lease term (in years)			
Finance		6.97	5.69
Operating		10.52	10.26
Weighted-average discount rate			
Finance		7.93 %	6.68 %
Operating		7.59 %	7.88 %

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The following table summarizes the lease costs recognized in our consolidated statements of operations (in thousands):

Lease cost type	Year Ended December 31,	
	2020	2019
Finance lease cost		
Amortization of finance lease ROU assets	\$ 2,007	\$ 1,896
Interest on lease liabilities	654	521
Operating lease cost	106,256	100,384
Variable lease cost	9,802	11,663
Short-term lease cost	1,926	1,874
Net lease cost	<u>\$ 120,645</u>	<u>\$ 116,338</u>

The following table summarizes the supplemental cash flow information related to leases as follows (in thousands):

Lease type	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of liabilities		
Financing cash flows from finance leases	\$ 1,932	\$ 2,167
Operating cash flows from finance leases	656	507
Operating cash flows from operating leases	103,270	99,713
Non-cash supplemental amounts		
ROU assets obtained in exchange for new finance lease liabilities	3,476	963
ROU assets obtained in exchange for new operating lease liabilities	22,529	79,382
ROU assets terminated in exchange for release from finance lease liabilities	—	—
ROU assets terminated in exchange for release from operating lease liabilities	7,738	193

The table below includes the estimated future undiscounted cash flows for finance and operating leases as of December 31, 2020 (in thousands):

For the year ending December 31,	Finance leases	Operating leases	Total
2021	\$ 2,143	\$ 82,212	\$ 84,355
2022	1,942	68,605	70,547
2023	1,935	54,607	56,542
2024	1,624	44,812	46,436
2025	1,383	43,254	44,637
Thereafter	3,457	201,966	205,423
Total lease payments	12,484	495,456	507,940
Less amount representing interest	(3,068)	(134,136)	(137,204)
Present value of lease liabilities	<u>\$ 9,416</u>	<u>\$ 361,320</u>	<u>\$ 370,736</u>

Additionally, we have \$6.6 million and \$4.9 million in future undiscounted cash flows for operating leases and finance leases that have not yet commenced, respectively. These leases are expected to commence when the lessor has made the equipment or location available to us to operate or begin construction, respectively.

Due to the transition method elected, information presented prior to January 1, 2019 has not been restated for FASB ASC 842 "Leases" and continues to be reported under the accounting standards in effect for the period. As of December 31, 2018, we had capital lease obligations related primarily to the leases of 17 retail stations. Most capital leases included one or more options to renew, with renewal terms that could extend the lease term from one to 15 years or more. Certain leases included escalation clauses and/or purchase options. Additionally, as of December 31, 2018, we had various cancelable and noncancelable operating leases related to land, vehicles, office and retail facilities, railcars, barges, and other facilities used in the storage, transportation, and sale of crude oil and refined products. We had operating leases for most of our retail stations

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with an average of eight years remaining and generally contained renewal options and escalation clauses. Leases for facilities used in the storage, transportation, and sale of crude oil and refined products had various expiration dates extending to 2044. Rent expense for the year ended December 31, 2018 was approximately \$41.6 million.

Note 17—Commitments and Contingencies

In the ordinary course of business, we are a party to various lawsuits and other contingent matters. We establish accruals for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on our financial condition, results of operations, or cash flows.

Tesoro Earn-out Dispute

On June 17, 2013, a wholly owned subsidiary of Par entered into a membership interest purchase agreement with Andeavor, formerly known as Tesoro Corporation (“Tesoro,” which changed its name to Andeavor Corporation before being purchased by Marathon Petroleum Company in October 2018), pursuant to which it purchased all of the issued and outstanding membership interests in Tesoro Hawaii, LLC, an entity that was renamed Hawaii Independent Energy, LLC, and thereafter renamed Par Hawaii Refining, LLC (“PHR”). The cash consideration for the acquisition was subject to an earn-out provision during the years 2014-2016, subject to, among other things, an annual earn-out cap of \$20 million and an overall cap of \$40 million. During 2016, we paid Tesoro a total of \$16.8 million to settle the 2014 and 2015 earn-out periods. Tesoro disputed our calculation of the 2015 and 2016 earn-out amounts and asserted that it was entitled to an additional earn-out amount of \$4.3 million for the 2015 earn-out period and a total earn-out amount of \$8.3 million for the 2016 earn-out period. On March 22, 2018, Tesoro agreed to settle the earn-out dispute and release and discharge any related claims in exchange for our payment of \$10.5 million.

Environmental Matters

Like other petroleum refiners, our operations are subject to extensive and periodically-changing federal, state, and local environmental laws and regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. Many of these regulations are becoming increasingly stringent and the cost of compliance can be expected to increase over time.

Periodically, we receive communications from various federal, state, and local governmental authorities asserting violations of environmental laws and/or regulations. These governmental entities may also propose or assess fines or require corrective actions for these asserted violations. We intend to respond in a timely manner to all such communications and to take appropriate corrective action. Except as disclosed below, we do not anticipate that any such matters currently asserted will have a material impact on our financial condition, results of operations, or cash flows.

Wyoming Refinery

Our Wyoming refinery is subject to a number of consent decrees, orders, and settlement agreements involving the EPA and/or the Wyoming Department of Environmental Quality, some of which date back to the late 1970s and several of which remain in effect, requiring further actions at the Wyoming refinery. The largest cost component arising from these various decrees relates to the investigation, monitoring, and remediation of soil, groundwater, surface water and sediment contamination associated with the facility's historic operations. Investigative work by Hermes Consolidated LLC, and its wholly owned subsidiary, Wyoming Pipeline Company (collectively, “WRC” or “Wyoming Refining”) and negotiations with the relevant agencies as to remedial approaches remain ongoing on a number of aspects of the contamination, meaning that investigation, monitoring, and remediation costs are not reasonably estimable for some elements of these efforts. As of December 31, 2020, we have accrued \$16.3 million for the well-understood components of these efforts based on current information, approximately one-third of which we expect to incur in the next five years and the remainder to be incurred over approximately 30 years.

Additionally, we believe the Wyoming refinery will need to modify or close a series of wastewater impoundments in the next several years and replace those impoundments with a new wastewater treatment system. Based on current information, reasonable estimates we have received suggest costs of approximately \$11.6 million to design and construct a new wastewater treatment system.

Finally, among the various historic consent decrees, orders, and settlement agreements into which Wyoming Refining has entered, there are several penalty orders associated with exceedances of permitted limits by the Wyoming refinery's

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wastewater discharges. Although the frequency of these exceedances has declined over time, Wyoming Refining may become subject to new penalty enforcement action in the next several years, which could involve penalties in excess of \$300,000.

Regulation of Greenhouse Gases

The EPA regulates greenhouse gases (“GHG”) under the federal Clean Air Act (“CAA”). New construction or material expansions that meet certain GHG emissions thresholds will likely require that, among other things, a GHG permit be issued in accordance with the federal CAA regulations and we will be required, in connection with such permitting, to undertake a technology review to determine appropriate controls to be implemented with the project in order to reduce GHG emissions.

Furthermore, the EPA is currently developing refinery-specific GHG regulations and performance standards that are expected to impose GHG emission limits and/or technology requirements. These control requirements may affect a wide range of refinery operations. Any such controls could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial condition, results of operations, or cash flows.

Additionally, the EPA’s final rule updating standards that control toxic air emissions from petroleum refineries imposed additional controls and monitoring requirements on flaring operations, storage tanks, sulfur recovery units, delayed coking units and required fence-line monitoring. Compliance with this rule has not had a material impact on our financial condition, results of operations, or cash flows to date.

In 2007, the State of Hawaii passed Act 234, which required that GHG emissions be rolled back on a statewide basis to 1990 levels by the year 2020. In June of 2014, the Hawaii Department of Health (“DOH”) adopted regulations that require each major facility to reduce CO₂ emissions by 16% by 2020 relative to a calendar year 2010 baseline (the first year in which GHG emissions were reported to the EPA under 40 CFR Part 98). The Hawaii refineries’ capacity to materially reduce fuel use and GHG emissions is limited because most energy conservation measures have already been implemented over the past 20 years. The regulation allows for “partnering” with other facilities (principally power plants) that have already dramatically reduced greenhouse emissions or are on schedule to reduce CO₂ emissions in order to comply independently with the state’s Renewable Portfolio Standards. Accordingly, our Hawaii refineries submitted a GHG reduction plan that incorporates the partnering provisions and demonstrates that additional reductions are not cost-effective or necessary because of the Hawaii refineries’ shared baseline allocation and because the State of Hawaii has already reached the 1990 levels according to a report prepared by the DOH in January 2019.

In 2007, the U.S. Congress passed the Energy Independence and Security Act (the “EISA”) which, among other things, set a target fuel economy standard of 35 miles per gallon for the combined fleet of cars and light trucks in the U.S. by model year 2020 and contained an expanded Renewable Fuel Standard (the “RFS”). In August 2012, the EPA and National Highway Traffic Safety Administration (“NHTSA”) jointly adopted regulations that establish vehicle carbon dioxide emissions standards and an average industry fuel economy of 54.5 miles per gallon by model year 2025. On August 8, 2018, the EPA and NHTSA jointly proposed to revise existing fuel economy standards for model years 2021-2025 and to set standards for 2026 for the first time. On March 31, 2020, the agencies released updated fuel economy and vehicle emissions standards, which provide for an increase in stringency by 1.5% each year through model year 2026, as compared with the standards issued in 2012 that required 5% annual increases. Higher fuel economy standards have the potential to reduce demand for our refined transportation fuel products.

Under EISA, the RFS requires an increasing amount of renewable fuel to be blended into the nation’s transportation fuel supply, up to 36 billion gallons by 2022. Over time, higher annual RFS requirements have the potential to reduce demand for our refined transportation fuel products. In the near term, the RFS will be satisfied primarily with fuel ethanol blended into gasoline. We, and other refiners subject to the RFS, may meet the RFS requirements by blending the necessary volumes of renewable fuels produced by us or purchased from third parties. To the extent that refiners will not or cannot blend renewable fuels into the products they produce in the quantities required to satisfy their obligations under the RFS program, those refiners must purchase renewable credits, referred to as RINs, to maintain compliance. To the extent that we exceed the minimum volumetric requirements for blending of renewable fuels, we have the option of retaining these RINs for current or future RFS compliance or selling those RINs on the open market. EPA has not yet set volumetric requirements for 2021, which makes it difficult to estimate our obligations. The RFS may present production and logistics challenges for both the renewable fuels and petroleum refining and marketing industries in that we may have to enter into arrangements with other parties or purchase D3 waivers from the EPA to meet our obligations to use advanced biofuels, including biomass-based diesel and cellulosic biofuel, with potentially uncertain supplies of these new fuels.

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In October 2010, the EPA issued a partial waiver decision under the federal CAA to allow for an increase in the amount of ethanol permitted to be blended into gasoline from 10% ("E10") to 15% ("E15") for 2007 and newer light duty motor vehicles. In 2019, the EPA approved year-round sales of E15. There are numerous issues, including state and federal regulatory issues, that need to be addressed before E15 can be marketed on a large scale for use in traditional gasoline engines; however, increased renewable fuel in the nation's transportation fuel supply could reduce demand for our refined products.

In March 2014, the EPA published a final Tier 3 gasoline standard that requires, among other things, that gasoline contain no more than 10 parts per million ("ppm") sulfur on an annual average basis and no more than 80 ppm sulfur on a per-gallon basis. The standard also lowers the allowable benzene, aromatics, and olefins content of gasoline. The effective date for the new standard was January 1, 2017, however, approved small volume refineries had until January 1, 2020 to meet the standard. The Par East Hawaii refinery was required to comply with Tier 3 gasoline standards within 30 months of June 21, 2016, the date it was disqualified from small volume refinery status. On March 19, 2015, the EPA confirmed the small refinery status of our Wyoming refinery. The Par East Hawaii refinery, our Wyoming refinery, and our Washington refinery, acquired in January 2019, were all granted small refinery status by the EPA for 2018. Owing to the receipt of these small refinery exemptions, our net income for the year ended December 31, 2019 includes \$5.3 million of net RIN benefit. All of our refineries were compliant with the final Tier 3 gasoline standard.

Beginning on June 30, 2014, new sulfur standards for fuel oil used by marine vessels operating within 200 miles of the U.S. coastline (which includes the entire Hawaiian Island chain) were lowered from 10,000 ppm (1%) to 1,000 ppm (0.1%). The sulfur standards began at the Hawaii refineries and were phased in so that by January 1, 2015, they were to be fully aligned with the International Marine Organization ("IMO") standards and deadline. The more stringent standards apply universally to both U.S. and foreign-flagged ships. Although the marine fuel regulations provided vessel operators with a few compliance options such as installation of on-board pollution controls and demonstration unavailability, many vessel operators will be forced to switch to a distillate fuel while operating within the Emission Control Area ("ECA"). Beyond the 200 mile ECA, large ocean vessels are still allowed to burn marine fuel with up to 3.5% sulfur. Our Hawaii refineries are capable of producing the 1% sulfur residual fuel oil that was previously required within the ECA. Although our Hawaii refineries remain in a position to supply vessels traveling to and through Hawaii, the market for 0.1% sulfur distillate fuel and 3.5% sulfur residual fuel is much more competitive.

In addition to U.S. fuels requirements, the IMO has also adopted newer standards that further reduce the global limit on sulfur content in maritime fuels to 0.5% beginning in 2020 ("IMO 2020"). Like the rest of the refining industry, we are focused on meeting these standards and may incur costs in producing lower-sulfur fuels.

There will be compliance costs and uncertainties regarding how we will comply with the various requirements contained in the EISA, RFS, IMO 2020, and other fuel-related regulations. We may experience a decrease in demand for refined petroleum products due to an increase in combined fleet mileage or due to refined petroleum products being replaced by renewable fuels.

Environmental Agreement

On September 25, 2013, Par Petroleum, LLC (formerly Hawaii Pacific Energy, a wholly owned subsidiary of Par created for purposes of the PHR acquisition), Tesoro, and PHR entered into an Environmental Agreement ("Environmental Agreement") that allocated responsibility for known and contingent environmental liabilities related to the acquisition of PHR, including a consent decree.

Indemnification

In addition to its obligation to reimburse us for capital expenditures incurred pursuant to a consent decree, Tesoro agreed to indemnify us for claims and losses arising out of related breaches of Tesoro's representations, warranties, and covenants in the Environmental Agreement, certain defined "corrective actions" relating to pre-existing environmental conditions, third-party claims arising under environmental laws for personal injury or property damage arising out of or relating to releases of hazardous materials that occurred prior to the date of the closing of the PHR acquisition, any fine, penalty, or other cost assessed by a governmental authority in connection with violations of environmental laws by PHR prior to the date of the closing of the PHR acquisition, certain groundwater remediation work, fines, or penalties imposed on PHR by a consent decree related to acts or omissions of Tesoro prior to the date of the closing of the PHR acquisition, and claims and losses related to the Pearl City Superfund Site.

Tesoro's indemnification obligations are subject to certain limitations as set forth in the Environmental Agreement. These limitations include a deductible of \$1 million and a cap of \$15 million for certain of Tesoro's indemnification

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obligations related to certain pre-existing conditions, as well as certain restrictions regarding the time limits for submitting notice and supporting documentation for remediation actions.

Recovery Trusts

We emerged from the reorganization of Delta Petroleum Corporation (“Delta”) on August 31, 2012 (“Emergence Date”), when the plan of reorganization (“Plan”) was consummated. On the Emergence Date, we formed the Delta Petroleum General Recovery Trust (“General Trust”). The General Trust was formed to pursue certain litigation against third parties, including preference actions, fraudulent transfer and conveyance actions, rights of setoff and other claims, or causes of action under the U.S. Bankruptcy Code and other claims and potential claims that Delta and its subsidiaries (collectively, “Debtors”) hold against third parties. On February 27, 2018, the Bankruptcy Court entered its final decree closing the Chapter 11 bankruptcy cases of Delta and the other Debtors, discharging the trustee for the General Trust, and finding that all assets of the General Trust were resolved, abandoned, or liquidated and have been distributed in accordance with the requirements of the Plan. In addition, the final decree required the Company or the General Trust, as applicable, to maintain the current accruals owed on account of the remaining claims of the U.S. Government and Noble Energy, Inc.

As of December 31, 2020, two related claims totaling approximately \$22.4 million remained to be resolved and we have accrued approximately \$0.5 million representing the estimated value of claims remaining to be settled which are deemed probable and estimable at period end.

One of the two remaining claims was filed by the U.S. Government for approximately \$22.4 million relating to ongoing litigation concerning a plugging and abandonment obligation in Pacific Outer Continental Shelf Lease OCS-P 0320, comprising part of the Sword Unit in the Santa Barbara Channel, California. The second unliquidated claim, which is related to the same plugging and abandonment obligation, was filed by Noble Energy Inc., the operator and majority interest owner of the Sword Unit. We believe the probability of issuing stock to satisfy the full claim amount is remote, as the obligations upon which such proof of claim is asserted are joint and several among all working interest owners and Delta, our predecessor, only owned an approximate 3.4% aggregate working interest in the unit.

The settlement of claims is subject to ongoing litigation and we are unable to predict with certainty how many shares will be required to satisfy all claims. Pursuant to the Plan, allowed claims are settled at a ratio of 54.4 shares per \$1,000 of claim.

Major Customers

We sell a variety of refined products to a diverse customer base. For the year ended December 31, 2020, we had one customer in our refining segment that accounted for 13% of our consolidated revenue. No other customer accounted for more than 10% of our consolidated revenues during the years ended December 31, 2020, 2019, and 2018.

Note 18—Stockholders’ Equity

Common Stock

Our certificate of incorporation contains restrictions on the transfer of certain of our securities in order to preserve the net operating loss carryovers, capital loss carryovers, general business credit carryovers, and foreign tax credit carryovers, as well as any “net unrealized built-in loss” within the meaning of Section 382 of the Internal Revenue Service Code, of us or any direct or indirect subsidiary thereof. These restrictions include provisions regarding approval by our Board of Directors of transfers of common stock by holders of five percent or more of the outstanding common stock. Our debt agreements restrict the payment of dividends.

Registration Rights Agreements

In connection with our emergence from bankruptcy on August 31, 2012, we entered into a registration rights agreement (“Registration Rights Agreement”) providing the stockholders party thereto (“Stockholders”) with certain registration rights.

The Registration Rights Agreement states that at any time after the consummation of a qualified public offering, any Stockholder or group of Stockholders that, together with its or their affiliates, holds more than fifteen percent of the Registrable Shares (as defined in the Registration Rights Agreement), will have the right to require us to file with the SEC a registration statement for a public offering of all or part of its Registrable Shares (each a “Demand Registration”), by delivery of written notice to the company (each, a “Demand Request”).

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Within 90 days after receiving the Demand Request, we must file with the SEC the registration statement with respect to the Demand Registration, subject to certain limitations as set forth in the Registration Rights Agreement. We are required to use commercially reasonable efforts to cause the registration statement to be declared effective as soon as practicable after such filing.

In addition, subject to certain exceptions, if we propose to register any class of common stock for sale to the public, we are required, subject to certain conditions, to include all Registrable Shares with respect to which we have received written requests for inclusion.

In connection with the closing of a private placement, we entered into an additional registration rights agreement with the purchasers of the shares. Under this registration rights agreement, we agreed to file a registration statement relating to the shares of common stock with the SEC within 60 days after the closing date of the sale which would be declared effective within 180 days of the closing date of the sale. We also agreed to use commercially reasonable efforts to keep the registration statement effective until the earliest to occur of (i) the disposition of all registrable securities, (ii) the availability under Rule 144 of the Securities Act of 1933, as amended, for each holder of registrable securities to immediately freely resell such registrable securities without volume restrictions, or (iii) the third anniversary of the effective date of the registration statement.

This registration rights agreement also provides the right for a holder or group of holders of more than \$50 million of registrable securities to demand that we conduct an underwritten public offering of the registrable securities. However, the demanding holders are limited to a total of three such underwritten offerings, with no more than one demand request for an underwritten offering made in any 365 day period. Additionally, this registration rights agreement contains customary indemnification rights and obligations for both us and the holders of registrable securities.

If this registration statement does not remain effective for the applicable effectiveness period described above then from that date until cured, we must pay, as liquidated damages and not as a penalty, an amount in cash equal to 0.25% of the purchaser's allocated purchase price per calendar month, not to exceed 0.75% of the allocated purchase price.

The registration rights granted in each rights agreement are subject to customary indemnification and contribution provisions, as well as customary restrictions such as suspension periods and, if a registration is for an underwritten offering, limitations on the number of shares to be included in the underwritten offering imposed by the managing underwriter.

In connection with the completion of the Company's private unregistered offering of its 5.00% Convertible Senior Notes, the Company entered into a Registration Rights Agreement (the "Convertible Notes Registration Rights Agreement"), dated as of June 21, 2016, with the initial purchasers in the offering of the 5.00% Convertible Senior Notes. The Convertible Notes Registration Rights Agreement requires the Company (i) to file with the SEC a shelf registration statement covering resales of the shares of common stock, if any, issuable upon conversion of the 5.00% Convertible Senior Notes and in respect of any make-whole premium, (ii) to use its best efforts to cause, if not a well-known seasoned issuer, such shelf registration statement to be declared effective by the SEC within 180 days after June 21, 2016, and (iii) to use its best efforts to keep such shelf registration statement effective until the earlier of (A) the 120th calendar day immediately following the maturity date of the 5.00% Convertible Senior Notes or (B) the date on which there are no longer outstanding any 5.00% Convertible Senior Notes or restricted shares of the common stock that have been received upon conversion of the 5.00% Convertible Senior Notes or in respect of any make-whole premium.

