

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2021**
or

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-33926



TRECORA RESOURCES

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

75-1256622

(I.R.S. Employer Identification No.)

1650 Hwy 6 South, Suite 190
Sugar Land, Texas

(Address of principal executive offices)

77478

(Zip code)

Registrant's telephone number, including area code: **(281) 980-5522**

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	TREC	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes No**

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

Large accelerated filer **Accelerated filer**

Non-accelerated filer **Smaller reporting company**

Emerging growth 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** **No**

Number of shares of the Registrant's Common Stock (par value \$0.10 per share) outstanding at April 25, 2021: 24,875,432.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS.
TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2021	December 31, 2020
	(Unaudited)	
	<i>(thousands of dollars, except par value)</i>	
ASSETS		
Current Assets		
Cash	\$ 53,026	\$ 55,664
Trade receivables, net	25,929	25,301
Inventories	11,739	12,945
Prepaid expenses and other assets	6,392	9,198
Taxes receivable	2,788	2,788
Total current assets	<u>99,874</u>	<u>105,896</u>
Property, plant and equipment, net	187,923	187,104
Intangible assets, net	12,433	12,893
Lease right-of-use assets, net	9,757	10,528
Mineral properties in the United States	412	412
TOTAL ASSETS	<u>\$ 310,399</u>	<u>\$ 316,833</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 16,584	\$ 14,447
Accrued liabilities	6,002	6,857
Current portion of long-term debt	4,194	4,194
Current portion of lease liabilities	3,219	3,195
Current portion of other liabilities	639	891
Total current liabilities	<u>30,638</u>	<u>29,584</u>
CARES Act, PPP Loans	6,123	6,123
Long-term debt, net of current portion	40,852	41,901
Post-retirement benefit, net of current portion	319	320
Lease liabilities, net of current portion	6,538	7,333
Other liabilities, net of current portion	637	648
Deferred income taxes	25,593	26,517
Total liabilities	<u>110,700</u>	<u>112,426</u>
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY		
Common stock - authorized 40 million shares of \$0.10 par value; issued 25.0 million and 24.8 million and outstanding 24.9 million and 24.8 million in 2021 and 2020, respectively	2,490	2,483
Additional paid-in capital	61,692	61,311
Treasury stock, at cost (0.1 million shares)	(692)	—
Retained earnings	<u>135,920</u>	<u>140,324</u>
Total Trecora Resources Stockholders' Equity	199,410	204,118
Non-controlling Interest	289	289
Total equity	<u>199,699</u>	<u>204,407</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 310,399</u>	<u>\$ 316,833</u>

See notes to consolidated financial statements.

TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2021	2020
	<i>(thousands of dollars, except per share amounts)</i>	
REVENUES		
Product sales	\$ 51,565	\$ 57,183
Processing fees	3,020	4,884
	<u>54,585</u>	<u>62,067</u>
OPERATING COSTS AND EXPENSES		
Cost of sales and processing (including depreciation and amortization of \$4,055 and \$3,952, respectively)	52,240	53,989
	<u>2,345</u>	<u>8,078</u>
GROSS PROFIT		
GENERAL AND ADMINISTRATIVE EXPENSES		
General and administrative	7,332	6,674
Depreciation	226	216
	<u>7,558</u>	<u>6,890</u>
OPERATING INCOME (LOSS)	(5,213)	1,188
OTHER INCOME (EXPENSE)		
Interest expense	(302)	(916)
Miscellaneous income (expense), net	110	(62)
	<u>(192)</u>	<u>(978)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(5,405)	210
INCOME TAX BENEFIT	1,001	5,653
INCOME (LOSS) FROM CONTINUING OPERATIONS	(4,404)	5,863
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	4,857
NET INCOME (LOSS)	<u>\$ (4,404)</u>	<u>\$ 10,720</u>
Basic Earnings (Loss) per Common Share		
Net income (loss) from continuing operations (dollars)	\$ (0.18)	\$ 0.24
Net income from discontinued operations, net of tax (dollars)	—	0.20
Net income (loss) (dollars)	<u>\$ (0.18)</u>	<u>\$ 0.44</u>
Basic weighted average number of common shares outstanding	24,861	24,765
Diluted Earnings (Loss) per Common Share		
Net income (loss) from continuing operations (dollars)	\$ (0.18)	\$ 0.23
Net income from discontinued operations, net of tax (dollars)	—	0.19
Net income (loss) (dollars)	<u>\$ (0.18)</u>	<u>\$ 0.42</u>
Diluted weighted average number of common shares outstanding	24,861	25,276

See notes to consolidated financial statements.