If the Company does not fulfill its obligations under the Convertible Notes Registration Rights Agreement, it will be required to pay the holders of the 5.00% Convertible Senior Notes liquidated damages in the form of additional interest on the 5.00% Convertible Senior Notes. Such additional interest will accrue at a rate per year equal to: (i) 0.25% of the principal amount of the 5.00% Convertible Senior Notes to, and including, the 90th day following such registration default and (ii) 0.50% of the principal amount of the 5.00% Convertible Senior Notes from, and after, the 91st day following such registration default. In no event will the liquidated damages exceed 0.50% per year.

Incentive Plans

Our incentive compensation plans are described below.

Long Term Incentive Plan

On December 20, 2012, our Board of Directors ("Board") approved the Par Petroleum Corporation 2012 Long Term Incentive Plan ("Incentive Plan" or "LTIP"). Under the Incentive Plan, the Board, or a committee of the Board, may grant incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, and performance restricted stock units to directors and other employees or those of our subsidiaries. On February 16, 2016 and February 27, 2018, the Board

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approved the amendment and restatement of the Incentive Plan to increase the number of shares issuable under the Amended and Restated LTIP. The Company's shareholders ratified the amended and restated Incentive Plan on June 2, 2016 and May 8, 2018, respectively. The maximum number of shares that may be granted under the LTIP is 6.0 million shares of common stock. At December 31, 2020, 1.4 million shares were available for future grants and awards under the LTIP.

Restricted stock and restricted stock units awarded under the Incentive Plan are subject to restrictions, terms, and conditions, including forfeitures, as may be determined by the Board. During the period in which such restrictions apply, unless specifically provided otherwise in accordance with the terms of the Incentive Plan, the recipient of the restricted stock would be the record owner of the shares and have all of the rights of a stockholder with respect to the shares, including the right to vote and the right to receive dividends or other distributions made or paid with respect to the shares. The recipient of restricted stock units shall not have any of the rights of a stockholder of the Company until such units vest and convert into shares of common stock. The fair value of the restricted stock and stock units is generally determined based upon the quoted market price of our common stock on the date of grant. Restricted stock awards generally vest ratably over a four-year period. Restricted stock units do not vest ratably, rather they generally vest in full at the end of three years, while some restricted stock units vest over the same period of time with a one-year cliff.

Stock options are issued with an exercise price equal to the fair market value of our common stock on the date of grant and are subject to such other terms and conditions as may be determined by the Board. The options generally expire eight years from the grant date, unless granted by the Board for a shorter term. Option grants generally vest ratably over a four-year period.

Stock Purchase Plan

On June 12, 2014, the Board adopted a Stock Purchase Plan (as amended, the "SPP") plan. The SPP is limited to the Company's qualifying executive officers and directors who qualify as accredited investors under Rule 501(a) of the Securities Act of 1933, as amended. The SPP provides that each participant may, subject to compliance with securities laws and other regulations and only during "window periods" as described in our insider trading policy as in effect from time to time, until the later to occur of (a) December 31, 2015 or (b) the eighteen month anniversary of the date that the participant commenced his or her employment or service with us, purchase, in a single transaction, up to \$1 million of shares of our common stock ("the SPP Shares") at a per share purchase price equal to the closing price of the common stock on the date of purchase. The sale or transfer of the SPP Shares by such participant would be limited for the earlier of (i) two years from the date of purchase or (ii) the termination of the participant's service with us or any affiliates for any reason. Additionally, the SPP provides that each purchasing participant will be granted a number of shares of restricted common stock under the Incentive Plan equal to 20% of the SPP Shares purchased with 50% of the restricted common stock vesting on each of the two annual anniversaries of the date of grant. Each purchasing participant will also be granted nonstatutory stock options with a 5-year term to purchase a number of shares of common stock under the Incentive Plan (with an exercise price equal to the Fair Market Value as defined in the Incentive Plan on the date of grant) equal to certain specified percentages of the SPP Shares purchased based on a Black-Scholes model with 50% of the options vesting on each of the two annual anniversaries of the date of grant. Such percentages are as follows: 50% for a non-employee chairman of the Board, 35% for non-employee members of the Board, and 50% - 70% for executive officers.

The following table summarizes our compensation costs recognized in General and administrative expense (excluding depreciation) and Operating expense (excluding depreciation) under the Incentive Plan and Stock Purchase Plan (in thousands):

	Years Ended December 31,		
	2020	2019	2018
Restricted Stock Awards	\$ 3,939	\$ 3,490	\$ 3,483
Restricted Stock Units	\$ 1,510	\$ 1,269	\$ 835
Stock Option Awards	\$ 1,660	\$ 1,454	\$ 1,878

Employee Stock Purchase Plan

On February 27, 2018, our Board approved the Par Pacific Holdings, Inc. 2018 Employee Stock Purchase Plan ("ESPP"). Beginning in 2019, eligible employees may elect to purchase the Company's common stock at 85% of the market price on the purchase date. Eligible employees may invest from 0% to 10% of their annual income subject to a \$15 thousand annual maximum. The Board, or a committee of the Board, is authorized to set the market price discount percentages, any holding periods, and other purchasing terms and timing. The Company's shareholders ratified the ESPP on May 8, 2018. The maximum number of shares that may be issued under the ESPP is 500 thousand shares of common stock. At December 31, 2020, 287 thousand shares remained available under the ESPP.

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During each of the years ended December 31, 2020 and 2019, we recognized \$0.2 million of compensation costs in General and administrative expense (excluding depreciation) and Operating expense (excluding depreciation) related to the 15% discount offered to employees under the ESPP. During the years ended December 31, 2020 and 2019, employees purchased 145 thousand and 68 thousand shares under the ESPP, respectively.

Management Stock Purchase Plan

On February 26, 2019, our Board approved the Par Pacific Holdings, Inc. 2019 Management Stock Purchase Plan (the "MSPP"). The MSPP provides executive management with an opportunity to receive restricted stock units ("RSUs") by converting a portion of their cash bonus compensation into RSUs ("Deferred RSUs") and receiving awards of matching RSUs, the amount of which are determined by the amount of compensation converted ("Matching RSUs"). A Deferred RSU and a Matching RSU each represents a right to receive one share of the Company's common stock in the future, subject to the terms and conditions of the MSPP, including, but not limited to, vesting requirements. Shares of common stock issued pursuant to awards of Deferred RSUs and Matching RSUs will be issued from the shares reserved for issuance under the LTIP. As of December 31, 2020, no Deferred RSUs or Matching RSUs had been issued under the MSPP.

Restricted Stock Awards and Restricted Stock Units

The following table summarizes our restricted stock activity (in thousands, except per share amounts):

	Shares	Weighted-Average Grant Date Fair Value
Unvested balance at December 31, 2019	538	\$ 16.95
Granted	337	16.97
Vested	(225)	16.83
Forfeited	(21)	18.53
Unvested balance at December 31, 2020	629	\$ 16.89

The total fair value of restricted stock and restricted stock units that vested during the years ended December 31, 2020, 2019, and 2018 was \$3.8 million, \$3.7 million, and \$3.3 million, respectively. The estimated weighted-average grant-date fair value per share of restricted stock and restricted stock units granted during the years ended December 31, 2020, 2019, and 2018 was \$16.97, \$17.43, and \$17.47, respectively.

As of December 31, 2020 and 2019, there was approximately \$7.1 million and \$6.3 million of total unrecognized compensation costs related to restricted stock awards and restricted stock units, which are expected to be recognized on a straight-line basis over a weighted-average period of 1.68 years and 1.69 years, respectively.

Performance Restricted Stock Units

The following table summarizes our performance restricted stock activity (in thousands, except per unit amounts):

	Units	Weighted-Average Grant Date Fair Value
Unvested balance at December 31, 2019	146	\$ 16.33
Granted	47	19.73
Vested	(54)	14.60
Forfeited	—	—
Unvested balance at December 31, 2020	139	\$ 18.02

The granted performance restricted stock units had a fair value of approximately \$0.9 million, \$0.8 million, and \$0.8 million during the years ended December 31, 2020, 2019, and 2018, respectively, and are subject to certain annual performance targets based on three-year performance periods as defined by our Board. The estimated weighted-average grant-date fair value per share of performance restricted stock units granted during the years ended December 31, 2020, 2019, and 2018 was \$19.73, \$17.00, and \$17.34, respectively.

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As of December 31, 2020 and 2019, there were approximately \$1.0 million and \$0.9 million of total unrecognized compensation costs related to the performance restricted stock units, which are expected to be recognized on a straight-line basis over a weighted-average period of 1.75 years and 1.74 years, respectively.

Stock Option Grants

The fair value of each option is estimated on the grant date using the Black-Scholes option pricing model. The expected term represents the period of time that options are expected to be outstanding and is based upon the term of the option. The expected volatility represents the extent to which our stock price is expected to fluctuate between the grant date and the expected term of the award. We do not use an expected dividend yield in our fair value measurement as we are restricted from the payment of dividends. The risk-free rate is the implied yield available on U.S. Treasury securities with a remaining term equal to the expected term of the option at the date of grant. The weighted-average assumptions used to measure stock options granted during 2020, 2019, and 2018 are presented below.

	2020	2019	2018
Expected life from date of grant (years)	5.3	5.3	5.3
Expected volatility	33.2%	34.3%	36.2%
Risk-free interest rate	1.31%	2.46%	2.50%

The following table summarizes our stock option activity (in thousands, except per share amounts and term years):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding balance at December 31, 2019	2,030	\$ 19.31	4.7	\$ 7,981
Issued	279	19.73		
Exercised	—	—		
Forfeited / canceled	(181)	20.56		
Outstanding balance at December 31, 2020	2,128	\$ 19.26	4.1	\$ —
Exercisable, end of year	1,451	\$ 19.86	3.1	\$ —

The estimated weighted-average grant-date fair value per share of options granted during the year ended December 31, 2020, 2019, and 2018 was \$6.30, \$5.98, and \$6.30, respectively.

As of December 31, 2020 and 2019, there were approximately \$2.8 million and \$2.7 million of total unrecognized compensation costs related to stock option awards, which are expected to be recognized on a straight-line basis over a weighted-average period of 1.68 years and 1.69 years, respectively.

Note 19—Benefit Plans

Defined Contribution Plans

We maintain defined contribution plans for our employees. All eligible employees, including our U.S. Oil & Refining Co. employees beginning January 1, 2020, may participate in our Par plan after thirty days of service. For all employees participating in the Par plan, excluding participating U.S. Oil union employees, we match employee contributions up to a maximum of 6% of the employee's eligible compensation, with the employer contributions vesting at 100%. Beginning in January 2021 and as part of cost reductions in response to the impact of the COVID-19 pandemic on our businesses, we have temporarily suspended matching employee contributions for salaried employees with 2020 annual earnings in excess of the IRS highly compensated limit of \$130,000. For the years ended December 31, 2020, 2019, and 2018, we made contributions to the plans totaling approximately \$5.6 million, \$5.6 million, and \$4.0 million, respectively.

Defined Benefit Plans

We maintain defined benefit pension plans (the "Benefit Plans") covering eligible Wyoming Refining employees and the employees of U.S. Oil covered by a collective bargaining agreement. Benefits under our Wyoming Refining plan are based on years of service and the employee's highest average compensation received during five consecutive years of the last ten

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years of employment. Benefits under our U.S. Oil plan are based on the employee's hourly rate of compensation at the beginning of each year of employment. Our funding policy is to contribute annually an amount equal to the pension expense, subject to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and the tax deductibility of such contributions. In December 2016 and March 2021, the Wyoming Refining plan was amended to freeze all future benefit accruals for salaried and hourly plan participants, respectively.

The changes in the projected benefit obligation and the fair value of plan assets of our Benefit Plans for the years ended December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Changes in projected benefit obligation:		
Projected benefit obligation as of the beginning of the period	\$ 52,142	\$ 27,539
Acquired	—	16,831
Service cost	1,347	910
Interest cost	1,642	1,794
Actuarial loss (1)	7,038	6,688
Benefits paid	(1,690)	(1,620)
Projected benefit obligation as of the end of the period	<u>\$ 60,479</u>	<u>\$ 52,142</u>
Changes in fair value of plan assets:		
Fair value of plan assets as of the beginning of the period	\$ 42,866	\$ 20,254
Acquired	—	16,027
Actual return (loss) on plan assets	4,860	6,405
Employer contributions	125	1,800
Benefits paid	(1,690)	(1,620)
Fair value of plan assets as of the end of the period	<u>\$ 46,161</u>	<u>\$ 42,866</u>

(1) For the year ended December 31, 2020, the change in the actuarial loss was due to a decrease in the discount rate, new entrants to the plan, and salary changes, partially offset by demographic assumption changes. For the year ended December 31, 2019, the change in the actuarial loss was due to a decrease in the discount rate, partially offset by differences between actual activity and actuarial assumptions and demographic assumption changes.

The underfunded status of our Benefit Plans is recorded within Other liabilities on our consolidated balance sheets. The reconciliation of the underfunded status of our Benefit Plans of December 31, 2020 and 2019 was as follows:

	2020	2019
Projected benefit obligation	\$ 60,479	\$ 52,142
Fair value of plan assets	46,161	42,866
Underfunded status	<u>\$ 14,318</u>	<u>\$ 9,276</u>
Gross amounts recognized in accumulated other comprehensive income (loss): (1)		
Net actuarial gain (loss)	\$ (6,946)	\$ (2,622)

(1) As of December 31, 2020, we had no service costs recognized in accumulated other comprehensive income.

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Weighted-average assumptions used to measure our projected benefit obligation as of December 31, 2020, 2019, and 2018 and net periodic benefit costs for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Projected benefit obligation:			
Wyoming Refining plan			
Discount rate (1)	2.65 %	3.30 %	4.20 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %
U.S. Oil plan			
Discount rate (1)	2.35 %	3.10 %	— %
Rate of compensation increase	3.00 %	3.00 %	— %
Net periodic benefit costs:			
Wyoming Refining plan			
Discount rate (1)	3.30 %	4.20 %	3.65 %
Expected long-term rate of return (2)	6.25 %	6.50 %	6.50 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %
U.S. Oil plan			
Discount rate (1)	3.10 %	4.10 %	— %
Expected long-term rate of return (2)	6.00 %	6.00 %	— %
Rate of compensation increase	3.00 %	3.00 %	— %

(1) In determining the discount rate, we use pricing and yield information for high-quality corporate bonds that result in payments similar to the estimated distributions of benefits from our plans.

(2) The expected long-term rate of return is based on the target asset allocation of each plan and capital market assumptions developed using forward-looking models and historical market data and trends.

The net periodic benefit cost for the years ended December 31, 2020, 2019, and 2018 includes the following components:

	2020	2019	2018
Components of net periodic benefit cost:			
Service cost	\$ 1,347	\$ 910	\$ 548
Interest cost	1,642	1,794	1,107
Expected return on plan assets	(2,323)	(1,972)	(1,258)
Amortization of net loss	176	95	—
Amortization of prior service cost	1	3	—
Net periodic benefit cost	\$ 843	\$ 830	\$ 397

The Service cost component of net periodic benefit cost is included in Operating expense (excluding depreciation) on our consolidated statement of operations for the years ended December 31, 2020, 2019, and 2018. The other components of net periodic benefit cost are included in Other income, net on our consolidated statement of operations for the years ended December 31, 2020, 2019, and 2018.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

The weighted-average asset allocation for our Wyoming Refining plan at December 31, 2020 is as follows:

Asset category:	Target	Actual
Equity securities	54 %	54 %
Debt securities	35 %	35 %
Real estate	11 %	11 %
Total	100 %	100 %

The weighted-average asset allocation for our U.S. Oil plan at December 31, 2020 is as follows:

Asset category:	Target	Actual
Equity securities	56 %	59 %
Debt securities	43 %	41 %
Cash and Cash Equivalents	1 %	— %
Total	100 %	100 %

We have a long-term, risk-controlled investment approach using diversified investment options with minimal exposure to volatile investment options like derivatives. Our Benefit Plans' assets are invested in pooled separate accounts administered by the Benefit Plans' custodians. The underlying assets in the pooled separate accounts are invested in equity securities, debt securities, real estate, or cash and cash equivalents. The pooled separate accounts are valued based upon the fair market value of the underlying investments and are deemed to be Level 2.

We intend to contribute \$0.2 million to the Wyoming Refining plan during 2021. We do not intend to make any contributions to the U.S. Oil plan during 2021. Based on current data and assumptions, the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next 10 years:

Year Ended	
2021	\$ 2,012
2022	2,098
2023	2,229
2024	2,260
2025	2,468
Thereafter	13,806
	\$ 24,873

Note 20—Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the sum of the weighted-average number of common shares outstanding and the weighted-average number of shares issuable under the common stock warrants, representing 61 thousand shares during the year ended December 31, 2020 and 354 thousand shares during each of the years ended December 31, 2019 and 2018. The common stock warrants are included in the calculation of basic income (loss) per share because they were issuable for minimal consideration. As of March 31, 2020, the previously outstanding common stock warrants had been exercised for common stock and no warrants were outstanding.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

The following table sets forth the computation of basic and diluted income (loss) per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Less: Undistributed income allocated to participating securities (1)	—	438	556
Net income (loss) attributable to common stockholders	(409,086)	40,371	38,871
Plus: Net income effect of convertible securities	—	—	—
Numerator for diluted income (loss) per common share	\$ (409,086)	\$ 40,371	\$ 38,871
Basic weighted-average common stock shares outstanding	53,295	50,352	45,726
Plus: dilutive effects of common stock equivalents (2)	—	118	29
Diluted weighted-average common stock shares outstanding	53,295	50,470	45,755
Basic income (loss) per common share	\$ (7.68)	\$ 0.80	\$ 0.85
Diluted income (loss) per common share	\$ (7.68)	\$ 0.80	\$ 0.85
Diluted income (loss) per common share excludes the following equity instruments because their effect would be anti-dilutive:			
Shares of unvested restricted stock	475	182	68
Shares of stock options	2,229	1,577	1,304
Common stock equivalents using the if-converted method of settling the 5.00% Convertible Senior Notes	2,704	5,122	6,389

(1) Participating securities include restricted stock that has been issued but had not yet vested. These participating securities were fully vested as of December 31, 2019.

(2) Entities with a net loss from continuing operations are prohibited from including potential common shares in the computation of diluted per share amounts. We have utilized the basic shares outstanding to calculate both basic and diluted loss per common share for the year ended December 31, 2020.

Note 21—Income Taxes

As of December 31, 2020, we had approximately \$1.7 billion in net operating loss carryforwards (“NOL carryforwards”); however, we currently have a valuation allowance against this and substantially all of our other deferred tax assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. For the year ended December 31, 2020, we recorded an income tax benefit of \$20.7 million primarily driven by an increase in our net operating loss carryforwards and the change in our indefinitely-lived goodwill due to the impairments. For the year ended December 31, 2019, we recorded an income tax benefit of \$69.7 million primarily driven by a \$64.2 million benefit associated with the partial release of our valuation allowance in connection with the recognition of deferred tax liabilities acquired as part of the Washington Acquisition. Management continues to conclude that we did not meet the “more likely than not” requirement in order to recognize deferred tax assets on the remaining amounts and a valuation allowance has been recorded for substantially all of our net deferred tax assets at December 31, 2020 and 2019.

In connection with our emergence from bankruptcy on August 31, 2012, we experienced an ownership change as defined under Section 382 of the Code. Section 382 generally places a limit on the amount of NOL carryforwards and other tax attributes arising before an ownership change that may be used to offset taxable income after an ownership change. We believe that we have qualified for an exception to the general limitation rules under Code Section 382(i)(5) which provides for substantially less restrictive limitations on our NOL carryforwards. Our amended and restated certificate of incorporation places restrictions upon the ability of certain equity interest holders to transfer their ownership interest in us. These restrictions are designed to provide us with the maximum assurance that another ownership change does not occur that could adversely impact our NOL carryforwards.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

We believe that any adjustment to our uncertain tax positions would not have a material impact on our financial statements given the Company's deferred tax and corresponding valuation allowance position as of December 31, 2020.

Our net taxable income must be apportioned to various states based upon the income tax laws of the states in which we derive our revenue. Our NOL carryforwards will not always be available to offset taxable income apportioned to the various states. The states from which our refining, logistics, and retail revenues are derived are not the same states in which our NOLs were incurred; therefore, we expect to incur state tax liabilities in connection with our refining, logistics, and retail operations.

The Tax Cuts and Jobs Act enacted in 2017 lowered the Federal corporate tax rate from 35% to 21% and made numerous other tax law changes. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. During 2018, we recorded a benefit for the release of \$0.7 million of our valuation allowance to offset future temporary differences associated with the interest expense carryforwards available under the Tax Cuts and Jobs Act.

We will continue to assess the realizability of our deferred tax assets based on consideration of actual operating results. If sufficient positive evidence of improving actual operating results becomes available, the amount of the deferred tax asset considered more likely than not to be recognized would be increased with a corresponding reduction in income tax expense in the period recorded.

Income tax expense (benefit) consisted of the following (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Current:			
U.S.—Federal	\$ —	\$ (3,203)	\$ (328)
U.S.—State	51	400	—
Foreign	125	—	—
Deferred:			
U.S.—Federal	(20,509)	(58,461)	426
U.S.—State	(387)	(8,425)	235
Total	<u>\$ (20,720)</u>	<u>\$ (69,689)</u>	<u>\$ 333</u>

Income tax expense was different from the amounts computed by applying U.S. Federal income tax rate to pretax income as a result of the following:

	Year Ended December 31,		
	2020	2019	2018
Federal statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	0.1 %	(1.1)%	0.6 %
Change in valuation allowance related to current activity	(14.0)%	227.1 %	(21.3)%
Permanent items	(2.3)%	(4.3)%	1.3 %
Provision to return adjustments and other	—%	(1.4)%	(0.8)%
Actual income tax rate	<u>4.8 %</u>	<u>241.3 %</u>	<u>0.8 %</u>

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

Deferred tax assets (liabilities) are comprised of the following (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss	\$ 427,245	\$ 373,717
Intangible assets	2,958	—
Environmental credit obligations	25,994	771
Other	22,551	18,789
Total deferred tax assets	478,748	393,277
Valuation allowance	(411,422)	(330,251)
Net deferred tax assets	67,326	63,026
Deferred tax liabilities:		
Inventory	10,328	5,738
Property and equipment	58,122	64,281
Investment in Laramie Energy	4,522	11,609
Convertible notes	—	2,285
Intangible assets	—	750
Other	—	4,904
Total deferred tax liabilities	72,972	89,567
Total deferred tax liability, net	\$ (5,646)	\$ (26,541)

We have NOL carryforwards as of December 31, 2020 of \$1.7 billion for federal income tax purposes. If not utilized, the NOL carryforwards will expire during 2028 through 2036.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

Note 22—Segment Information

We report the results for the following four reportable segments: (i) Refining, (ii) Logistics, (iii) Retail, and (iv) Corporate and Other. Commencing in the first quarter of 2018, the results of operations of Northwest Retail are included in our retail segment. Commencing January 11, 2019, the results of operations of the Washington Acquisition are included in our refining and logistics segments.

Summarized financial information concerning reportable segments consists of the following (in thousands):

For the year ended December 31, 2020	Refining	Logistics	Retail	Corporate, Eliminations, and Other (1)	Total
Revenues	\$ 2,886,701	\$ 180,909	\$ 363,713	\$ (306,453)	\$ 3,124,870
Cost of revenues (excluding depreciation)	2,908,870	110,385	234,885	(306,443)	2,947,697
Operating expense (excluding depreciation)	199,738	13,581	64,108	—	277,427
Depreciation, depletion, and amortization	53,930	21,899	10,692	3,515	90,036
Impairment expense	55,989	—	29,817	—	85,806
General and administrative expense (excluding depreciation)	—	—	—	41,288	41,288
Acquisition and integration costs	—	—	—	614	614
Operating income (loss)	\$ (331,826)	\$ 35,044	\$ 24,211	\$ (45,427)	\$ (317,998)
Interest expense and financing costs, net					(70,222)
Debt extinguishment and commitment costs					—
Other income, net					1,049
Change in value of common stock warrants					4,270
Equity losses from Laramie Energy, LLC					(46,905)
Loss before income taxes					(429,806)
Income tax benefit					20,720
Net loss					\$ (409,086)
Total assets	\$ 1,478,603	\$ 444,800	\$ 193,365	\$ 17,093	\$ 2,133,861
Goodwill	39,821	55,232	32,944	—	127,997
Capital expenditures	38,781	20,898	2,547	1,296	63,522

(1) Includes eliminations of intersegment revenues and cost of revenues of \$306.5 million for the year ended December 31, 2020.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

For the year ended December 31, 2019	Refining	Logistics	Retail	Corporate, Eliminations, and Other (1)	Total
Revenues	\$ 5,167,942	\$ 199,226	\$ 458,889	\$ (424,541)	\$ 5,401,516
Cost of revenues (excluding depreciation)	4,783,747	112,124	332,302	(424,584)	4,803,589
Operating expense (excluding depreciation)	234,582	11,010	67,307	—	312,899
Depreciation, depletion, and amortization	55,832	17,017	10,035	3,237	86,121
General and administrative expense (excluding depreciation)	—	—	—	46,223	46,223
Acquisition and integration costs	—	—	—	4,704	4,704
Operating income (loss)	\$ 93,781	\$ 59,075	\$ 49,245	\$ (54,121)	\$ 147,980
Interest expense and financing costs, net					(74,839)
Debt extinguishment and commitment costs					(11,587)
Other income, net					2,516
Change in value of common stock warrants					(3,199)
Change in value of contingent consideration					—
Equity losses from Laramie Energy, LLC					(89,751)
Loss before income taxes					(28,880)
Income tax benefit					69,689
Net income					\$ 40,809
Total assets	\$ 1,907,318	\$ 494,209	\$ 232,150	\$ 66,883	\$ 2,700,560
Goodwill	77,927	55,232	62,760	—	195,919
Capital expenditures	34,492	40,730	6,869	1,829	83,920

(1) Includes eliminations of intersegment revenues and cost of revenues of \$424.5 million for the year ended December 31, 2019.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
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For the year ended December 31, 2018	Refining	Logistics	Retail	Corporate, Eliminations, and Other (1)	Total
Revenues	\$ 3,210,067	\$ 125,743	\$ 441,040	\$ (366,122)	\$ 3,410,728
Cost of revenues (excluding depreciation)	2,957,995	77,712	333,664	(366,255)	3,003,116
Operating expense (excluding depreciation)	146,320	7,782	61,182	—	215,284
Depreciation, depletion, and amortization	32,483	6,860	8,962	4,337	52,642
General and administrative expense (excluding depreciation)	—	—	—	47,426	47,426
Acquisition and integration costs	—	—	—	10,319	10,319
Operating income (loss)	\$ 73,269	\$ 33,389	\$ 37,232	\$ (61,949)	\$ 81,941
Interest expense and financing costs, net					(39,768)
Debt extinguishment and commitment costs					(4,224)
Other income, net					1,046
Change in value of common stock warrants					1,801
Change in value of contingent consideration					(10,500)
Equity earnings from Laramie Energy, LLC					9,464
Income before income taxes					39,760
Income tax expense					(333)
Net income					\$ 39,427
Total assets	\$ 968,623	\$ 130,138	\$ 201,848	\$ 160,125	\$ 1,460,734
Goodwill	53,264	37,373	62,760	—	153,397
Capital expenditures	25,601	13,055	6,101	3,682	48,439

(1) Includes eliminations of intersegment revenues and cost of revenues of \$365.5 million for the year ended December 31, 2018.

Note 23—Related Party Transactions

Convertible Notes Offering

In June 2016, we issued \$115 million in aggregate principal amount of our 5.00% Convertible Senior Notes in a private placement under Rule 144A in the Notes Offering. Please read Note 13—Debt for further discussion.

Prior to the Notes Offering, we also entered into a backstop convertible note commitment letter with funds managed by Highbridge Capital Management, LLC (“Highbridge”) and funds managed on behalf of Whitebox Advisors, LLC (“Whitebox”) (collectively, the “Backstop Convertible Note Purchasers”), pursuant to which the Backstop Convertible Note Purchasers committed to purchase \$100 million aggregate principal amount of senior unsecured convertible notes due 2021, which would be issued in a private offering pursuant to an exemption from the registration requirements of the Securities Act.

The obligations of the Backstop Convertible Note Purchasers to purchase convertible notes automatically terminated upon the consummation of the Notes Offering, provided that each of the Back Up Convertible Note Purchasers and their respective affiliates were allocated the opportunity to purchase at least \$32.5 million of the 5.00% Convertible Senior Notes offered in the Notes Offering.

Affiliates of Whitebox and Highbridge purchased an aggregate of \$47.5 million and \$40.4 million, respectively, principal amount of the 5.00% Convertible Senior Notes in the Notes Offering.

Equity Group Investments (“EGI”) - Service Agreement

On September 17, 2013, we entered into a letter agreement (“Services Agreement”) with Equity Group Investments (“EGI”), an affiliate of Zell Credit Opportunities Fund, LP (“ZCOF”), which owns 10% or more of our common stock directly or through affiliates. Pursuant to the Services Agreement, EGI agreed to provide us with ongoing strategic, advisory, and consulting services that may include (i) advice on financing structures and our relationship with lenders and bankers, (ii) advice regarding public and private offerings of debt and equity securities, (iii) advice regarding asset dispositions, acquisitions, or other asset management strategies, (iv) advice regarding potential business acquisitions, dispositions, or combinations involving

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

us or our affiliates, or (v) such other advice directly related or ancillary to the above strategic, advisory, and consulting services as may be reasonably requested by us.

EGI does not receive a fee for the provision of the strategic, advisory, or consulting services set forth in the Services Agreement, but may be periodically reimbursed by us, upon request, for (i) travel and out-of-pocket expenses, provided that, in the event that such expenses exceed \$50 thousand in the aggregate with respect to any single proposed matter, EGI will obtain our consent prior to incurring additional costs, and (ii) provided that we provide prior consent to their engagement with respect to any particular proposed matter, all reasonable fees and disbursements of counsel, accountants, and other professionals incurred in connection with EGI's services under the Services Agreement. In consideration of the services provided by EGI under the Services Agreement, we agreed to indemnify EGI for certain losses relating to or arising out of the Services Agreement or the services provided thereunder.

The Services Agreement has a term of one year and will be automatically extended for successive one-year periods unless terminated by either party at least 60 days prior to any extension date. There were no costs incurred related to this agreement during the years ended December 31, 2020, 2019, or 2018.

Note 24—Subsequent Events

Washington Refinery Intermediation Agreement

On February 11, 2021, we and MLC amended the Washington Refinery Intermediation Agreement and extended the term expiry date from June 30, 2021 to March 31, 2022. This amendment also revised certain other terms and conditions, including a revision to the interest rate of MLC receivable advances to be based on another industry standard benchmark rate that will be effective upon LIBOR's scheduled retirement at the end of 2021. The terms of the new agreement were not materially different from the prior agreement.

Sale-Leaseback Transaction

On February 11, 2021, PHL and Par Property LLC (collectively, the "Sellers"), both our wholly owned subsidiaries, entered into a Purchase Agreement and Escrow Instructions (the "Purchase Agreement") with MDC Coast HI 1, LLC, a subsidiary of Realty Income Corporation (the "Buyer"), and Fidelity National Title Insurance Company (the "Escrow Agent"), pursuant to which the Sellers and Buyer agreed to consummate a sale-leaseback transaction (the "Sale-Leaseback Transaction"). Under the terms of the Purchase Agreement, the Sellers agreed to sell to the Buyer a total of twenty-two (22) retail convenience store/fuel station properties located in Hawaii (the "Sale-Leaseback Properties") for an aggregate cash purchase price of \$116.1 million.

On February 23, 2021, the Sellers and Buyer closed the Sale-Leaseback Transaction with respect to twenty-one (21) Sale-Leaseback Properties for an aggregate cash purchase price of approximately \$109.4 million. We anticipate that during the first quarter there will be a separate closing for one additional property, as provided under the Purchase Agreement.

We used approximately \$51.7 million of the net cash proceeds to repay the Retail Property Term Loan and related interest rate swap and the PHL Term Loan which were related to certain of the Sale-Leaseback Properties. We expect to use the remaining net cash proceeds of \$54.1 million for general corporate purposes.

Upon the closing of the sale of the Sale-Leaseback Properties, PHL entered into a Master Land and Building Lease Agreement (the "Lease Agreement") with the Buyer, pursuant to which, among other things, PHL leased the Sale-Leaseback Properties from the Buyer, on a commercial triple-net basis, for 15 years, unless earlier terminated. The initial lease term may be extended for up to four five-year renewal terms in accordance with the terms of the Lease Agreement. Under the terms of the Lease Agreement, PHL is responsible for monthly rent and all expenses related to the leased facilities, including, but not limited to, insurance premiums, taxes, and other expenses, such as utilities.

In connection with PHL's entry into the Lease Agreement, Par Petroleum, LLC, our wholly owned subsidiary, entered into a guaranty agreement in favor of the Buyer, pursuant to which, among other things, Par Petroleum, LLC guaranteed the payment when due of the monthly rent, and all other additional rent, interest, and charges payable by PHL to the Buyer under the Lease Agreement, and the performance by PHL of all the material terms, conditions, covenants, and agreements of the Lease Agreement.

PAR PACIFIC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020, 2019, and 2018

Note 25—Quarterly Financial Data (Unaudited)

Summarized quarterly data for the years ended December 31, 2020 and 2019 consisted of the following (in thousands, except per share amounts):

	Year Ended December 31, 2020			
	Q1	Q2	Q3	Q4
Revenues	\$ 1,204,083	\$ 515,301	\$ 689,981	\$ 715,505
Operating income (loss)	(181,173)	(25,443)	2,750	(114,132)
Net loss	(222,337)	(40,560)	(14,271)	(131,918)
Net loss per share				
Basic	\$ (4.18)	\$ (0.76)	\$ (0.27)	\$ (2.47)
Diluted	\$ (4.18)	\$ (0.76)	\$ (0.27)	\$ (2.47)
Year Ended December 31, 2019				
	Q1	Q2	Q3	Q4
Revenues	\$ 1,191,335	\$ 1,409,409	\$ 1,401,638	\$ 1,399,134
Operating income	21,423	48,621	18,405	59,531
Net income (loss)	61,092	28,169	(83,891)	35,439
Net income (loss) per share				
Basic	\$ 1.23	\$ 0.56	\$ (1.65)	\$ 0.68
Diluted	\$ 1.14	\$ 0.56	\$ (1.65)	\$ 0.68

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PAR PACIFIC HOLDINGS, INC. (PARENT ONLY)
BALANCE SHEETS
(in thousands, except share data)

ASSETS	December 31, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	\$ 480	\$ 6,309
Restricted cash	330	743
Total cash, cash equivalents, and restricted cash	810	7,052
Prepaid and other current assets	16,983	12,325
Due from subsidiaries	107,995	180,686
Total current assets	125,788	200,063
Property, plant, and equipment		
Property, plant, and equipment	21,477	20,961
Less accumulated depreciation, depletion, and amortization	(14,368)	(12,117)
Property, plant, and equipment, net	7,109	8,844
Long-term assets		
Operating lease right-of-use ("ROU") assets	3,714	4,276
Investment in subsidiaries	209,010	636,742
Other long-term assets	723	1,128
Total assets	\$ 346,344	\$ 851,053
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 47,301	\$ —
Accounts payable	2,401	2,597
Accrued taxes	49	—
Operating lease liabilities	750	698
Other accrued liabilities	10,907	14,591
Due to subsidiaries	33,757	125,778
Total current liabilities	95,165	143,664
Long-term liabilities		
Long-term debt, net of current maturities	—	44,783
Common stock warrants	—	8,206
Finance lease liabilities	77	223
Operating lease liabilities	4,783	5,629
Other liabilities	45	306
Total liabilities	100,070	202,811
Stockholders' equity		
Preferred stock, \$0.01 par value: 3,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value: 500,000,000 shares authorized at December 31, 2020 and December 31, 2019, 54,002,538 shares and 53,254,151 shares issued at December 31, 2020 and December 31, 2019, respectively	540	533
Additional paid-in capital	726,504	715,069
Accumulated deficit	(477,028)	(67,942)
Accumulated other comprehensive income (loss)	(3,742)	582
Total stockholders' equity	246,274	648,242
Total liabilities and stockholders' equity	\$ 346,344	\$ 851,053

This statement should be read in conjunction with the notes to consolidated financial statements.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PAR PACIFIC HOLDINGS, INC. (PARENT ONLY)
STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Operating expenses			
Depreciation and amortization	\$ 2,900	\$ 2,969	\$ 4,092
General and administrative expense (excluding depreciation)	11,097	20,017	20,721
Acquisition and integration costs	—	28	10,118
Total operating expenses	<u>13,997</u>	<u>23,014</u>	<u>34,931</u>
Operating loss	(13,997)	(23,014)	(34,931)
Other income (expense)			
Interest expense and financing costs, net	(4,982)	(9,952)	(10,867)
Debt extinguishment and commitment costs	—	(6,091)	—
Other income (expense), net	(3)	2,303	1,155
Change in value of common stock warrants	4,270	(3,199)	1,801
Equity in earnings (losses) from subsidiaries	(394,197)	81,097	81,942
Total other income (expense), net	<u>(394,912)</u>	<u>64,158</u>	<u>74,031</u>
Income (loss) before income taxes	(408,909)	41,144	39,100
Income tax benefit (expense)	(177)	(335)	327
Net income (loss)	<u>\$ (409,086)</u>	<u>\$ 40,809</u>	<u>\$ 39,427</u>

This statement should be read in conjunction with the notes to consolidated financial statements.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 PAR PACIFIC HOLDINGS, INC. (PARENT ONLY)
 STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)

	Year Ended December 31,		
	2020	2019	2018
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Other comprehensive income (loss): (1)			
Other post-retirement benefits income (loss), net of tax	(4,324)	(2,091)	529
Total other comprehensive income (loss), net of tax	<u>(4,324)</u>	<u>(2,091)</u>	<u>529</u>
Comprehensive income (loss)	<u>\$ (413,410)</u>	<u>\$ 38,718</u>	<u>\$ 39,956</u>

(1) Other comprehensive income (loss) relates to benefit plans at our subsidiaries.

This statement should be read in conjunction with the notes to consolidated financial statements.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
PAR PACIFIC HOLDINGS, INC. (PARENT ONLY)
STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income (loss)	\$ (409,086)	\$ 40,809	\$ 39,427
Adjustments to reconcile net income (loss) to cash used in operating activities:			
Depreciation and amortization	2,900	2,969	4,092
Non-cash interest expense	2,518	4,600	4,925
Change in value of common stock warrants	(4,270)	3,199	(1,801)
Stock-based compensation	7,342	6,437	6,196
Equity in losses (income) of subsidiaries	394,197	(81,097)	(81,942)
Debt extinguishment and commitment costs	—	6,091	—
Net changes in operating assets and liabilities:			
Prepaid and other assets	(4,253)	1,592	(2,604)
Accounts payable, other accrued liabilities, and operating lease ROU assets and liabilities	(187)	(8,441)	5,601
Net cash used in operating activities	(10,839)	(23,841)	(26,106)
Cash flows from investing activities:			
Investments in subsidiaries	—	—	—
Distributions from subsidiaries	4,113	16,673	—
Capital expenditures	(1,296)	(1,829)	(3,682)
Due to (from) subsidiaries	5,768	(6,519)	(25,102)
Other investing activities	14	31	—
Net cash provided by (used in) investing activities	8,599	8,356	(28,784)
Cash flows from financing activities:			
Proceeds from sale of common stock, net of offering costs	—	—	19,318
Proceeds from borrowings	14,437	63,406	10,770
Repayments of borrowings	(18,603)	(76,323)	(11,253)
Payment of deferred loan costs	—	(252)	—
Exercise of stock options	—	8,171	—
Payment for debt extinguishment and commitment costs	—	(1,899)	—
Other financing activities, net	164	(10)	(860)
Net cash provided by (used in) financing activities	(4,002)	(6,907)	17,975
Net increase (decrease) in cash, cash equivalents, and restricted cash	(6,242)	(22,392)	(36,915)
Cash, cash equivalents, and restricted cash at beginning of period	7,052	29,444	66,359
Cash, cash equivalents, and restricted cash at end of period	\$ 810	\$ 7,052	\$ 29,444
Supplemental cash flow information:			
Net cash received (paid) for:			
Interest	\$ (2,475)	\$ (5,357)	\$ (5,750)
Taxes	(28)	(220)	(49)
Non-cash investing and financing activities:			
Accrued capital expenditures	\$ 233	\$ 497	\$ 714
ROU assets obtained in exchange for new finance lease liabilities	173	198	539
ROU assets obtained in exchange for new operating lease liabilities	—	134	—
Common stock issued for business combination	—	36,980	—
Non-cash contribution to subsidiary for business combination	—	(36,980)	—
Common stock issued to repurchase convertible notes	—	74,290	—

This statement should be read in conjunction with the notes to consolidated financial statements.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 8, 2021.

PAR PACIFIC HOLDINGS, INC.

By: /s/ William Pate
William Pate
President and Chief Executive Officer

By: /s/ William Monteleone
William Monteleone
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on our behalf and in the capacities indicated and on March 8, 2021.