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TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31

	TRECORA RESOURCES STOCKHOLDERS						NON- CONTROLLING INTEREST	TOTAL EQUITY
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS	TOTAL		
	SHARES <i>(thousands)</i>	AMOUNT						
December 31, 2020	24,833	\$ 2,483	\$ 61,311	\$ —	\$ 140,324	\$ 204,118	\$ 289	\$ 204,407
Restricted Stock Units								
Issued to Directors	—	—	113	—	—	113	—	113
Issued to Employees	—	—	275	—	—	275	—	275
Common Stock								
Issued to Employees	61	7	(7)	—	—	—	—	—
Stock Repurchases	—	—	—	(692)	—	(692)	—	(692)
Net Loss	—	—	—	—	(4,404)	(4,404)	—	(4,404)
March 31, 2021	24,894	\$ 2,490	\$ 61,692	\$ (692)	\$ 135,920	\$ 199,410	\$ 289	\$ 199,699
December 31, 2019	24,750	\$ 2,475	\$ 59,530	\$ —	\$ 109,149	\$ 171,154	\$ 289	\$ 171,443
Restricted Stock Units								
Issued to Directors	—	—	94	—	—	94	—	94
Issued to Employees	—	—	259	—	—	259	—	259
Common Stock								
Issued to Directors	—	—	—	—	—	—	—	—
Issued to Employees	30	3	(3)	—	—	—	—	—
Net Income	—	—	—	—	10,720	10,720	—	10,720
March 31, 2020	24,780	\$ 2,478	\$ 59,880	\$ —	\$ 119,869	\$ 182,227	\$ 289	\$ 182,516

See notes to consolidated financial statements.

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TRECORA RESOURCES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED	
	MARCH 31,	
	2021	2020
	<i>(thousands of dollars)</i>	
OPERATING ACTIVITIES		
Net Income (Loss)	\$ (4,404)	\$ 10,720
Income from Discontinued Operations	—	4,857
Income (Loss) from Continuing Operations	\$ (4,404)	\$ 5,863
Adjustments to Reconcile Income (Loss) from Continuing Operations To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,820	3,492
Amortization of Intangible Assets	461	461
Stock-based Compensation	571	390
Deferred Income Taxes	(924)	10,385
Postretirement Obligation	(6)	10
Amortization of Loan Fees	45	45
(Gain) Loss on Disposal of Assets	(254)	18
Changes in Operating Assets and Liabilities:		
Increase in Trade Receivables	(628)	(2,077)
Decrease in Insurance Receivables	—	274
Increase in Taxes Receivable	—	(16,144)
Decrease in Inventories	1,206	5,263
Decrease in Prepaid Expenses and Other Assets	2,803	185
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,282	(3,739)
Decrease in Other Liabilities	(141)	(72)
Net Cash Provided by Operating Activities - Continuing Operations	3,831	4,354
Net Cash Used in Operating Activities - Discontinued Operations	—	(53)
Net Cash Provided by Operating Activities	3,831	4,301
INVESTING ACTIVITIES		
Additions to Property, Plant and Equipment	(4,781)	(2,065)
Proceeds from Sale of Property, Plant and Equipment	281	—
Net Cash Used in Investing Activities - Continuing Operations	(4,500)	(2,065)
Net Cash Provided by Investing Activities - Discontinued Operations	—	10,163
Net Cash Provided by (Used in) Investing Activities	(4,500)	8,098
FINANCING ACTIVITIES		
Repurchase of Common Stock	(692)	—
Net Cash Paid Related to Stock-Based Compensation	(183)	—
Additions to Long-Term Debt	—	20,000
Repayments of Long-Term Debt	(1,094)	(1,094)
Net Cash (Used in) Provided by Financing Activities - Continuing Operations	(1,969)	18,906
NET (DECREASE) INCREASE IN CASH	(2,638)	31,305
CASH AT BEGINNING OF PERIOD	55,664	6,145
CASH AT END OF PERIOD	\$ 53,026	\$ 37,450
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 257	\$ 870
Supplemental disclosure of non-cash items:		
Capital expansion amortized to depreciation expense	\$ 116	\$ 262
Foreign taxes paid by AMAK	\$ 1,054	\$ —

See notes to consolidated financial statements.

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TRECORA RESOURCES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL

Organization

Trecora Resources (the “Company”) was incorporated in the State of Delaware in 1967. The Company’s principal business activities are the manufacturing of various specialty petrochemical products, specialty waxes and providing custom processing services.

The Company’s specialty petrochemicals operations are primarily conducted through its wholly-owned subsidiary, Texas Oil and Chemical Co. II, Inc. (“TOCCO”). TOCCO owns all of the capital stock of South Hampton Resources, Inc. (“SHR”) and Trecora Chemical, Inc. (“TC”). SHR owns all of the capital stock of Gulf State Pipe Line Company, Inc. (“GSPL”). SHR owns and operates a specialty petrochemicals product facility in Silsbee, Texas which manufactures high purity hydrocarbons used primarily in polyethylene, packaging, polypropylene, expandable polystyrene, poly-iso/urethane foams, Canadian tar sands, and in the catalyst support industry. TC owns and operates a facility located in Pasadena, Texas which manufactures specialty waxes and provides custom processing services. These specialty waxes are used in the production of coatings, hot melt adhesives and lubricants. GSPL owns and operates pipelines that connect the SHR facility to a natural gas line, to SHR’s truck and rail loading terminal and to a major petroleum pipeline owned by an unaffiliated third party.