<u>Signature</u>	<u>Title</u>
<u>/s/ WILLIAM PATE</u> William Pate	President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ WILLIAM MONTELEONE</u> William Monteleone	Chief Financial Officer (Principal Financial Officer)
<u>/s/ IVAN GUERRA</u> Ivan Guerra	Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ MELVYN N. KLEIN</u> Melvyn N. Klein	Chairman Emeritus
<u>/s/ ROBERT S. SILBERMAN</u> Robert S. Silberman	Chairman of the Board of Directors
<u>/s/ TIMOTHY CLOSSEY</u> Timothy Clossey	Director
<u>/s/ L. MELVIN COOPER</u> L. Melvin Cooper	Director
<u>/s/ CURTIS ANASTASIO</u> Curtis Anastasio	Director
<u>/s/ WALTER A. DODS, JR.</u> Walter A. Dods, Jr.	Director
<u>/s/ JOSEPH ISRAEL</u> Joseph Israel	Director
<u>/s/ KATHERINE HATCHER</u> Katherine Hatcher	Director

DESCRIPTION OF REGISTERED SECURITIES

As of February 19, 2021, Par Pacific Holdings, Inc. (the “Company,” “us,” “we,” or “our”) has one class of securities, our common stock, registered under Section 12 of the Securities Exchange Act of 1934, as amended.

Description of Common Stock

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Restated Certificate of Incorporation dated October 20, 2015 (the “Certificate of Incorporation”) and our Second Amended and Restated Bylaws dated October 20, 2015 (the “Bylaws”), as well as our stockholders agreement, the allocation agreement with certain of our stockholders (the “Allocation Agreement”), the indenture (the “Convertible Notes Indenture”) under which we issued our 5.00% convertible senior notes due 2021 (the “Convertible Notes”), the registration rights agreement (the “Registration Rights Agreement”) we entered into with certain of our stockholders in August 2012, the registration rights agreement (the “Convertible Notes Registration Rights Agreement”) with respect to the issuance (the “Convertible Notes Offering”) of our Convertible Notes, the registration rights agreement (the “Bridge Notes Registration Rights Agreement”) with respect to the issuance of our 2.50% convertible subordinated bridge notes on September 23, 2016 (the “Bridge Notes”), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.25 is a part. We encourage you to read our Certificate of Incorporation, our Bylaws, our stockholders agreement, the Allocation Agreement, the Convertible Notes Indenture, the Registration Rights Agreement, the Convertible Notes Registration Rights Agreement, the Bridge Notes Registration Rights Agreement, and the applicable provisions of the General Corporation Law of the State of Delaware (the “DGCL”) for additional information.

General

As of February 19, 2021, our authorized capital consisted of 500,000,000 shares of common stock, par value \$0.01 per share, of which 54,026,991 shares were issued and outstanding, and 3,000,000 shares of undesignated preferred stock, par value \$0.01 per share, none of which were outstanding.

Holders of our common stock are entitled to one vote per share in the election of directors and on all other matters submitted to a vote of stockholders. Such holders do not have the right to cumulate their votes in the election of directors. Holders of our common stock have no redemption or conversion rights, no preemptive or other rights to subscribe for our securities and are not entitled to the benefits of any sinking fund provisions. In the event of our liquidation, dissolution or winding-up, holders of our common stock are entitled to share equally and ratably in all of the assets remaining, if any, after satisfaction of all our debts and liabilities, and of the preferential rights of any series of preferred stock then outstanding. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive dividends when, as and if declared by the Company’s board of directors (the “Board”) out of funds legally available therefor.

The Certificate of Incorporation contains restrictions on the transfer of the Company Securities (as defined therein, and which includes our common stock) by holders who are, or would become as a result of such transfer, a Five-Percent Shareholder (as defined in the Certificate of Incorporation). Such restrictions were put in place in order to preserve our net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any “net unrealized built-in loss” within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended.

On November 10, 2014, as permitted by the terms of Article 11 of the Certificate of Incorporation, we entered into the Allocation Agreement with Zell Credit Opportunities Master Fund, L.P. (“ZCOF”), ZCOF Par Petroleum Holdings, L.L.C. and Whitebox Multi-Strategy Partners, L.P. to reallocate the proportionate amount of our common stock that the Five-Percent Shareholders are permitted to transfer among our remaining Five-Percent Shareholders. In accordance with Article 11 of the Certificate of Incorporation, the Board has approved, on a prospective basis, one or more Transfers (as defined in the Certificate of Incorporation) of shares of our common stock by the remaining Five-Percent Shareholders up to the new allocation amounts included on a schedule to the Allocation Agreement.

Preferred Stock

The Board is authorized to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the powers, designation, preferences and rights of each series and the qualifications, limitations or restrictions of each series, including:

- the designation of the series and the number of shares to constitute the series;
- the dividend rate of the series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividends shall be cumulative or noncumulative;
- whether the shares of the series shall be subject to redemption by the Company and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;
- the terms and amount of any sinking fund provided for the purchase or redemption of the shares of the series;
- whether or not the shares of the series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the Company, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange;
- the extent, if any, to which the holders of the shares of the series shall be entitled to vote with respect to the election of directors or otherwise;
- the restrictions, if any, on the issue or reissue of any additional preferred stock; and
- rights of the holders of the shares of the series upon the dissolution, liquidation, or winding up of the Company.

The authorized shares of preferred stock, as well as shares of common stock, are available for issuance without further action by our stockholders, unless stockholder action is required by the rules of any stock exchange or automated quotation system on which our securities are listed or traded. If the approval of our stockholders is not required for the issuance of shares of preferred stock or common stock, the Board may determine not to seek stockholder approval.

Although the Board has no intention at the present time of doing so, it could issue a series of preferred stock that could, depending on the terms of that series, impede the completion of a merger, tender offer or other takeover attempt. The Board will make any determination to issue shares based on its judgment as to our best interests and the best interests of our stockholders. The Board, in so acting, could issue preferred stock having terms that could discourage an acquisition attempt, including a tender offer or other transaction that some, or a majority of, our stockholders might believe to be in their best interests or that might result in stockholders receiving a premium for their stock over the then current market price of the stock.

Convertible Notes

On June 21, 2016, the Convertible Notes were issued pursuant to the Convertible Notes Indenture. The Convertible Notes bear interest of 5.00% per year from June 21, 2016 (payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2016), and will mature on June 15, 2021.

The Convertible Notes are convertible at an initial conversion rate of 55.5556 shares of our common stock per \$1,000 principal amount of the Convertible Notes, which is equivalent to an initial conversion price of approximately \$18.00 per share of common stock. The conversion rate is subject to adjustment in some events. In

addition, following certain corporate events that occur prior to the maturity date, the Company will increase, in certain circumstances, the conversion rate for a holder who elects to convert its Convertible Notes in connection with such a corporate event. Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, provided, however, that if the Board determines in good faith that the issuance of any shares of common stock in any conversion or in respect of any make-whole premium would cause the Company to undergo an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, then the Company will be required to settle such conversions or make-whole premium in cash or in a combination of cash and shares of common stock to the extent of such determination. If a "fundamental change" (as described in the Convertible Notes Indenture) occurs, then holders of the Convertible Notes may, subject to certain restrictions, require the Company to repurchase for cash all or part of the Convertible Notes in principal amounts of \$1,000 or an integral multiple thereof at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest.

As of February 19, 2021, there was \$48.7 million aggregate principal amount of Convertible Notes outstanding.

Anti-Takeover Provisions

As noted above, because our stockholders do not have cumulative voting rights, stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. The Certificate of Incorporation and the Bylaws provide that only the chairman of the Board, the chief executive officer, or any officer upon the written request of a majority of the Board, may call a special meeting of the stockholders.

The Certificate of Incorporation requires a 66 2/3% stockholder vote for the amendment or repeal of certain provisions of the Certificate of Incorporation relating to the liability of directors, indemnification of officers and directors, and the transfer restrictions noted above. The Bylaws require a 66 2/3% stockholder vote for the amendment or repeal of certain provisions of the Bylaws. The combination of the lack of cumulative voting and the 66 2/3% stockholder voting requirements will make it more difficult for existing stockholders to replace the Board as well as for another party to obtain control of us by replacing the Board. Because the Board has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for the Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us.

These provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of us. These provisions are intended to enhance the likelihood of continued stability in the composition of the Board and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

As noted above, the Certificate of Incorporation contains restrictions on the transfer of Company Securities by holders who are, or would become as a result of such transfer, Five-Percent Shareholders. These restrictions on transfer may have the effect of preserving effective control of us by our principal stockholders and preserving the tenure of the board of directors and management.

In addition, we are subject to Section 203 of the DGCL which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

before such date, the Board of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and
- (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the Board and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 of the DGCL defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- the sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 of the DGCL defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or is an affiliate or associate of the corporation and within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Stockholders Agreement

We entered into a stockholders agreement in April 2015 for the benefit of the holders of any of our securities entitled to vote for members of the Board providing that in the event that we are no longer required to file annual and quarterly reports with the SEC, we will provide, as soon as reasonably practicable, comparable audited reports on an annual basis, unaudited reports on a quarterly basis (which annual and quarterly reports shall contain substantially similar descriptions of business and management discussion and analysis provisions as are then required to be included in relevant filings with the SEC), and earnings releases on a quarterly basis, made available to such holders through a secure website and subject to a standard click-through access and confidentiality agreement.

Registration Rights Agreements

Registration Rights Agreement

The Company and certain of our stockholders (the “Rights Holders”), including affiliates of ZCOF and Whitebox Advisors, LLC (“Whitebox”), are parties to the Registration Rights Agreement providing the Rights Holders with certain registration rights.

Pursuant to the Registration Rights Agreement, among other things, any Rights Holder or group of Rights Holders that, together with its or their affiliates, holds more than fifteen percent (15%) of the Registrable Shares (as defined in the Registration Rights Agreement), will have the right to require the Company to file with the SEC, a

registration statement on Form S-1 or S-3, or any other appropriate form under the Securities Act or the Exchange Act for a public offering of all or part of its Registrable Shares (a "Demand Registration") by delivery of written notice to the Company (a "Demand Request").

Within 90 days after receiving the Demand Request, we are required to file with the SEC the registration statement, on any form for which we then qualify and which is available for the sale of the Registrable Shares in accordance with the intended methods of distribution thereof, with respect to the Demand Registration. We are required to use commercially reasonable efforts to cause the registration statement to be declared effective as soon as practicable after such filing. We will not be obligated (i) to effect a Demand Registration within ninety (90) days after the effective date of a previous Demand Registration, other than for a shelf registration, or (ii) to effect a Demand Registration unless the Demand Request is for a number of Registrable Shares with an expected market value that is equal to at least (x) \$15 million as of the date of such Demand Request or is for one hundred percent of the demanding holders' Registrable Shares with respect to any demand registration made on Form S-1 or (y) \$5 million as of the date of such Demand Request with respect to any Demand Registration made on Form S-3.

Upon receipt of any Demand Request, we are required to give written notice, within ten (10) days of such Demand Request, to all other holders of Registrable Shares, who will have the right to elect to include in any subsequent Demand Registration such portion of their Registrable Shares as they may request, subject to certain exceptions.

In addition, subject to certain exceptions, if we propose to register any class of our common stock for sale to the public, we are required, subject to certain conditions, to include all Registrable Shares with respect to which the Company has received written requests for inclusion.

The rights of a holder of Registrable Shares may be transferred, assigned or otherwise conveyed to any transferee or assignee of such Registrable Shares, subject to applicable state and federal securities laws and regulations and the Certificate of Incorporation. We will be responsible for expenses relating to the registrations contemplated by the Registration Rights Agreement.

The registration rights granted in the Registration Rights Agreement are subject to customary indemnification and contribution provisions, as well as customary restrictions such as suspension periods and, if a registration is for an underwritten offering, limitations on the number of shares to be included in the underwritten offering imposed by the managing underwriter.

Pursuant to the Registration Rights Agreement, a registration statement relating to resales by affiliates of ZCOF and Whitebox of the shares received by them in connection with our emergence from bankruptcy on August 31, 2012 was declared effective by the SEC on June 23, 2015.

Convertible Notes Offering Registration Rights

In connection with the closing of the Convertible Notes Offering, we entered into a registration rights agreement with the initial purchasers under which we agreed for the benefit of the holders of the Convertible Notes and any shares of our common stock issuable upon conversion of the Convertible Notes or in respect of any make-whole premium that we will, at our cost, file a shelf registration statement covering resales of any shares of our common stock issuable upon conversion of the Convertible Notes and in respect of any make-whole premium.

The registration statement required by the terms of the Convertible Notes Registration Rights Agreement was declared effective by the SEC on November 30, 2016.

We may suspend the effectiveness of the shelf registration statement or the use of the prospectus that is part of the shelf registration statement during specified periods under certain circumstances relating to pending corporate developments, public filings with the SEC and similar events. We need not specify the nature of the event giving rise to a suspension in any suspension notice to holders of the Convertible Notes. Each holder, by its acceptance of

the Convertible Notes, agrees to hold any such suspension notice in response to a notice of a proposed sale in confidence. Except in the case of a suspension period as the result of the filing of a post-effective amendment solely to add additional selling security holders, any suspension period may not exceed an aggregate of 30 days in any 90-day period or 60 days in any 360-day period. However, if the disclosure relates to a proposed or pending material business transaction, the disclosure of which the Board determines in good faith would be reasonably likely to impede our ability to consummate such transaction, or would otherwise be seriously detrimental to us and our subsidiaries taken as a whole, we may extend the suspension period from 30 days to 45 days in any 90-day period or from 60 days to 90 days in any 360-day period.

If a registration default occurs, predetermined liquidated damages will accrue on the Convertible Notes, from, and including, the day following such registration default to, but excluding, the earlier of (1) the day on which such registration default has been cured and (2) the date the registration statement is no longer required to be kept effective for our common stock. The liquidated damages will be paid to those entitled to interest payments on such dates semiannually in arrears on each June 15 and December 15 and will accrue at a rate per year equal to:

- 0.25% of the principal amount of the Convertible Notes to, and including, the 90th day following such registration default; or
- 0.50% of the principal amount of the Convertible Notes from, and after, the 91st day following such registration default.

We will not pay liquidated damages on any Convertible Note after it has been converted into shares of our common stock. If a Convertible Note ceases to be outstanding during a registration default (as a result of the holder exercising its conversion rights or otherwise), we will prorate the liquidated damages to be paid with respect to that Convertible Note.

In no event will liquidated damages exceed 0.50% per year. If a holder converts some or all of its Convertible Notes and we issue any shares of our common stock to satisfy all or any portion of our conversion obligation or if we issue any shares of our common stock in respect of any make-whole premium, in each case, when there exists a registration default, such holder will not be entitled to receive liquidated damages on such common stock, and we will instead increase the conversion rate or the amount of such make-whole premium, as the case may be, by 3% for each \$1,000 principal amount of Convertible Notes. If a registration default occurs after a holder has converted its Convertible Notes into shares of our common stock or after we have issued shares of our common stock in respect of any make-whole premium, such holder will not be entitled to any compensation with respect to such common stock. Other than our obligations to pay liquidated damages, we will not have any liability for damages with respect to a registration default on any registrable securities.

Bridge Notes Registration Rights

In connection with the issuance of the Bridge Notes, we entered into the Bridge Notes Registration Rights Agreement with the purchasers of the Bridge Notes (the "Bridge Notes Purchasers"). The Bridge Notes Registration Rights Agreement required us (i) to file, no later than November 11, 2016, with the SEC a shelf registration statement covering resales of the shares of our common stock, if any, issuable upon (1) conversion of the Bridge Notes, (2) exercise of subscription rights by any Bridge Note Purchaser or its affiliates pursuant to our 2016 subscription rights offering, and (3) a stock dividend or stock split or in connection with any combination of shares, recapitalization, merger, consolidation or other reorganization, other than shares freely tradeable without any limitations or restrictions under the Securities Act, (ii) to use our commercially reasonable efforts to cause such shelf registration statement to be declared effective by the SEC no later than (A) January 6, 2017 or (B) if earlier, five business days after the date on which the SEC informs us that it will not review the shelf registration statement, and (iii) to use our commercially reasonable efforts to keep such shelf registration statement effective until the earlier of (A) the date on which all of such shares have been sold, (B) the date on which such shares may be sold without volume restrictions under Rule 144 of the Securities Act, or (C) the third anniversary of the effective date of such shelf registration statement.

If we do not fulfill our obligations under the Bridge Notes Registration Rights Agreement with respect to the filing deadline, effectiveness deadline or effectiveness period of a registration statement, we will be required to pay the holders of the Bridge Notes liquidated damages in an amount in cash equal to 1.00% of such holder's "Allocated Purchase Price," which is the amount effectively paid by such holder for the common stock acquired upon conversion of the Bridge Notes, per calendar month or portion thereof prior to the cure of such event of default. The maximum payment of liquidated damages to any such holder associated with all events of default will not exceed 5.00% of such holder's Allocated Purchase Price.

The registration statement required by the terms of the Bridge Notes Registration Rights Agreement was declared effective by the SEC on December 21, 2016.

Listing

Our common stock is quoted on the NYSE under the symbol "PARR."

Transfer Agent and Registrar

American Stock Transfer & Trust Company is the transfer agent and registrar for our common stock.

PLEDGE AND SECURITY AGREEMENT

among

Par Petroleum, LLC,
as Company,

certain of its Subsidiaries

and

Wilmington Trust, National Association,
as Collateral Trustee

Dated as of December 21, 2017

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PLEDGE AND SECURITY AGREEMENT dated as of December 21, 2017, among Par Petroleum, LLC, a Delaware limited liability company (the "Company"), Par Petroleum Finance Corp., a Delaware corporation ("Finance Corp."), and together with the Company, the "Issuers") and each of the signatories hereto designated as a Grantor on the signature pages hereto (together with the Issuers and any other entity that may become a party hereto as a Grantor as provided herein, each a "Grantor" and collectively, the "Grantors") and Wilmington Trust, National Association, as Collateral Trustee under the Collateral Trust Agreement (as defined below) (in such capacity and together with its permitted successors and assigns in such capacity, the "Collateral Trustee"), for the benefit of itself and the Secured Parties (as defined below).

WITNESSETH:

WHEREAS, the Issuers have entered into an Indenture, dated as of December 21, 2017 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Closing Date Indenture"), among the Issuers, the Grantors from time to time party thereto, Par Pacific Holdings, Inc., for the limited purposes set forth therein, Wilmington Trust, National Association, as indenture trustee (in such capacity and together with its successors and assigns in such capacity, the "Indenture Trustee"), and the Collateral Trustee, pursuant to which the Issuers have issued the notes thereunder;

WHEREAS, Par Hawaii Refining, LLC, a subsidiary of the Company and a Grantor hereunder ("Par Hawaii") has entered into an ISDA Master Agreement, dated as of June 1, 2015 with J. Aron (as defined below), including the Amended and Restated Schedule thereto dated as of December 21, 2017 and all other annexes, exhibits and attachments thereto and all transactions from time to time entered into thereunder (including transactions outstanding on the date hereof and any transactions hereafter entered into), as each may be amended, supplemented, amended and restated or otherwise modified and in effect from time to time (the "J. Aron Hedge Agreement") and the Hedge Agreement Obligations thereunder are to constitute Secured Debt as contemplated hereby;

WHEREAS, in connection with the execution and delivery of the Closing Date Indenture, and in connection with and as required by the J. Aron Hedge Agreement, the Issuers and Grantors are hereby entering that this Agreement to provide for the Secured Obligations (as defined below) to be secured equally and ratably by the Collateral (as defined below);

WHEREAS, the Issuers and other Grantors may incur Additional Secured Debt from time to time, subject to the terms and conditions of the Collateral Trust Agreement (as defined below);

WHEREAS, the Collateral Trustee has agreed to act as collateral trustee on behalf of all present and future Secured Parties with respect to the Collateral and is entering into this Agreement in accordance with the Collateral Trust Agreement; and

WHEREAS, the Issuers and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the extensions of credit and the incurrence of the Secured Obligations (as defined below).

NOW, THEREFORE, in consideration of the premises and to induce each Secured Party to enter into the applicable Secured Debt Documents and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Grantor hereby agrees with the Collateral Trustee, for the benefit of the Secured Parties, as follows:

SECTION 1. DEFINED TERMS

1.1 **Definitions.** (a) Unless otherwise defined herein, terms defined in the Collateral Trust Agreement and used herein shall have the meanings given to them in the Collateral Trust Agreement, or, if not defined therein, shall have the meanings given to them in the Existing Indenture (as defined in the Collateral Trust Agreement), and the following terms which are defined in the UCC are used herein as so defined (and if defined in more than one article of the UCC shall have the meaning specified in Article 9 thereof): Accounts, Account Debtor, Authenticate, Certificated Security, Chattel Paper, Commodity Account, Commodity Contract, Commodity Intermediary, Documents, Electronic Chattel Paper, Entitlement Order, Equipment, Farm Products, Financial Asset, Fixtures, Goods, Health-Care-Insurance Receivable, Instruments, Inventory, Letter of Credit Rights, Manufactured Homes, Money, Payment Intangibles, Securities Account, Securities Intermediary, Security, Security Entitlement, Supporting Obligations, Tangible Chattel Paper and Uncertificated Security. The incorporation by reference of terms defined in the Collateral Trust Agreement shall survive any termination of the Collateral Trust Agreement until this Agreement is terminated as provided in Section 9.14.

(b) The following terms shall have the following meanings:

“**ABL Collateral**” shall mean the following:(i) all Accounts and CC Receivables (excluding Accounts and CC Receivables constituting identifiable proceeds of Collateral hereunder);

(ii) all Inventory;

(iii) all Renewable Identification Numbers (as defined in the Credit Agreement);

(iv) all Investment Property, Chattel Paper, General Intangibles (excluding Intellectual Property), Documents, Commercial Tort Claims and Instruments, to the extent relating to the items in clauses (i), (ii), (iii) and (iv);

(v) all Deposit Accounts and Securities Accounts (excluding the Collateral Account (as defined below)), cash and Cash Equivalents (as defined in the Credit Agreement);

(vi) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and computer records) pertaining to the foregoing; and

(vii) all proceeds of (including proceeds of business interruption and other insurance), and Supporting Obligations (including Letter of Credit Rights) with respect to, any of the foregoing.

“ABL Collateral Agent” shall mean Bank of America, N.A., as administrative agent and collateral agent under the Credit Agreement, and any permitted successors and assigns.

“Acknowledgment Agreement” shall mean that certain Acknowledgment Agreement, dated as of the date hereof, by and among J. Aron, Par Hawaii Refining, LLC, a Hawaii limited liability company, the Collateral Trustee and the ABL Collateral Agent, as amended, amended and restated, supplemented or otherwise modified from time to time.

“After-Acquired Intellectual Property” shall have the meaning set forth in Section 4.8(c).

“Agreement” shall mean this Pledge and Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Bankruptcy Code” shall mean Title 11 of the United States Code.

“CC Receivables” shall mean CC Receivables, as defined in the Credit Agreement.

“Closing Date” shall mean December 21, 2017.

“Closing Date Indenture” has the meaning set forth in the recitals.

“Collateral” shall have the meaning set forth in Section 2.

“Collateral Account” shall mean the Collateral Account, as defined in the Existing Indenture.

“Collateral Rights Agreement” means that certain Collateral Rights Agreement, dated as of the date hereof, by and among the ABL Collateral Agent, the Collateral Trustee and the Grantors party thereto from time to time, as amended, amended and restated, supplemented or otherwise modified from time to time.

“Collateral Trust Agreement” shall mean that certain Collateral Trust and Intercreditor Agreement, dated as of the date hereof, by and among the Issuers, the Grantors party thereto from time to time, the Indenture Trustee, the Collateral Trustee, J. Aron and each other secured representative party thereto from time to time, as amended, amended and restated, supplemented or otherwise modified from time to time.

“Collateral Trustee” shall have the meaning set forth in the preamble hereto.

“Commodity Exchange Act” shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Copyright Licenses” shall mean all agreements, licenses and covenants providing for the grant to or from a Grantor of any right in or to any Copyright or otherwise providing for a covenant not to sue for infringement or other violation of any Copyright (including, without limitation, those listed on Schedule 6).

“Copyrights” shall mean, with respect to any Grantor, all of such Grantor’s right, title and interest in and to all works of authorship and all intellectual property rights therein, all United States and foreign copyrights (whether or not the underlying works of authorship have been published), including but not limited to copyrights in software and databases, all designs (including but not limited to all industrial designs, “Protected Designs” within the meaning of 17 U.S.C. 1301 et. Seq. and Community designs), and all “Mask Works” (as defined in 17 U.S.C. 901 of the U.S. Copyright Act), whether registered or unregistered, and with respect to any and all of the foregoing: (i) all registrations and applications for registration thereof including, without limitation, the registrations and applications listed on Schedule 6, (ii) all extensions, renewals, and restorations thereof, (iii) all rights to sue or otherwise recover for any past, present and future infringement or other violation thereof, (iv) all Proceeds of the foregoing, including, without limitation, license fees, royalties, income, payments, claims, damages and proceeds of suit now or hereafter due and/or payable with respect thereto, and (v) all other rights of any kind accruing thereunder or pertaining thereto throughout the world.

“Credit Agreement” shall mean that certain Loan and Security Agreement, dated as of the date hereof, among the Company, the other borrowers party thereto, the guarantors party thereto from time to time, the ABL Collateral Agent, and the banks and other financial institutions party thereto, and as it may be further amended, supplemented or modified from time to time, and any renewal, increase, extension, refunding, restructuring, replacement or refinancing thereof in whole or in part (whether with the original administrative agent and lenders or another administrative agent or agents or one or more other lenders and whether provided under the original Credit Agreement or one or more other credit or other agreements or indentures entered into from time to time).

“Deposit Account” shall mean all “deposit accounts” as defined in Article 9 of the UCC and all other accounts maintained with any financial institution (other than Securities Accounts or Commodity Accounts), and shall include, without limitation, all of the Collateral Accounts listed on Schedule 2 hereto under the heading “Deposit Accounts” together, in each case, with all funds held therein and all certificates or instruments representing any of the foregoing.

“Equity Interests” (i) shall mean, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents, including membership interests (however designated, whether voting or non-voting) of the equity of such Person, including, if such person is a partnership, partnership interests (whether general or limited), if such Person is a limited liability company, membership interests, and, if such Person is a trust, all beneficial interests therein, and shall also

include any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of property of, such corporation, partnership, limited liability company or trust, whether outstanding on the date hereof or issued on or after the date hereof and (ii) shall include, without limitation, all Pledged Stock, Pledged Partnership Interests and Pledged LLC Interests.

“Excluded Assets” shall mean the following:

- (i) ABL Collateral;
- (ii) the Hawaii Retail Property, any real property that is not Material Real Property and all leasehold interests of any of the Issuers and the Grantors, as lessee, in real property;
- (iii) Vehicles and other equipment, Vehicles and rolling stock subject to a certificate of title statute with a net book value of less than \$500,000 individually and less than \$15,000,000 in the aggregate;
- (iv) any lease, license, permit, agreement or instrument that would otherwise constitute Collateral (referred to solely for purpose of this paragraph as a “Contract”), in each case in existence on the date hereof or upon acquisition of the relevant Grantor party thereto, to the extent that a grant of a security interest therein would violate or invalidate such Contract or create a right of termination in favor of any other party thereto or otherwise require consent thereunder (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity and only so long as such prohibition or consent requirement was not created in contemplation or anticipation of the Collateral requirements under the Existing Indenture) provided that: (x) rights to payment under any such Contract otherwise constituting Excluded Assets shall be included in the Collateral to the extent permitted under such Contract or by Section 9-406 or Section 9-408 of the UCC and (y) all proceeds paid or payable to either of the Issuers or any Grantor from any sale, transfer or assignment of such Contract and all rights to receive such proceeds shall be included in the Collateral;
- (v) any Equity Interests issued by any non-wholly owned Subsidiary of the Company formed or acquired after the date hereof to the extent that a grant of a security interest therein would violate any certificate of formation, limited liability company agreement, partnership agreement, shareholder agreement or similar agreements applicable to such Equity Interest, or create a right in favor of any other party to such documents to terminate the issuer of such Equity Interests, compel the purchase or sale of such Equity Interests or otherwise adversely affect the ownership rights and obligations otherwise attendant such Equity Interests;
- (vi) (a) solely in the case of any pledge of Equity Interests of any Foreign Subsidiary, Excluded Foreign Subsidiary Voting Stock, (b) the Equity Interests

of any direct or indirect Subsidiary of a Foreign Subsidiary and (c) the Equity Interests of Unrestricted Subsidiaries (as defined in the Existing Indenture);

(vii) any property of the Issuers or any Grantor which is subject to a Capital Lease Obligation, purchase money obligation or other debt obligation if and to the extent that (i) such Capital Lease Obligation, purchase money obligation or other debt obligation was incurred in accordance with the terms of the Existing Indenture and the agreements or documents granting or governing such Capital Lease Obligation, purchase money obligation or other debt obligation validly prohibit, or otherwise require any consent (but only so long as such prohibition or consent requirement was not created in contemplation or anticipation of the Collateral requirements under the Existing Indenture) and (ii) such restriction described in clause (i) above relates only to the asset or assets acquired by the Issuers or any Grantor and attachments and accessions thereto, improvements thereof or substitutions therefor; provided that all proceeds paid or payable to the Issuers or any Grantor from any sale, transfer or assignment or other voluntary or involuntary disposition of such assets and all rights to receive such proceeds shall be included in the Collateral to the extent not otherwise required to be paid to the holder of such Capital Lease Obligations, purchase money obligations or other debt obligations secured by such assets;

(viii) any asset in which a pledge or security interest is prohibited by applicable law, rule or regulation (other than to the extent that any such prohibition would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions));

(ix) Deposit Accounts solely for the purpose of payroll and withholding tax and other fiduciary Deposit Accounts;

(x) any property or assets (including Equity Interests) owned by any Excluded Subsidiary or any Unrestricted Subsidiary (each as defined in the Existing Indenture);

(xi) any "intent-to-use" application for registration of a Trademark filed pursuant to Section 1(b) of the Lanham Act, 15 U.S.C. § 1051, prior to the filing of a "Statement of Use" pursuant to Section 1(d) of the Lanham Act or an "Amendment to Allege Use" pursuant to Section 1(c) of the Lanham Act with respect thereto, solely to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of any registration that issues from such intent-to-use application under applicable federal law;

(xii) any governmental licenses or state or local franchises, charters and authorizations to the extent the granting of security interests therein are prohibited or restricted thereby;

(xiii) any Intermediation Collateral (as defined in the Existing Indenture); and

(xiv) any Letter of Credit Rights to the extent a Lien thereon cannot be perfected by the filing of a financing statement under the UCC.

“Excluded Foreign Subsidiary Voting Stock” shall mean any voting stock in excess of 66% of the total outstanding amount of any class of voting stock of a Foreign Subsidiary.

“Excluded Swap Obligation” means, with respect to any Grantor, (x) as it relates to all or a portion of the guarantee of such Grantor, any Swap Obligation if, and to the extent that, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Grantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guarantee of such Grantor becomes effective with respect to such Swap Obligation or (y) as it relates to all or a portion of the grant by such Grantor of a security interest, any Swap Obligation if, and to the extent that, such Swap Obligation (or such security interest in respect thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Grantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the security interest of such Grantor becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

“Foreign Subsidiary” shall mean any Subsidiary that is (i) treated as a “controlled foreign corporation” within the meaning of Section 957 of the Internal Revenue Code or (ii) a Subsidiary of any entity described in clause (i).

“General Intangibles” shall mean all “general intangibles” as such term is defined in Section 9-102(a)(42) of the UCC and, in any event, shall include, without limitation, with respect to any Grantor, all rights of such Grantor to receive any tax refunds, all Hedge Agreements, contracts, agreements, instruments and indentures and all licenses, permits, concessions, franchises and authorizations issued by governmental authorities in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented, replaced or otherwise modified, including, without limitation, (i) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect thereto, (iii) all rights of such Grantor to damages arising thereunder, and (iv) all rights of such Grantor to terminate and to perform, compel performance and to exercise all remedies thereunder.

“Grantor” shall have the meaning set forth in the preamble.

“Hawaii Retail Property” shall mean have the meaning assigned to such term in the Closing Date Indenture.

“Indenture Trustee” shall have the meaning set forth in the recitals hereto.

“Insurance” shall mean all insurance policies (including business interruption insurance) to the extent covering any or all of the Collateral (regardless of whether the Collateral Trustee is the loss payee thereof).

“Intellectual Property” shall mean, with respect to any Grantor, the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, Trade Secrets and Trade Secret Licenses, and all rights to sue or otherwise recover for any past, present and future infringement, dilution, misappropriation, or other violation or impairment thereof, including the right to receive all Proceeds therefrom, including without limitation license fees, royalties, income payments, claims, damages and proceeds of suit, now or hereafter due and/or payable with respect thereto.

“Intellectual Property Security Agreements” shall mean, collectively, the Copyright Security Agreement substantially the form of Exhibit B-1 and the Trademark Security Agreement substantially in the form of Exhibit B-2.

“Intercompany Note” shall mean any promissory note evidencing loans made by any Grantor to any of the Issuers, the other Grantors or any of their Subsidiaries.

“Investment Property” shall mean the collective reference to (i) all “investment property” as such term is defined in Section 9-102(a)(49) of the UCC including, without limitation, all Certificated Securities and Uncertificated Securities, all Security Entitlements, all Securities Accounts, all Commodity Contracts and all Commodity Accounts (other than any Excluded Assets), (ii) all security entitlements, in the case of any United States Treasury book-entry securities, as defined in 31 C.F.R. section 357.2, or, in the case of any United States federal agency book-entry securities, as defined in the corresponding United States federal regulations governing such book-entry securities, and (iii) whether or not constituting “investment property” as so defined, all Pledged Notes, all Pledged Equity Interests, all Pledged Security Entitlements and all Pledged Commodity Contracts; provided, however, that in no event shall “Investment Property” include any Excluded Assets.

“Issuers” shall have the meaning set forth in the recitals hereto.

“J. Aron” shall mean J. Aron & Company LLC.

“J. Aron Hedge Agreement” shall have the meaning set forth in the recitals hereto.

“Lien” shall have the meaning set forth in the Existing Indenture.

“Material Real Property” shall have the meaning assigned to such term in the Existing Indenture.

“Mortgages” shall have the meaning assigned to such term in the Existing Indenture.

“Patent Licenses” shall mean all agreements, licenses and covenants providing for the grant to or from a Grantor of any right in or to any Patent or otherwise providing for a covenant not to sue for infringement or other violation of any Patent (including, without limitation, those listed on Schedule 6).

“Patents” shall mean, with respect to any Grantor, all of such Grantor’s right, title and interest in and to all patentable inventions and designs, all United States, foreign, and multinational patents, certificates of invention, and similar industrial property rights, and applications for any of the foregoing, including, without limitation, (i) each patent and patent application listed on Schedule 6, (ii) all reissues, substitutes, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (iii) all inventions and improvements described and claimed therein, (iv) all rights to sue or otherwise recover for any past, present and future infringement or other violation thereof, (v) all Proceeds of the foregoing, including, without limitation, license fees, royalties, income, payments, claims, damages, proceeds of suit and other payments now or hereafter due and/or payable with respect thereto, and (vi) all other rights accruing thereunder or pertaining thereto throughout the world.

“Permitted Liens” shall have the meaning set forth in the Existing Indenture.

“Permitted Priority Liens” shall mean (i) with respect to Equity Interests, non-consensual Permitted Liens arising by operation of law, and (ii) with respect to any other property, Permitted Liens.

“Pledged Commodity Contracts” shall mean all Commodity Contracts listed on Schedule 2 and all other Commodity Contracts to which any Grantor is party from time to time; provided, however, that in no event shall “Pledged Commodity Contracts” include any Excluded Assets.

“Pledged Debt Securities” shall mean all debt securities now owned or hereafter acquired by any Grantor, including, without limitation, the debt securities listed on Schedule 2, together with any other certificates, options, rights or security entitlements of any nature whatsoever in respect of the debt securities of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect; provided, however, that in no event shall “Pledged Debt Securities” include any Excluded Assets.

“Pledged Equity Interests” shall mean all Equity Interests, and shall include Pledged LLC Interests, Pledged Partnership Interests and Pledged Stock; provided, however, that in no event shall “Pledged Equity Interests” include any Excluded Assets.

“Pledged LLC Interests” shall mean all membership interests and other interests now owned or hereafter acquired by any Grantor in any limited liability company

including, without limitation, all limited liability company interests listed on Schedule 2 hereto under the heading “Pledged LLC Interests” and the certificates, if any, representing such limited liability company interests and any interest of such Grantor on the books and records of such limited liability company and any securities entitlements relating thereto and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such limited liability company interests and any other warrant, right or option or other agreement to acquire any of the foregoing, all management rights, all voting rights, any interest in any capital account of a member in such limited liability company, all rights as and to become a member of the limited liability company, all rights of the Grantor under any shareholder or voting trust agreement or similar agreement in respect of such limited liability company, all of the Grantor’s right, title and interest as a member to any and all assets or properties of such limited liability company, and all other rights, powers, privileges, interests, claims and other property in any manner arising out of or relating to any of the foregoing; provided, however, that in no event shall “Pledged LLC Interests” include any Excluded Assets.

“Pledged Notes” shall mean all promissory notes now owned or hereafter acquired by any Grantor including, without limitation, those listed on Schedule 2 and all the Intercompany Notes; provided, however, that in no event shall “Pledged Notes” include any Excluded Assets.

“Pledged Partnership Interests” shall mean all partnership interests and other interests now owned or hereafter acquired by any Grantor in any general partnership, limited partnership, limited liability partnership or other partnership including, without limitation, all partnership interests listed on Schedule 2 hereto under the heading “Pledged Partnership Interests” and the certificates, if any, representing such partnership interests, and any interest of such Grantor on the books and records of such partnership and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such partnership interests and any other warrant, right or option to acquire any of the foregoing, all management rights, all voting rights, any interest in any capital account of a partner in such partnership, all rights as and to become a partner of such partnership, all of the Grantor’s rights, title and interest as a partner to any and all assets or properties of such partnership, and all other rights, powers, privileges, interests, claims and other property in any manner arising out of or relating to any of the foregoing; provided, however, that in no event shall “Pledged Partnership Interests” include any Excluded Assets.

“Pledged Stock” shall mean all shares of capital stock now owned or hereafter acquired by such Grantor, including, without limitation, all shares of capital stock described on Schedule 2 hereto under the heading “Pledged Stock”, and the certificates, if any, representing such shares and any interest of such Grantor in the entries on the books of the issuer of such shares and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of

such shares and any other warrant, right or option to acquire any of the foregoing; provided, however, that Pledged Stock shall not include any Excluded Assets.

“Pledged Securities” shall mean the collective reference to the Pledged Debt Securities, the Pledged Notes and the Pledged Equity Interests regardless of whether constituting Securities under the UCC.

“Pledged Security Entitlements” shall mean all security entitlements with respect to the financial assets listed on Schedule 2 and all other security entitlements of any Grantor; provided, however, that in no event shall “Pledged Security Entitlements” include any Excluded Assets.

“Proceeds” shall mean all “proceeds” as such term is defined in Section 9-102(a)(64) of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Pledged Securities, collections thereon and distributions or payments with respect thereto.

“Secured Obligations” shall mean all Secured Obligations as defined in the Collateral Trust Agreement; provided, however, that Secured Obligations shall not include any Excluded Swap Obligations.

“Secured Parties” shall mean collectively, each holder of Secured Obligations, any applicable Secured Representative, the Indenture Trustee and the Collateral Trustee.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Swap Obligation” shall mean, with respect to any Grantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“Trademark Licenses” shall mean all agreements, licenses and covenants providing for the grant to or from a Grantor of any right in or to any Trademark or otherwise providing for a covenant not to sue for infringement, dilution, or other violation of any Trademark or permitting co-existence with respect to a Trademark (including, without limitation, those listed on Schedule 6).

“Trademarks” shall mean, with respect to any Grantor, all of such Grantor’s right, title and interest in and to all domestic, foreign and multinational trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade dress, trade styles, logos, Internet domain names, other indicia of origin or source identification, and general intangibles of a like nature, whether registered or unregistered, and, with respect to any and all of the foregoing, (i) all registrations and applications for registration thereof including, without limitation, the registrations and applications listed on Schedule 6, (ii) all extensions and renewals thereof, (iii) all of the goodwill of the business connected with the use of and symbolized by any of the foregoing, (iv) all rights to sue or otherwise recover for any past, present and future infringement, dilution, or other violation thereof, (v) all Proceeds of the foregoing, including, without limitation, license fees, royalties, income, payments, claims, damages,

proceeds of suit and other payments now or hereafter due and/or payable with respect thereto, and (vi) all other rights of any kind accruing thereunder or pertaining thereto throughout the world.

“Trade Secrets” shall mean, with respect to any Grantor, all of such Grantor’s right, title and interest in and to (i) all trade secrets and all confidential and proprietary information, including know-how, manufacturing and production processes and techniques, inventions, research and development information, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, and customer and supplier lists and information, and with respect to any and all of the foregoing (i) all rights to sue or otherwise recover for any past, present and future misappropriation or other violation thereof, (ii) all Proceeds of the foregoing, including, without limitation, license fees, royalties, income, payments, claims, damages, proceeds of suit and other payments now or hereafter due and/or payable with respect thereto, and (iii) all other rights of any kind accruing thereunder or pertaining thereto throughout the world.

“UCC” shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such perfection, priority or remedies.

“UETA” shall have the meaning set forth in Section 3.2.

“Vehicles” shall mean all cars, trucks, trailers, construction and earth moving equipment and other Equipment of any nature covered by a certificate of title law of any jurisdiction and includes, without limitation, the vehicles listed on Schedule 7, and all tires and other appurtenances to any of the foregoing.

1.2 Other Definitional Provisions. (a) The words “hereof”, “herein”, “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule, Exhibit and Annex references, are to this Agreement unless otherwise specified. References to any Schedule, Exhibit or Annex shall mean such Schedule, Exhibit or Annex as amended or supplemented from time to time in accordance with this Agreement.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

(d) The expressions “payment in full,” “paid in full” and any other similar terms or phrases when used herein shall mean payment in cash in immediately available funds.

(e) The use herein of the word “include” or “including”, when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

(f) All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

SECTION 2. GRANT OF SECURITY INTEREST; CONTINUING LIABILITY UNDER COLLATERAL

(a) Each Grantor hereby assigns and transfers to the Collateral Trustee, and hereby grants to the Collateral Trustee, for the benefit of the Secured Parties, a security interest in, all of the following property, in each case, wherever located and now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the “Collateral”), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

- (i) all Chattel Paper;
- (ii) all Documents;
- (iii) all Equipment;
- (iv) all General Intangibles;
- (v) all Instruments;
- (vi) all Insurance;
- (vii) all Intellectual Property;
- (viii) all Investment Property;
- (ix) all Letter of Credit Rights;
- (x) all Pledged Equity Interests;
- (xi) all Vehicles;
- (xii) all Goods (excluding Inventory) not otherwise described above;
- (xiii) all Collateral Accounts;

(xiv) all books, records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals, computer software, computer printouts, tapes, disks and other electronic storage media and related data processing software and similar items that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(xv) all commercial tort claims now or hereinafter described on Schedule 8; and

(xvi) to the extent not otherwise included, all other property of such Grantor and all Proceeds, products, accessions, rents and profits of any and all of the foregoing and all collateral security, Supporting Obligations and guarantees given by any Person with respect to any of the foregoing.

(b) Notwithstanding anything to the contrary in this Agreement, none of the Excluded Assets shall constitute Collateral.

(c) Notwithstanding anything herein to the contrary, (i) each Grantor shall remain liable for all obligations under the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Collateral Trustee or any Secured Party, and (ii) each Grantor shall remain liable under each of the agreements included in the Collateral, including, without limitation, any agreements relating to Pledged Partnership Interests or Pledged LLC Interests, to perform all of the obligations undertaken by it thereunder all in accordance with and pursuant to the terms and provisions thereof and neither the Collateral Trustee nor any Secured Party shall have any obligation or liability under any of such agreements by reason of or arising out of this Agreement or any other document related thereto nor shall the Collateral Trustee or any Secured Party have any obligation to make any inquiry as to the nature or sufficiency of any payment received by it or have any obligation to take any action to collect or enforce any rights under any agreement included in the Collateral, including, without limitation, any agreements relating to any Pledged Partnership Interests or Pledged LLC Interests.

SECTION 3. REPRESENTATIONS AND WARRANTIES

Each Grantor hereby represents and warrants to the Collateral Trustee (and for the purposes of making such representations and warranties set forth in this Section 3 in connection with any Secured Debt Document, each Grantor may, prior to the making of any such representation and warranty, amend and supplement all Schedules as applicable but once made, such representation and warranty shall, as of such making, be deemed to have been made based on the Schedules in effect at such date), that:

3.1 Title; No Other Liens. Such Grantor owns each item of the Collateral free and clear of any and all Liens or claims, including, without limitation, Liens arising as a result of such Grantor becoming bound (as a result of merger or otherwise) as Grantor under a security agreement entered into by another Person, except for Permitted Priority Liens. No financing statement, mortgage or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Collateral

Trustee, for the benefit of the Secured Parties, pursuant to this Agreement or as are permitted by the Secured Debt Documents.

3.2 Valid, Perfected First Priority Liens. (a) The security interests granted pursuant to this Agreement constitute a legal and valid security interest in favor of the Collateral Trustee, for the benefit of the Secured Parties, securing the payment and performance of each Grantor's Secured Obligations and upon completion of the filings and other actions specified on Schedule 3 (all of which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Collateral Trustee in duly completed and duly executed form, as applicable, and may be filed by the Collateral Trustee at any time) and payment of all filing fees, will constitute fully perfected security interests in all of the Collateral, prior to all other Liens on the Collateral except for Permitted Priority Liens. Without limiting the foregoing and except with respect to any Excluded Assets, each Grantor has taken all actions necessary, including without limitation those specified in Section 4.1 to: (i) establish the Collateral Trustee's "control" (within the meanings of Sections 8-106 and 9-106 of the UCC) over any portion of the Investment Property constituting Certificated Securities, Uncertificated Securities, Securities Accounts, Securities Entitlements or Commodity Accounts, (ii) establish the Collateral Trustee's "control" (within the meaning of Section 9-104 of the UCC) over all Collateral Accounts and (iii) establish the Collateral Trustee's "control" (within the meaning of Section 16 of the Uniform Electronic Transactions Act as in effect in the applicable jurisdiction (the "UETA")) over all "transferable records" (as defined in UETA).

3.3 Name; Jurisdiction of Organization, Etc. Such Grantor's exact legal name (as indicated on the public record of such Grantor's jurisdiction of formation or organization), jurisdiction of organization, organizational identification number, if any, and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4. Each Grantor is organized solely under the law of the jurisdiction so specified and has not filed any certificates of domestication, transfer or continuance in any other jurisdiction. Except as otherwise indicated on Schedule 4, the jurisdiction of each such Grantor's organization of formation is required to maintain a public record showing the Grantor to have been organized or formed. Except as specified on Schedule 4, such Grantor has not changed its name, jurisdiction of organization, chief executive office or sole place of business (if applicable) or its corporate structure in any way (e.g. by merger, consolidation, change in corporate form or otherwise) within the past five years and has not within the last five years become bound (whether as a result of merger or otherwise) as Grantor under a security agreement entered into by another Person, which has not heretofore been terminated. Unless otherwise stated on Schedule 4, such Grantor is not a transmitting utility as defined in UCC § 9-102(a)(80).

3.4 Special Collateral; Excluded Assets. None of the Collateral constitutes, or is the Proceeds of, (1) Farm Products, (2) Manufactured Homes, (3) Health-Care Insurance Receivables, (4) timber to be cut, or (5) aircraft engines, satellites or ships.

3.5 Investment Property. (a) Schedule 2 hereto sets forth under the headings "Pledged Stock", "Pledged LLC Interests" and "Pledged Partnership Interests", respectively, all of the Pledged Stock, Pledged LLC Interests and Pledged Partnership Interests owned by any Grantor and such Pledged Equity Interests constitute the percentage of issued and outstanding shares of stock, percentage of membership interests or percentage of partnership interests of the

respective issuers thereof indicated on such Schedule. Schedule 2 hereto sets forth under the heading “Pledged Debt Securities” or “Pledged Notes” all of the Pledged Debt Securities and Pledged Notes owned by any Grantor, and all of such Pledged Debt Securities and Pledged Notes, have been, in the case of those issued by Affiliates of such Grantor, or, in the case of those issued by Persons that are not Affiliates of such Grantor, to the knowledge of such Grantor have been, duly authorized, authenticated, issued, and delivered and are the legal, valid and binding obligation of the issuers thereof enforceable in accordance with their terms and are not in default and, in the case of those issued by Affiliates of such Grantor, constitute all of the issued and outstanding inter-company indebtedness owed by such Affiliates to such Grantor evidenced by an instrument or certificated security of the respective issuers thereof. Schedule 2 hereto sets forth under the headings “Securities Accounts,” “Commodities Accounts,” and “Deposit Accounts,” respectively, all of the Securities Accounts, Commodities Accounts and Deposit Accounts (other than any Excluded Assets) in which each Grantor has an interest. Each Grantor is the sole entitlement holder or customer of each such account, and such Grantor has not consented to, and is not otherwise aware of, any Person (other than the Collateral Trustee pursuant hereto) having “control” (within the meanings of Sections 8-106, 9-106 and 9-104 of the UCC) over, or any other interest in, any such Securities Account, Commodity Account or Deposit Account (other than any Excluded Assets) or any securities, commodities or other property credited thereto.

(b) The shares of Pledged Stock pledged by such Grantor hereunder constitute all of the issued and outstanding shares of all classes of the Equity Interests of each Issuer that is a corporation owned by such Grantor other than any such Equity Interests that are Excluded Assets.

(c) All the shares of the Pledged Equity Interests have been duly and validly issued and, with respect to Pledged Stock, are fully paid and nonassessable. No Grantor is in default of its obligations under any organizational document of any Issuer of Pledged Equity Interests.

(d) No consent, approval or authorization of any Person is required for the pledge by such Grantor of the Pledged Equity Interests pursuant to this Agreement or for the execution, delivery or performance of this Agreement by such Grantor, whether under the organizational documents of any issuer of Pledged Equity Interests or otherwise, except such as have been obtained and are in full force and effect.

(e) Such Grantor is the record and beneficial owner of, and has good and valid title to, the Investment Property and the Collateral Accounts pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except for, in the case of any of the foregoing Collateral other than Pledged Equity Interests, Permitted Liens and, in the case of Pledged Equity Interests, Permitted Liens arising pursuant to a requirement of law, and there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any Pledged Equity Interests.

3.6 Intellectual Property. (a) Schedule 6 lists all of the following Intellectual Property, to the extent owned by such Grantor in its own name: (i) issued Patents and pending

Patent applications, (ii) registered Trademarks and applications for the registration of Trademarks, and (iii) registered Copyrights, and applications to register Copyrights. All such Intellectual Property is recorded in the name of such Grantor. Except as set forth on Schedule 6, such Grantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property free and clear of all Liens, claims and licenses, except for Permitted Liens and the licenses set forth on Schedule 6.

(b) Except as set forth on Schedule 6, all Intellectual Property of such Grantor is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, nor, in the case of Patents, is any of such Intellectual Property the subject of a reexamination proceeding, and such Grantor has performed all acts and has paid all renewal, maintenance, and other fees and taxes required to maintain each and every registration and application of Copyrights, Patents and Trademarks of such Grantor constituting Intellectual Property in full force and effect.

(c) Except for those matters which are disclosed on Schedule 6, no action or proceeding is pending, or, to the knowledge of such Grantor, threatened, alleging that such Grantor, or the conduct of such Grantor's business, infringes, misappropriates, dilutes, or otherwise violates the Intellectual Property of any other Person. Except as set forth on Schedule 6, to the knowledge of such Grantor, no Person is engaging in any activity that infringes, misappropriates, dilutes or violates any Intellectual Property of such Grantor.

(d) Schedule 6 lists all Copyright Licenses, Patent Licenses and Trademark Licenses held by such Grantor that constitute Intellectual Property. Schedule 6 lists all exclusive, inbound Copyright Licenses held by such Grantor pursuant to which such Grantor has been granted rights in or to any registered Copyrights. With respect to each Copyright License, Trademark License and Patent License held by such Grantor (regardless of whether it is listed on Schedule 6): (i) such license is valid and binding and in full force and effect and represents the entire agreement between the respective licensor and licensee with respect to the subject matter of such license; (ii) such license will not cease to be valid and binding and in full force and effect on terms identical to those currently in effect as a result of the rights and interests granted herein, nor will the grant of such rights and interests constitute a breach or default under such license or otherwise give the licensor or licensee a right to terminate such license; (iii) such Grantor has not received any notice of termination or cancellation under such license; (iv) such Grantor has not received any notice of a breach or default under such license, which breach or default has not been cured; (v) such Grantor has not granted to any other third party any rights, adverse or otherwise, under such license; and (vi) such Grantor is not in breach or default in any material respect, and no event has occurred that, with notice and/or lapse of time, would constitute such a breach or default or permit termination, modification or acceleration of or under such license.

(e) [reserved].

(f) Such Grantor controls the nature and quality of all products sold and all services rendered under or in connection with all Trademarks of such Grantor, in each case consistent with industry standards, and has taken all action necessary to insure that all licensees of all such Trademarks comply with such Grantor's standards of quality.

(g) Such Grantor has used best efforts to ensure the use of appropriate statutory notice of registration in connection with its use of registered Trademarks, appropriate notice of its trademark rights in common law Trademarks, proper marking practices in connection with its Patents, and appropriate notice of copyright in connection with the publication of its Copyrights.

(h) Except as set forth on Schedule 6, such Grantor has not made a previous assignment, sale, transfer, exclusive license, or similar arrangement constituting a present or future assignment, sale, transfer, exclusive license or similar arrangement of any Intellectual Property that has not been terminated or released.

(i) Except for those matters which are disclosed on Schedule 6, no holding, decision, ruling, or judgment has been rendered in any action or proceeding before any court or administrative authority challenging the validity, enforceability, or scope of, or such Grantor's right to register, own or use, any Intellectual Property of such Grantor or such Grantor's ownership interest therein, and no such action or proceeding is pending or, to the best of such Grantor's knowledge, threatened.

(j) Except for those matters which are disclosed on Schedule 6, no settlements or consents, covenants not to sue, coexistence agreements, non-assertion assurances, or releases have been entered into by such Grantor or bind such Grantor in any manner that impacts such Grantor's rights to own, license or use any Intellectual Property. The consummation of the transactions contemplated by this Agreement will not result in the termination, limitation or other impairment of any of such Grantor's rights in its Intellectual Property.

(k) Such Grantor has taken commercially reasonable steps to protect the confidentiality of its Trade Secrets in accordance with industry standards. Except as could not reasonably be expected to be adverse in any material respect to the Secured Parties, (i) none of the Trade Secrets of such Grantor has been used, divulged, disclosed or misappropriated to the detriment of such Grantor for the benefit of any other Person, (ii) no employee, independent contractor or agent of such Grantor has misappropriated any trade secrets of any other Person in the course of the performance of his or her duties as an employee, independent contractor or agent of such Grantor and (iii) no employee, independent contractor or agent of such Grantor is in default or breach of any term of any employment agreement, non-disclosure agreement, assignment of inventions agreement or similar agreement or contract relating in any way to the protection, ownership, development, use or transfer of such Grantor's Intellectual Property.

3.7 Vehicles. Schedule 7 is a complete and correct list of all Vehicles owned by such Grantor on the date hereof other than those constituting Excluded Assets.

3.8 Commercial Tort Claims. No Grantor has any commercial tort claims other than those constituting Excluded Assets or those described on Schedule 8.

SECTION 4. COVENANTS

Each Grantor covenants and agrees with the Secured Parties that, from and after the date of this Agreement until the Discharge of Secured Obligations:

4.1 Delivery and Control of Instruments, Chattel Paper, Negotiable Documents, Investment Property and Collateral Accounts.

(a) If any of the Collateral is or shall become evidenced or represented by any Instrument, Certificated Security, negotiable Document or Tangible Chattel Paper that, in each case, is not an Excluded Asset, such Instrument (other than checks received in the ordinary course of business), Certificated Security, negotiable Document or Tangible Chattel Paper shall be promptly delivered to the Collateral Trustee, duly endorsed in a manner satisfactory to the Collateral Trustee, to be held as Collateral pursuant to this Agreement.

(b) If any of the Collateral is or shall become evidenced or represented by an Uncertificated Security, such Grantor shall cause the Issuer thereof either (i) to register the Collateral Trustee as the registered owner of such Uncertificated Security, upon original issue or registration of transfer or (ii) to agree in writing with such Grantor and the Collateral Trustee that such Issuer will comply with instructions with respect to such Uncertificated Security originated by the Collateral Trustee without further consent of such Grantor, such agreement to be in substantially the form of Exhibit A or in form and substance reasonably satisfactory to the Collateral Trustee.

(c) Each Grantor shall maintain Securities Entitlements, Securities Accounts and Collateral Accounts (other than Excluded Assets) only with financial institutions that have agreed to comply with entitlement orders and instructions issued or originated by the Collateral Trustee without further consent of such Grantor, such agreement to be in form and substance reasonably satisfactory to the Collateral Trustee.

(d) In addition to and not in lieu of the foregoing, if any issuer of any Investment Property is organized under the law of, or has its chief executive office in, a jurisdiction outside of the United States, each Grantor shall take such additional actions, including, without limitation, causing the issuer to register the pledge on its books and records, as such Grantor may deem reasonably necessary or advisable or as may be reasonably requested by the Collateral Trustee, under the laws of such jurisdiction to insure the validity, perfection and priority of the security interest of the Collateral Trustee.

4.2 Maintenance of Insurance. (a) Such Grantor shall maintain, with financially sound and reputable insurance companies, insurance on its Collateral (including, without limitation, Equipment and Vehicles) in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business, and shall furnish to the Collateral Trustee, upon written request, full information as to the insurance carried; provided that in any event such Grantor will maintain, to the extent obtainable on commercially reasonable terms, (i) property and casualty insurance on all real and personal property on an all risks basis (including the perils of flood and quake and loss by fire, explosion and theft), covering the repair or replacement cost of all such property and consequential loss coverage for business interruption and extra expense (which shall include construction expenses and such other business interruption expenses as are otherwise generally available to similar businesses), and (ii) public liability insurance. All such insurance with respect to such Grantor shall be provided by insurers or reinsurers which (x) in the case of United States insurers and reinsurers, have an A.M. Best policyholders rating of not less than A-

with respect to primary insurance and B+ with respect to excess insurance and (y) in the case of non-United States insurers or reinsurers, have (in the case of the providers of at least 80% of such insurance) either an ISI policyholders rating of not less than A, an A.M. Best policyholders rating of not less than A- or a surplus of not less than \$500,000,000 with respect to primary insurance, and an ISI policyholders rating of not less than BBB with respect to excess insurance, or, if the relevant insurance is not available from such insurers, such other insurers as the Collateral Trustee may approve in writing. All insurance shall provide that no cancellation shall be effective until at least thirty (30) days after receipt by the Collateral Trustee of written notice thereof.

(b) Such Grantor shall deliver to the Collateral Trustee on behalf of the Secured Parties, (i) upon request of any Secured Party from time to time, full information as to the insurance carried, (ii) promptly following receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the Closing Date and (iii) forthwith, notice of any cancellation or nonrenewal of coverage by such Grantor. The Collateral Trustee shall be named as additional insured on all such liability insurance policies of such Grantor and the Collateral Trustee shall be named as loss payee on all property and casualty insurance policies of such Grantor.

4.3 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 3.2 and shall defend such security interest against the claims and demands of all Persons whomsoever, other than the holders of Permitted Liens.

(b) Such Grantor shall furnish to the Collateral Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the assets and property of such Grantor as the Collateral Trustee may reasonably request, all in reasonable detail.

(c) At any time and from time to time, and at the sole expense of such Grantor, such Grantor shall promptly and duly authorize, execute and deliver, and have recorded, such further instruments and documents and take such further actions as such Grantor may deem reasonably necessary or advisable or as the Collateral Trustee may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the filing of any financing or continuation statements under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Investment Property, Collateral Accounts and any other relevant Collateral, taking any actions necessary to enable the Collateral Trustee to obtain "control" (within the meaning of the applicable UCC) with respect thereto to the extent required hereunder, including without limitation, executing and delivering and causing the relevant depository bank or securities intermediary to execute and deliver a control agreement in form and substance reasonably satisfactory to the Collateral Trustee.

4.4 Changes in Locations, Name, Jurisdiction of Incorporation, Etc.

Such Grantor will not, except upon fifteen (15) days' prior written notice to the Collateral Trustee and delivery to the Collateral Trustee of duly authorized and, where required, executed copies of (a)

all additional financing statements and other documents reasonably requested by the Collateral Trustee to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 5 showing any additional location at which Equipment (other than mobile goods) shall be kept:

(i) permit any of the Equipment (other than mobile goods) to be kept at a location other than those listed on Schedule 5;

(ii) without limiting any applicable prohibitions on mergers involving the Grantors contained in the Existing Indenture, change its legal name, jurisdiction of organization or the location of its chief executive office or sole place of business, if applicable, from that referred to in Section 3.3; or

(iii) change its legal name, identity or structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

4.5 [Reserved].

4.6 Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any stock or other ownership certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), or option or rights in respect of the capital stock or other Pledged Equity Interest, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of or other ownership interests in the Pledged Equity Interests, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Secured Parties, hold the same in trust for the Secured Parties and deliver the same forthwith to the Collateral Trustee in the exact form received, duly endorsed by such Grantor to the Collateral Trustee, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Collateral Trustee so requests, signature guaranteed, to be held by the Collateral Trustee, subject to the terms hereof, as additional collateral security for the Secured Obligations. If any Secured Debt Default shall have occurred and be continuing, any sums paid upon or in respect of the Pledged Equity Interests upon the liquidation or dissolution of any Issuer shall be paid over to the Collateral Trustee to be held by it hereunder as additional collateral security for the Secured Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Equity Interests or any property shall be distributed upon or with respect to the Pledged Equity Interests pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Collateral Trustee, be delivered to the Collateral Trustee to be held by it hereunder as additional collateral security for the Secured Obligations. If any Secured Debt Default shall have occurred and be continuing and any sums of money or property so paid or distributed in respect of the Pledged Equity Interests shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Collateral Trustee, hold such money or property in trust for the Secured Parties, segregated from other funds of such Grantor, as additional collateral security for the Secured Obligations.

(b) Except as permitted pursuant to the Notes Documents, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to amend its organizational documents in any manner that adversely affects the validity, perfection or priority of the Collateral Trustee's security interest therein, (ii) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Collateral Trustee to sell, assign or transfer any of the Investment Property or Proceeds thereof or any interest therein or, (iii) cause or permit any issuer of Pledged Partnership Interests or Pledged LLC Interests which are not securities (for purposes of the UCC) on the date hereof to elect or otherwise take any action to cause such Pledged Partnership Interests or Pledged LLC Interests to be treated as securities for purposes of the UCC; provided, however, that notwithstanding the foregoing, if any issuer of any Pledged Partnership Interests or Pledged LLC Interests takes any such action in violation of the foregoing in this clause (iii), such Grantor shall promptly notify the Collateral Trustee in writing of any such election or action and, in such event, shall take all steps such Grantor deems reasonably necessary or advisable to establish the Collateral Trustee's "control" thereof or (iv) permit any Issuers to issue any Equity Interests of any nature or issue securities convertible into or granting the right to purchase or exchange for any Equity Interests of any Issuer,

(c) Each Grantor which is an Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Equity Interests issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Collateral Trustee promptly in writing of the occurrence of any of the events described in Section 4.6(a) with respect to the Pledged Equity Interests issued by it and (iii) the terms of Sections 4.7(c) shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 4.7(c) with respect to the Pledged Equity Interests issued by it. In addition, each Grantor which is either an Issuer or an owner of any Pledged Equity Interests hereby consents to the grant by each other Grantor of the security interest hereunder in favor of the Collateral Trustee and to the transfer of any Pledged Equity Interest to the Collateral Trustee or its nominee following a Secured Debt Default and to the substitution of the Collateral Trustee or its nominee as a partner, member or shareholder or other equity holder of the Issuer of the related Pledged Equity Interest.

4.7 Voting and Other Rights with Respect to Pledged Securities. (a) Unless a Secured Debt Default shall have occurred and be continuing, each Grantor shall be permitted to receive all cash dividends and distributions paid in respect of the Pledged Equity Interests and all payments made in respect of the Pledged Notes or Pledged Debt Securities, to the extent permitted by the Secured Debt Documents, and to exercise all voting and corporate rights or other ownership rights with respect to the Pledged Equity Interests. For the avoidance of doubt, any cash, cash equivalents or property that is paid as a dividend or otherwise distributed to any direct or indirect parent of the Issuers in compliance with Section 4.07 (Restricted Payments) of the Closing Date Indenture shall, unless a Secured Debt Default shall have occurred and be continuing, automatically cease to be Collateral or Proceeds of Collateral.

(b) If a Secured Debt Default shall occur and be continuing: (i) all rights of each Grantor to exercise or refrain from exercising the voting and other consensual rights with respect to Pledged Securities which it would otherwise be entitled to exercise shall cease and all such rights shall thereupon become vested in the Collateral Trustee who shall thereupon have the sole right, but shall be under no obligation, to exercise or refrain from exercising such voting and

other consensual rights and (ii) the Collateral Trustee shall have the right, without notice to any Grantor, to transfer all or any portion of the Pledged Securities to its name or the name of its nominee or agent. In addition, the Collateral Trustee shall have the right at any time, without notice to any Grantor, to exchange any certificates or instruments representing any Pledged Securities for certificates or instruments of smaller or larger denominations. In order to permit the Collateral Trustee to exercise the voting and other consensual rights which it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions which it may be entitled to receive hereunder, each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Collateral Trustee all proxies, dividend payment orders and other instruments as the Collateral Trustee may from time to time reasonably request and each Grantor acknowledges that the Collateral Trustee may utilize the power of attorney set forth herein.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Collateral Trustee in writing that (x) states that a Secured Debt Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the Collateral Trustee.

4.8 Intellectual Property. (a) Such Grantor (either itself or through licensees) will not, except as permitted pursuant to the Notes Documents, discontinue use of any Intellectual Property, or do any act or omit to do any act whereby any Intellectual Property may lapse, become abandoned, cancelled, dedicated to the public, forfeited, or otherwise impaired, or abandon any application or any right to file an application for a Copyright, Patent, or Trademark, in each case where such discontinuance, act or omission would reasonably be expected to be adverse in any material respect to the Secured Parties.

(b) Such Grantor shall take all reasonable steps, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office, any state registry or any foreign counterpart of the foregoing, to pursue any application and maintain any registration or issuance of each Trademark, Patent, and Copyright owned by or exclusively licensed to such Grantor, including, but not limited to, those applications and registrations listed on Schedule 6 if such Grantor reasonably determines that such application or maintenance of registration is necessary for the operation of its business.

(c) Such Grantor agrees that, should it hereafter (i) obtain an ownership interest in any item of registered Intellectual Property, (ii) obtain an exclusive license to any registered Copyrights, (iii) (either by itself or through any agent, employee, licensee, or designee) file any application for the registration or issuance of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office, or any similar office or agency in any other country or in any political subdivision of any of the foregoing, or (iv) file a "Statement of Use" pursuant to Section 1(d) of the Lanham Act or an "Amendment to Allege Use" pursuant to Section 1(c) of the Lanham Act with respect to any "intent-to-use" Trademark application (the items in clauses (i), (ii) (iii) and (iv), collectively, the "After-Acquired Intellectual Property"), then the provisions of Section 2 shall automatically apply

thereto, and any such After-Acquired Intellectual Property shall automatically become part of the Collateral, and such Grantor shall give prompt (and, in any event within ten (10) Business Days after the last day of the fiscal quarter in which such Grantor acquires such ownership interest) written notice thereof to the Collateral Trustee in accordance herewith, and shall provide the Collateral Trustee promptly (and, in any event within ten (10) Business Days after the last day of the fiscal quarter in which such Grantor acquires such ownership interest) with an amended Schedule 6 hereto and promptly take the actions specified in Section 4.8(d) with respect thereto.

(d) Such Grantor shall execute Intellectual Property Security Agreements with respect to the Intellectual Property included in the Collateral as of the date hereof, as well as any After-Acquired Intellectual Property, in substantially the form of Exhibits B-1 or B-2, as applicable, in order to record the security interest granted herein to the Collateral Trustee for the benefit of the Secured Parties with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, and such Grantor shall promptly execute and deliver, and have recorded, any and all other agreements, instruments, documents, and papers as such Grantor may deem reasonably necessary or advisable or as the Collateral Trustee may reasonably request to evidence the Secured Parties' security interest in any such Intellectual Property with any other applicable offices, agencies, or governmental authorities.

(e) Such Grantor shall use best efforts so as not to permit the inclusion in any contract to which it hereafter becomes a party of any provision that could or may in any way materially impair or prevent the creation of a security interest in, or the assignment of, such Grantor's rights and interests in any property that constitutes Intellectual Property.

(f) Such Grantor shall promptly notify the Collateral Trustee if it knows or has reason to know that any item of Intellectual Property may become (i) abandoned or dedicated to the public or placed in the public domain, (ii) invalid or unenforceable, (iii) subject to any adverse determination or development regarding such Grantor's ownership, registration or use or the validity or enforceability of such item of Intellectual Property (including the institution of, or any adverse development with respect to, any action or proceeding in the United States Patent and Trademark Office, the United States Copyright Office, any state registry, any foreign counterpart of the foregoing, or any court) or (iv) the subject of any reversion or termination rights.

(g) Such Grantor shall (and shall require its licensees to) use best efforts to use proper notice of its Intellectual Property rights in connection with the use of any of its Intellectual Property.

(h) Such Grantor shall not intentionally or knowingly infringe, misappropriate, dilute, or otherwise violate the Intellectual Property rights of any other Person in any manner which could reasonably be expected to be materially adverse to the Secured Parties. In the event that any Person initiates, or threatens in writing to initiate, any action or proceeding alleging that such Grantor, or the conduct of such Grantor's business, infringes, misappropriates, dilutes, or otherwise violates the Intellectual Property of any other Person, and such action or proceeding could reasonably be expected to be materially adverse to the Secured Parties, such Grantor shall promptly notify the Collateral Trustee after it learns thereof.

(i) In the event that Grantor becomes aware that any Intellectual Property owned by or exclusively licensed to any Grantor is infringed, misappropriated, diluted or otherwise violated by another Person, such Grantor shall (i) promptly take all reasonable actions to stop such infringement, misappropriation, dilution or other violation and protect its rights in such Intellectual Property including, but not limited to, the initiation of a suit for injunctive relief and to recover damages, and (ii) promptly notify the Collateral Trustee after it learns thereof.

(j) With respect to any Trademarks of such Grantor, such Grantor shall use best efforts to maintain the value and enforceability of any of such Trademarks at a level at least substantially consistent with the value and enforceability of such Trademarks as of the date hereof.

(k) Such Grantor shall, within thirty (30) days of the creation or acquisition or exclusive license of any copyrightable work that constitutes Intellectual Property, and provided the registration of such copyrightable work is material to the such Grantor's business, apply to register the Copyright in the United States Copyright Office or, where appropriate, any foreign counterpart and, in the case of an exclusive Copyright License in respect of a registered Copyright, record such license, in the United States Copyright Office or, where appropriate, any foreign counterpart.

4.9 Vehicles. With respect to any Vehicles owned as of the date hereof (other than to the extent constituting Excluded Assets), and, with respect to any Vehicles (other than to the extent constituting Excluded Assets) acquired by such Grantor subsequent to the date hereof, within forty-five (45) days after the date of acquisition thereof, all applications for certificates of title or ownership indicating the Collateral Trustee's first priority security interest in such Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction necessary or which the Collateral Trustee shall deem advisable to perfect its security interests in the Vehicles.

4.10 Commercial Tort Claims. Within forty-five (45) days after the date of any additional commercial tort claims (other than any Excluded Assets) arising since Schedule 8 was last delivered, each Grantor shall provide the Collateral Trustee with an amended or supplemented Schedule 8 to reflect such additional commercial tort claims.

SECTION 5. REMEDIAL PROVISIONS

5.1 Limitations. Any exercise by Collateral Trustee of any of its rights under this Section 5 shall be subject to the Collateral Trust Agreement, the Collateral Rights Agreement and the Acknowledgment Agreement.

5.2 Application of Proceeds. At such intervals as may be agreed upon by the Company and the Collateral Trustee, or, if a Secured Debt Default shall have occurred and be continuing, at any time at the Collateral Trustee's election, the Collateral Trustee may apply all or any part of the Collateral and/or net Proceeds thereof (after deducting fees and expenses as provided in Section 5.3) realized through the exercise by the Collateral Trustee of its remedies hereunder, whether or not held in any Collateral Account, in payment of the Secured

Obligations. The Collateral Trustee shall apply any such Collateral or Proceeds in accordance with Section 3.4 of the Collateral Trust Agreement.

5.3 Code and Other Remedies. (a) If a Secured Debt Default shall occur and be continuing, the Collateral Trustee, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the UCC (whether or not the UCC applies to the affected Collateral) and all rights under any other applicable law or in equity. Without limiting the generality of the foregoing, the Collateral Trustee, without demand of performance or other demand, defense, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, presentments, protests, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, license, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of any Secured Party, on the internet or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Trustee may store, repair or recondition any Collateral or otherwise prepare any Collateral for disposal in the manner and to the extent that the Collateral Trustee deems appropriate. Each Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold or to become the licensor of all or any such Collateral, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. For purposes of bidding and making settlement or payment of the purchase price for all or a portion of the Collateral sold at any such sale made in accordance with the UCC or other applicable laws, including, without limitation, the Bankruptcy Code, the Collateral Trustee, as agent for and representative of the Secured Parties (but not any Secured Party or Secured Parties in its or their respective individual capacities unless so directed by an Act of Required Secured Debtholders), shall be entitled to credit bid and use and apply the Secured Obligations (or any portion thereof) as a credit on account of the purchase price for any Collateral payable by the Collateral Trustee at such sale, such amount to be apportioned ratably to the Secured Obligations of the Secured Parties in accordance with their pro rata share of such Secured Obligations. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Trustee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Collateral Trustee may sell the Collateral without giving any warranties as to the Collateral. The Collateral Trustee may specifically disclaim or modify any warranties of title

or the like. The foregoing will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral. Each Grantor agrees that it would not be commercially unreasonable for the Collateral Trustee to dispose of the Collateral or any portion thereof by using Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. Each Grantor hereby waives any claims against the Collateral Trustee arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Collateral Trustee accepts the first offer received and does not offer such Collateral to more than one offeree. Each Grantor further agrees, at the Collateral Trustee's request, to assemble the Collateral and make it available to the Collateral Trustee at places which the Collateral Trustee shall reasonably select, whether at such Grantor's premises or elsewhere. The Collateral Trustee shall have the right to enter onto the property where any Collateral is located without any obligation to pay rent and take possession thereof with or without judicial process. The Collateral Trustee shall have no obligation to marshal any of the Collateral.

(b) The Collateral Trustee shall deduct from such Proceeds all reasonable costs and expenses of every kind incurred in connection with the exercise of its rights and remedies against the Collateral or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements. Any net Proceeds remaining after such deductions shall be applied or retained by the Collateral Trustee in accordance with Section 5.2. Only after such application and after the payment by the Collateral Trustee of any other amount required by any provision of law, including, without limitation, Section 9-615(a) of the UCC, need the Collateral Trustee account for the surplus, if any, to any Grantor. If the Collateral Trustee sells any of the Collateral upon credit, the Grantor will be credited only with payments actually made by the purchaser and received by the Collateral Trustee. In the event the purchaser fails to pay for the Collateral, the Collateral Trustee may resell the Collateral and the applicable Grantor shall be credited with proceeds of the sale. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against any Secured Party arising out of the exercise by it or them of any rights hereunder.

(c) In the event of any disposition of any of the Intellectual Property under this Section 5.3, the goodwill of the business connected with and symbolized by any Trademarks subject to such disposition shall be included, and the applicable Grantor shall supply the Collateral Trustee or its designee with such Grantor's know-how and expertise, and with documents and things embodying the same, relating to the exploitation of such Intellectual Property, including the manufacture, distribution, advertising and sale of products or the provision of services under such Intellectual Property, and such Grantor's customer lists and other records and documents relating to such Intellectual Property and to the manufacture, distribution, advertising and sale of such products and services.

(d) For the purpose of enabling the Collateral Trustee to exercise rights and remedies under this Section 5.3 (including in order to take possession of, collect, receive, assemble, process, appropriate, remove, realize upon, sell, assign, license out, convey, transfer or grant options to purchase any Collateral) at such time as the Collateral Trustee shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral

Trustee, for the benefit of the Secured Parties, (i) an irrevocable, nonexclusive, and assignable license (exercisable without payment of royalty or other compensation to such Grantor), subject, in the case of Trademarks, to sufficient rights to quality control and inspection in favor of such Grantor to avoid the risk of invalidation of such Trademarks, to use, practice, license, sublicense, and otherwise exploit any and all Intellectual Property now owned or held or hereafter acquired or held by such Grantor (which license shall include access to all media in which any of the licensed items may be recorded or stored and to all software and programs used for the compilation or printout thereof) and (ii) an irrevocable license (without payment of rent or other compensation to such Grantor) to use, operate and occupy all real property owned, operated, leased, subleased, or otherwise occupied by such Grantor.

5.4 Effect of Securities Laws. Each Grantor recognizes that the Collateral Trustee may be unable to effect a public sale of any or all of the Pledged Equity Interests or the Pledged Debt Securities by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Collateral Trustee shall be under no obligation to delay a sale of any of the Pledged Equity Interests or the Pledged Debt Securities for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

5.5 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and the fees and disbursements of any attorneys employed by any Secured Party to collect such deficiency.

SECTION 6. POWER OF ATTORNEY AND FURTHER ASSURANCES

6.1 Collateral Trustee's Appointment as Attorney-in-Fact, Etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Collateral Trustee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Trustee the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

- (i) in the name of such Grantor or its own name, or otherwise, take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Collateral and file any

claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Trustee for the purpose of collecting any and all such moneys due with respect to any Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Collateral Trustee may request to evidence the Secured Parties' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or purchase any insurance called for by the terms of the Secured Debt Documents and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 5.3 or 5.4, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Collateral Trustee or as the Collateral Trustee shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (3) sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Collateral Trustee may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Collateral Trustee shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Trustee were the absolute owner thereof for all purposes, and do, at the Collateral Trustee's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Collateral Trustee deems necessary to protect, preserve or realize upon the Collateral and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 6.1(a) to the contrary notwithstanding, the Collateral Trustee agrees that, (i) except as provided in Section 6.1(b), it will not exercise any rights under the power of attorney provided for in this Section 6.1(a) unless a Secured Debt Default shall

have occurred and be continuing and (ii) any exercise by Collateral Trustee of any of its rights under this Section 6.1(a) shall be subject to the Collateral Trust Agreement, the Collateral Rights Agreement and the Acknowledgment Agreement.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Collateral Trustee, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement; provided, however, that unless a Secured Debt Default has occurred and is continuing or time is of the essence, the Collateral Trustee shall not exercise this power without first making demand on the Grantor and the Grantor failing to promptly comply therewith.

(c) The expenses of the Collateral Trustee incurred in connection with actions undertaken as provided in this Section 6.1, together with interest thereon at a rate per annum equal to the rate per annum at which interest would then be payable on past due principal under the Existing Indenture, from the date of payment by the Collateral Trustee to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Collateral Trustee on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until a Discharge of Secured Obligations.

6.2 Authorization of Financing Statements. Each Grantor acknowledges that pursuant to Section 9-509(b) of the UCC and any other applicable law, the Collateral Trustee is authorized to file or record financing or continuation statements, and amendments thereto, and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Collateral Trustee reasonably determines appropriate to perfect or maintain the perfection of the security interests of the Collateral Trustee under this Agreement; provided, however, that nothing herein shall require the Collateral Trustee to file financing statements, termination statements or continuation statements, or be responsible for maintaining the security interests purported to be created as described herein. Each Grantor agrees that such financing statements may describe the collateral in the same manner as described in the Secured Debt Documents, whether now owned or hereafter existing or acquired by the such Grantor or such other description as the Collateral Trustee, in its sole judgment, determines is necessary or advisable. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

6.3 Further Assurances. Each Grantor agrees that from time to time, at the expense of such Grantor, it shall promptly execute and deliver all further instruments and documents and take all further action that may be necessary, or that the Collateral Trustee may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable the Collateral Trustee to exercise and enforce its rights and remedies hereunder in respect of any Collateral. Without limiting the generality of the foregoing, each Grantor shall:

(i) file such financing or continuation statements, or amendments thereto, record security interests in Intellectual Property and execute and deliver such other agreements, instruments, endorsements, powers of attorney or notices, as may be necessary, or as the Collateral Trustee may reasonably request, in order to effect, reflect, perfect and preserve the security interests granted or purported to be granted hereby;

(ii) take all actions necessary to ensure the recordation of appropriate evidence of the liens and security interest granted hereunder in any Intellectual Property with any intellectual property registry in which said Intellectual Property is registered or issued or in which an application for registration or issuance is pending, including, without limitation, the United States Patent and Trademark Office, the United States Copyright Office, the various Secretaries of State;

(iii) at any reasonable time, upon request by the Collateral Trustee, assemble the Collateral and allow inspection of the Collateral by the Collateral Trustee or persons designated by the Collateral Trustee;

(iv) at the Collateral Trustee's request, appear in and defend any action or proceeding that may affect such Grantor's title to or the Collateral Trustee's interest in all or any part of the Collateral; and

(v) furnish the Collateral Trustee with such information regarding the Collateral, including, without limitation, the location thereof, as the Collateral Trustee may reasonably request from time to time.

SECTION 7. LIEN ABSOLUTE; WAIVER OF SURETYSHIP DEFENSES

7.1 Lien Absolute, Waivers All rights of Collateral Trustee hereunder, and all obligations of Grantors hereunder, shall be absolute and unconditional irrespective of, shall not be affected by, and shall remain in full force and effect without regard to, and hereby waives all, rights, claims or defenses that it might otherwise have (now or in the future) with respect to, in each case, each of the following (whether or not such Grantor has knowledge thereof):

(i) the validity or enforceability of the Existing Indenture or any other Secured Debt Document, any of the Secured Obligations or any guarantee or right of offset with respect thereto at any time or from time to time held by any Secured Party;

(ii) any renewal, extension or acceleration of, or any increase in the amount of the Secured Obligations, or any amendment, supplement, modification or waiver of, or any consent to departure from, the Secured Debt Documents;

(iii) any failure or omission to assert or enforce or agreement or election not to assert or enforce, delay in enforcement, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under any Secured Debt Document, at law, in equity or otherwise) with respect to the Secured Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Secured Obligations;

(iv) any change, reorganization or termination of the corporate structure or existence of Company or any other Grantor or any of their Subsidiaries and any corresponding restructuring of the Secured Obligations;

(v) any settlement, compromise, release, or discharge of, or acceptance or refusal of any offer of payment or performance with respect to, or any substitutions for, the Secured Obligations or any subordination of the Secured Obligations to any other obligations;

(vi) the validity, perfection, non-perfection or lapse in perfection, priority or avoidance of any security interest or Lien, the release of any or all collateral securing, or purporting to secure, the Secured Obligations or any other impairment of such collateral;

(vii) any exercise of remedies with respect to any security for the Secured Obligations (including, without limitation, any collateral, including the Collateral securing or purporting to secure any of the Secured Obligations) at such time and in such order and in such manner as the Collateral Trustee and the Secured Parties may decide and whether or not every aspect thereof is commercially reasonable and whether or not such action constitutes an election of remedies and even if such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy that any Grantor would otherwise have and without limiting the generality of the foregoing or any other provisions hereof, each Grantor hereby expressly waives any and all benefits which might otherwise be available to such Grantor under applicable law; and

(viii) any other circumstance whatsoever which may or might in any manner or to any extent vary the risk of any Grantor as an obligor in respect of the Secured Obligations or which constitutes, or might be construed to constitute, an equitable or legal discharge of the Company or any other Grantor for the Secured Obligations, or of such Grantor under the guarantee contained in any Secured Debt Document or of any security interest granted by any Grantor, whether in a reorganization or bankruptcy case or proceeding or in any other instance.

(b) In addition each Grantor further waives any and all other defenses, set-offs or counterclaims (other than a defense of payment or performance in full hereunder) which may at any time be available to or be asserted by it, the Borrower or any other Grantor or Person against any Secured Party, including, without limitation, failure of consideration, breach of warranty, statute of frauds, statute of limitations, accord and satisfaction and usury.

(c) Each Grantor waives diligence, presentment, protest, marshaling, demand for payment, notice of dishonor, notice of default and notice of nonpayment to or upon the Borrower or any of the other Grantors with respect to the Secured Obligations. Except for notices provided for herein, each Grantor hereby waives notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any collateral securing the Secured Obligations, including, without limitation, the Collateral. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Grantor,

Collateral Trustee may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against Borrower, any other Grantor or any other Person or against any collateral security or guarantee for the Secured Obligations or any right of offset with respect thereto, and any failure by Collateral Trustee to make any such demand, to pursue such other rights or remedies or to collect any payments from Borrower, any other Grantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of Borrower, any other Grantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Grantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Secured Party against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

SECTION 8. THE COLLATERAL TRUSTEE

8.1 Authority of Collateral Trustee. (a) Each Grantor acknowledges that the rights and responsibilities of the Collateral Trustee under this Agreement with respect to any action taken by the Collateral Trustee or the exercise or non-exercise by the Collateral Trustee of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Trustee and the other Secured Parties, be governed by the Collateral Trust Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Trustee and the Grantors, the Collateral Trustee shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

(b) The Collateral Trustee has agreed to act as Collateral Trustee hereunder. The Collateral Trustee shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of Collateral), solely in accordance with this Agreement and the Collateral Trust Agreement.

8.2 Duty of Collateral Trustee.

(a) The Collateral Trustee's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as the Collateral Trustee deals with similar property for its own account. The Collateral Trustee is authorized to receive any funds for the benefit of the Secured Parties distributed under the Security Documents, and to make further distributions of such funds to the Secured Parties according to the provisions hereof and thereof. Neither the Collateral Trustee nor any other Secured Party nor any of their respective officers, directors, partners, employees, agents, attorneys or other advisors, attorneys-in-fact or affiliates shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Secured Parties hereunder are

solely to protect the Secured Parties' interests in the Collateral and shall not impose any duty upon any Secured Party to exercise any such powers. The Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, partners, employees, agents, attorneys and other advisors, attorneys-in-fact or affiliates shall be responsible to any Grantor for any act or failure to act hereunder, except to the extent that any such act or failure to act is found by a final and nonappealable decision of a court of competent jurisdiction to have resulted solely and proximately from their own gross negligence or willful misconduct in breach of a duty owed to such Grantor. The Collateral Trustee shall not be subject to any fiduciary or other implied duties, regardless of whether a Secured Debt Default has occurred and is continuing. The Collateral Trustee shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Collateral Trustee is required to exercise as directed in writing pursuant to the Notes Documents; provided that the Collateral Trustee shall not be required to take any action that, in the opinion of its counsel, may expose the Collateral Trustee to liability or that is contrary to any Notes Documents or applicable law. The Collateral Trustee shall not, except as expressly set forth in this Agreement and in the other Security Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Grantors or any of their Subsidiaries or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Collateral Trustee or any of its Affiliates in any capacity.

(e) Before the Collateral Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel, or both (the costs of which are to be paid for by the party requesting the Collateral Trustee to act or refrain from acting) stating that such action or the Collateral Trustee's refraining from such action is authorized or permitted by this Agreement and the Existing Indenture. The Collateral Trustee shall be protected and shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion.

(f) The Collateral Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed by it with due care.

(g) The Collateral Trustee shall not be liable for any action it takes or omits to take in good faith which it reasonably believes to be authorized or within its rights or powers; provided that the Collateral Trustee's conduct does not constitute gross negligence or willful misconduct.

(h) The Collateral Trustee may consult with counsel of its selection, and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(i) The Collateral Trustee shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Notes Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions

set forth herein or therein or the occurrence of any Secured Debt Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any Security Document, or any other agreement, instrument or document, or the validity, attachment, creation, perfection, priority or enforceability of any Lien purported to be created by the Security Documents, (v) the value or the sufficiency of any Collateral or (vi) the satisfaction of any condition set forth in any Notes Document, other than to confirm receipt of items expressly required to be delivered to the Collateral Trustee.

(j) The Collateral Trustee shall not be deemed to have actual, constructive, direct or indirect knowledge or notice of the occurrence of any Secured Debt Default unless and until the Collateral Trustee has received a written notice or a certificate from the Grantors stating that a Secured Debt Default has occurred. The Collateral Trustee shall have no obligation whatsoever either prior to or after receiving such notice or certificate to inquire whether a Secured Debt Default has in fact occurred and shall be entitled to rely conclusively, and shall be fully protected in so relying, on any notice or certificate so furnished to it.

(k) No provision of this Agreement, or any of the other Notes Documents shall require the Collateral Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Agreement, any of the other Notes Documents or the exercise of any of its rights or powers. If it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability including an advance of moneys necessary to perform work or to take the action requested is not reasonably assured to it, the Collateral Trustee may decline to act unless it receives indemnity satisfactory to it in its sole discretion, including an advance of moneys necessary to take the action requested.

(l) The Collateral Trustee shall be under no obligation or duty to take any action under this Agreement, any of the other Notes Documents or otherwise if taking such action (i) would subject the Collateral Trustee to a tax in any jurisdiction where it is not then subject to a tax or (ii) would require the Collateral Trustee to qualify to do business in any jurisdiction where it is not then so qualified.

(m) Beyond the exercise of reasonable care in the custody of Collateral in its possession in accordance with Section 5.12 of the Collateral Trust Agreement, the Collateral Trustee will have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Collateral Trustee will not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Liens on the Collateral. The Collateral Trustee will not be liable or responsible for any loss or diminution in the value of any of the Collateral by reason of the act or omission of any agent selected by the Collateral Trustee in good faith.

(n) Subject to the provisions of the other Notes Documents, following the occurrence and during the continuation of a Secured Debt Default under any Secured Debt Document, the Collateral Trustee shall determine the time and method by which the security interests in the Collateral shall be enforced and shall have the sole and exclusive right to perform

and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder, including to take or retake control or possession of such Collateral and to hold, prepare for sale, marshal, process, sell, lease, dispose of or liquidate such Collateral.

(o) The Collateral Trustee shall not be liable to the Secured Parties for any actions with respect to the creation, perfection or continuation of the security interests on the Collateral, actions with respect to the occurrence of a default or an event of default, actions with respect to the foreclosure upon, sale, release, or depreciation of, or failure to realize upon, any of the Collateral, actions with respect to the collection of any claim for all or any part of the obligations under the Secured Debt Documents from any debtor, guarantor or any other party or the valuation, use or protection of the Collateral.

(p) The Collateral Trustee is authorized to receive any funds for the benefit of the Secured Parties distributed under the Security Documents, and to make further distributions of such funds to the Secured Parties according to the provisions hereof and thereof.

(q) In no event shall the Collateral Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Collateral Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(r) The Collateral Trustee shall be afforded all of the rights, powers, immunities and indemnities set forth in this Agreement and in all of the other Notes Documents to which it is a signatory as if such rights, powers, immunities and indemnities were specifically set out in each such Notes Document.

8.3 Exculpation of the Collateral Trustee. (a) The Collateral Trustee shall not be responsible to any Secured Party for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency hereof or of any Notes Document or the validity or perfection of any security interest or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by the Collateral Trustee to the Secured Parties or by or on behalf of any Secured Party to the Collateral Trustee or any Secured Party in connection with the Notes Documents and the transactions contemplated thereby or for the financial condition or business affairs of any Grantor or any other Person liable for the payment of any Secured Obligations, nor shall the Collateral Trustee be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Security Documents or as to the existence or possible existence of any Secured Debt Default to make any disclosures with respect to the foregoing.

(b) Neither the Collateral Trustee nor any of its officers, partners, directors, employees or agents shall be liable to the Secured Parties for any action taken or omitted by the Collateral Trustee under or in connection with any of the Notes Documents except to the extent caused solely and proximately by the Collateral Trustee's gross negligence or willful misconduct, as determined by a final, non-appealable judgment of a court of competent

jurisdiction. The Collateral Trustee shall be entitled to refrain from any act or the taking of any action in connection herewith or any of the Notes Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until the Collateral Trustee shall have been instructed in respect thereof by an Act of Required Secured Debtholders and, upon such instruction, the Collateral Trustee shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such written instructions. Without prejudice to the generality of the foregoing, (i) the Collateral Trustee shall be entitled to conclusively rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and shall be entitled to conclusively rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for the Grantors and their Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Secured Party shall have any right of action whatsoever against the Collateral Trustee as a result of the Collateral Trustee acting or refraining from acting hereunder or under any of the Notes Documents in accordance with the Collateral Trust Agreement.

(c) Without limiting the indemnification provisions of any Secured Debt Document, each of the Secured Parties not party to any Secured Debt Document severally agrees to indemnify the Collateral Trustee, to the extent that the Collateral Trustee shall not have been reimbursed by any Grantor, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Collateral Trustee in exercising its powers, rights and remedies or performing its duties hereunder or under the Security Documents or otherwise in its capacity as the Collateral Trustee in any way relating to or arising out of this Agreement or the Security Documents; provided, no such Secured Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely and proximately from the Collateral Trustee's gross negligence or willful misconduct, as determined by a final, non-appealable judgment of a court of competent jurisdiction. If any indemnity furnished to the Collateral Trustee for any purpose shall, in the opinion of the Collateral Trustee, be insufficient or become impaired, the Collateral Trustee may call for additional indemnity and cease, or not commence, to do the acts insufficiently indemnified against until such additional indemnity is furnished.

(d) No direction given to the Collateral Trustee which imposes, or purports to impose, upon the Collateral Trustee any obligation not set forth in or arising under this Agreement or any Security Document accepted or entered into by the Collateral Trustee shall be binding upon the Collateral Trustee.

(e) Prior to the Discharge of Secured Obligations, the Collateral Trustee may resign at any time in accordance with Section 6 of the Collateral Trust Agreement. After the Collateral Trustee's resignation in accordance with Section 6 of the Collateral Trust Agreement, the provisions of Section 8 hereof and of Section 7 of the Collateral Trust Agreement shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Collateral Trustee. Upon the acceptance of any appointment as the Collateral Trustee by a successor Collateral Trustee in accordance with Section 6 of the Collateral Trust Agreement, the retiring Collateral Trustee shall promptly transfer all Collateral within its

possession or control to the possession or control of the successor Collateral Trustee and shall execute and deliver such notices, instructions and assignments as may be necessary or desirable to transfer the rights of the Collateral Trustee in respect of the Collateral to the successor Collateral Trustee. Any predecessor Collateral Trustee will have no liability or responsibility for the action or inaction of any successor Collateral Trustee.

8.4 Delegation of Duties. The Collateral Trustee may perform any and all of its duties and exercise its rights and powers under this Agreement or under any other Notes Document by or through any one or more sub-agents appointed by the Collateral Trustee, subject to the Collateral Trust Agreement. The Collateral Trustee and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates, subject to the Collateral Trust Agreement. All of the rights, benefits, and privileges (including the exculpatory and indemnification provisions) of this Section 8 shall apply to any such sub-agent and to any of the Affiliates of the Collateral Trustee and any such sub-agents, and shall apply to their respective activities as if such sub-agent and Affiliates were named herein in connection with the transactions contemplated hereby and by the Notes Documents. Notwithstanding anything herein to the contrary, each sub-agent appointed by the Collateral Trustee or Affiliate of the Collateral Trustee or Affiliate of any such sub-agent shall be a third party beneficiary under this Agreement with respect to all such rights, benefits and privileges (including exculpatory rights and rights to indemnification) and shall have all of the rights and benefits of a third party beneficiary, including an independent right of action to enforce such rights, benefits and privileges (including exculpatory rights and rights to indemnification) directly, without the consent or joinder of any other Person, against any or all of the Grantors and the Secured Parties, and such rights, benefits and privileges (including exculpatory rights and rights to indemnification) shall not be modified or amended without the consent of such sub-agent or Affiliate acting in such capacity.

8.5 No Individual Foreclosure, Etc. No Secured Party shall have any right individually to realize upon any of the Collateral or to enforce any guarantee of the Secured Obligations except to the extent expressly contemplated by this Agreement or the other Secured Debt Documents, it being understood and agreed that all powers, rights and remedies under the Secured Debt Documents may be exercised solely by the Collateral Trustee on behalf of the Secured Parties in accordance with the terms thereof. Each Secured Party, whether or not a party hereto, will be deemed, by its acceptance of the benefits of the Collateral and of the guarantees of the Secured Obligations provided hereunder and under any other Secured Debt Documents, to have agreed to the foregoing provisions and the other provisions of this Agreement. Without limiting the generality of the foregoing, each Secured Party authorizes the Collateral Trustee to credit bid all or any part of the Secured Obligations held by it.

SECTION 9. MISCELLANEOUS

9.1 Amendments in Writing. This Agreement shall be construed as a separate agreement with respect to each party hereto, and the provisions of this Agreement shall not be waived, amended or modified except in accordance with the terms and conditions of Section 7.1 of the Collateral Trust Agreement.

9.2 Notices. All notices, requests and demands to or upon the Collateral Trustee or any Grantor hereunder shall be effected in the manner provided for in Section 7.5 of the Collateral Trust Agreement; provided that any such notice, request or demand to or upon any Grantor shall be addressed to such Grantor at its notice address set forth on Schedule 1.

9.3 No Waiver by Course of Conduct; Cumulative Remedies. No Secured Party shall by any act (except by a written instrument pursuant to Section 9.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Secured Debt Default. No failure to exercise, nor any delay in exercising, on the part of any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

9.4 Enforcement Expenses; Indemnification. (a) Each Grantor agrees to pay or reimburse each Secured Party for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Secured Debt Documents to which such Grantor is a party, including, without limitation, the fees and disbursements of counsel, (including the allocated fees and expenses of in-house counsel) to each Secured Party and of counsel to the Collateral Trustee.

(b) Each Grantor agrees to pay, indemnify, and to save the Secured Parties harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, indemnify, and to save the Secured Parties and their respective directors, officers, employees, trustees and agents, harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Company would be required to do so pursuant to Section 7.8 of the Collateral Trust Agreement (it being understood and agreed that the indemnification obligations set forth in this Section 9.4(c) shall apply to the Secured Parties to the same extent that they apply to the Indenture Trustee under the Existing Indenture).

(d) The agreements in this Section 9.4 shall survive Discharge of Secured Obligations.

9.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Secured Parties and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Collateral

Trustee and any such assignment, transfer or delegation without such consent shall be null and void.

9.6 Set-Off. Subject to the Collateral Trust Agreement, each Grantor hereby irrevocably authorizes each Secured Party at any time and from time to time while a Secured Debt Default shall have occurred and be continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such party to or for the credit or the account of such Grantor, or any part thereof in such amounts as such Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to such Secured Party hereunder and claims of every nature and description of such Secured Party against such Grantor, in any currency, whether arising hereunder or under any other Secured Debt Document, as such Secured Party may elect, whether or not any Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured.

9.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic imaging means), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g. "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart hereof.

9.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

9.9 Section Headings. The Section headings and Table of Contents used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

9.10 Integration/Conflict. This Agreement, the Collateral Trust Agreement and the other Notes Documents represent the entire agreement of the Grantors, the Collateral Trustee and the other Secured Parties with respect to the subject matter hereof and thereof, and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof and thereof. There are no promises, undertakings, representations or warranties by the Collateral Trustee or any other Secured Party relative to the subject matter hereof and thereof not expressly set forth or referred to herein or therein. In the event that any of the Collateral hereunder is also subject to a valid and enforceable Lien under the terms of a Mortgage securing the Secured Obligations and the terms thereof are inconsistent with the terms of this Agreement,

then with respect to such Collateral, the terms of such Mortgage shall control in the case of fixtures and real property leases, letting and licenses of, and contracts and agreements relating to the lease of, real property, and the terms of this Agreement shall control in the case of all other Collateral.

9.11 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVERS; WAIVER OF JURY TRIAL. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. SECTIONS 7.13 AND 7.14 OF THE COLLATERAL TRUST AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE, MUTATIS MUTANDIS, AS IF FULLY SET FORTH HEREIN.

9.12 Acknowledgments. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Secured Debt Documents to which it is a party;

(b) no Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Secured Debt Documents, and the relationship between the Grantors, on the one hand, and the Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by any other document under the Existing Indenture or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties.

9.13 Additional Grantors. The Company will cause each Person that becomes a Grantor or is required by any Secured Debt Document to become a party to this Agreement to become a party to this Agreement, for all purposes of this Agreement, by causing such Person to execute and deliver to the parties hereto a Joinder, whereupon such Person will be bound by the terms hereof to the same extent as if it had executed and delivered this Agreement as of the date hereof. The Company shall promptly provide each Secured Representative with a copy of each Joinder executed and delivered pursuant to Section 7.17 of the Collateral Trust Agreement.

9.14 Releases. To the extent the release of the Liens granted hereunder is expressly permitted pursuant to Section 4.1(a) of the Collateral Trust Agreement, such Liens shall automatically (with notice to the Collateral Trustee, however failure to deliver such notice shall not affect such release) be released hereunder and of record and all rights to the Collateral shall revert to the applicable Grantor. Upon any such release the Collateral Trustee shall (subject to compliance with Sections 4.1(b) and 4.2 of the Collateral Trust Agreement) execute and deliver, prepare and provide to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request, prepare and provide to evidence such release.

9.15 Collateral Trust Agreement. (a) The Collateral Trustee has been appointed to act as Collateral Trustee hereunder by the Secured Parties (excluding the Collateral Trustee) pursuant to the Collateral Trust Agreement. In furtherance of the provisions of this Agreement, each Secured Party (except the Collateral Trustee), by its acceptance of the benefits

hereof, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, it being understood and agreed by such Secured Parties that all rights and remedies hereunder may be exercised solely by the Collateral Trustee for the benefit of the Secured Parties in accordance with the terms of this Agreement and the Collateral Trust Agreement.

(b) Notwithstanding anything herein to the contrary, this Agreement, the Liens granted to the Collateral Trustee pursuant to this Agreement, the exercise of any right or remedy by such Collateral Trustee hereunder and the rights, remedies, duties and obligations provided herein are subject to the terms of the Collateral Trust Agreement and, to the extent provided therein, the applicable Security Documents. In the event of any conflict or inconsistency between the provisions of this Agreement and the Collateral Trust Agreement, the provisions of the Collateral Trust Agreement shall control.

[Signature pages follow]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date set forth above.

**WILMINGTON TRUST, NATIONAL
ASSOCIATION,**
as Collateral Trustee

By: 
Name: Shawn Goffinet
Title: Assistant Vice President

[Signature Page to Security Agreement]

GRANTORS:

PAR PETROLEUM, LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

PAR PETROLEUM FINANCE CORP.

By: 
Name: William Monteleone
Title: Chief Financial Officer

PAR HAWAII, INC.

By: 
Name: William Monteleone
Title: Chief Financial Officer

MID PAC PETROLEUM, LLC

By: 
Name: William Monteleone
Title: Vice President

HIE RETAIL, LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

[Signature Page to Security Agreement]

PAR HAWAII REFINING, LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

PAR WYOMING HOLDINGS, LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

PAR WYOMING, LLC

By: 
Name: William Monteleone
Title: Vice President

HERMES CONSOLIDATED, LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

WYOMING PIPELINE COMPANY LLC

By: 
Name: William Monteleone
Title: Chief Financial Officer

PAR HAWAII SHARED SERVICES, LLC

By: 
Name: William Monteleone
Title: Vice President

SUBSIDIARIES OF THE REGISTRANT

<u>Name</u>	<u>Jurisdiction</u>
Hermes Consolidated, LLC	Delaware
Par Hawaii, LLC	Delaware
Par Hawaii Refining, LLC	Hawaii
Par Hawaii Shared Services, LLC	Delaware
Par Pacific Hawaii Property Company, LLC	Delaware
Par Petroleum Finance Corp.	Delaware
Par Petroleum, LLC	Delaware
Par Piceance Energy Equity, LLC	Delaware
Par Tacoma, LLC	Delaware
U.S. Oil and Refining Co.	Delaware
Wyoming Pipeline Company, LLC	Wyoming
Laramie Energy, LLC (46.0% interest)	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-192519, 333-195662, 333-212107, 333-213471, 333-214593, 333-228933, 333-229278 and 333-229528 on Form S-3 and Registration Statement Nos. 333-185612, 333-208575, 333-216518 and 333-225054 on Form S-8 of our reports dated March 8, 2021, relating to the financial statements of Par Pacific Holdings, Inc. and subsidiaries and the effectiveness of Par Pacific Holdings, Inc. and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas

March 8, 2021

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, William Pate, certify that:

1. I have reviewed this annual report on Form 10-K of Par Pacific Holdings, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
-

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2021

/s/ William Pate

William Pate

President and Chief Executive Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, William Monteleone, certify that:

1. I have reviewed this annual report on Form 10-K of Par Pacific Holdings, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
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- 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 8, 2021

/s/ William Monteleone

William Monteleone
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Par Pacific Holdings, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, William Pate, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William Pate

William Pate
President and Chief Executive Officer

March 8, 2021

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Par Pacific Holdings, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, William Monteleone, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William Monteleone

William Monteleone
Chief Financial Officer

March 8, 2021