The Company owns approximately 55% of the capital stock of a Nevada mining company, Pioche Ely Valley Mines, Inc. (“PEVM”), which does not conduct any substantial business activity but owns undeveloped properties in the United States.

The Company also previously owned 33% of a Saudi Arabian joint stock company, Al Masane Al Kobra Mining Company (“AMAK”). The final closing of the sale of our ownership interest in AMAK was completed on September 28, 2020. For more information, see Note 5.

For convenience in this report, the terms “Company”, “our”, “us”, “we” or “TREC” may be used to refer to Trecora Resources and its subsidiaries.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and, therefore, should be read in conjunction with the financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

The unaudited condensed consolidated financial statements included in this document have been prepared on the same basis as the annual financial statements and in management’s opinion reflect all adjustments, including normal recurring adjustments, necessary to present fairly the Company’s financial position, results of operations and cash flows for the interim periods presented. We have made estimates and judgments affecting the amounts reported in this document. The actual results that we experience may differ materially from our estimates. In the opinion of management, the disclosures included in these financial statements are adequate to make the information presented not misleading.

Operating results for the three months ended March 31, 2021 are not necessarily indicative of results for the year ending December 31, 2021.

We currently operate in two segments, Specialty Petrochemicals and Specialty Waxes. All revenue originates from sources in the United States, and all long-lived assets owned are located in the United States.

In addition, on September 28, 2020, we completed the final closing of the sale of our ownership interest in AMAK, a Saudi Arabian closed joint stock company, which owns, operates and is developing mining assets in Saudi Arabia. Our investment was classified as held-for-sale and the equity in earnings (losses) are recorded in discontinued operations. See Note 5 for additional discussion.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12), which simplifies the

accounting for income taxes. This guidance was effective for us in the first quarter of 2021. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), which provides guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying generally accepted accounting principles to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of ASU 2020-04 apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. This guidance is effective from March 12, 2020 through December 31, 2022 and adoption is optional. We are currently evaluating the impact of ASU 2020-04 on our consolidated financial statements.

3. TRADE RECEIVABLES

Trade receivables, net consisted of the following:

	March 31, 2021	December 31, 2020
	<i>(thousands of dollars)</i>	
Trade receivables	\$ 26,229	\$ 25,601
Less allowance for doubtful accounts	(300)	(300)
Total trade receivables, net	<u>\$ 25,929</u>	<u>\$ 25,301</u>

Trade receivables serve as collateral for our amended and restated credit agreement. See Note 11.

4. INVENTORIES

Inventories consisted of the following:

	March 31, 2021	December 31, 2020
	<i>(thousands of dollars)</i>	
Raw material	\$ 1,592	\$ 2,580
Work in process	171	138
Finished products	9,976	10,227
Total inventories	<u>\$ 11,739</u>	<u>\$ 12,945</u>

Inventory serves as collateral for our amended and restated credit agreement. See Note 11.

Inventory included Specialty Petrochemicals products in transit valued at approximately \$2.5 million and \$3.6 million at March 31, 2021 and December 31, 2020, respectively.

5. INVESTMENT IN AMAK AND DISCONTINUED OPERATIONS

On September 28, 2020, the Company completed the final closing of the previously disclosed sale of its ownership interest in AMAK (the “Share Sale”) to AMAK and certain existing shareholders of AMAK and their assignees (collectively, the “Purchasers”). The Share Sale was completed in multiple closings pursuant to a Share Sale and Purchase Agreement, dated September 22, 2019 (which we refer to herein as the “Purchase Agreement”), among the Company, AMAK, and other Purchasers and resulted in aggregate gross proceeds to the Company of Saudi Riyals (“SAR”) 265 million (approximately \$70 million) (before taxes and expenses).

As a condition to the effectiveness of the Purchase Agreement, the Purchasers advanced 5% of the purchase price (or approximately \$3.5 million) in the form of a non-refundable deposit. Pursuant to the Purchase Agreement, (i) with respect to any Purchaser that completed the purchase of all or a portion of the ordinary shares allotted to it under the Purchase Agreement on or before March 31, 2020, the non-refundable deposit paid by such Purchaser (or a portion of such deposit for a partial closing) was credited toward the purchase price of the ordinary shares being purchased and (ii) with respect to any Purchasers that completed the purchase of all or a portion of their allotted ordinary shares after March 31, 2020 but on or before September 28, 2020, an amount equal to 50% of the non-refundable deposit paid by such Purchasers was forfeited to the Company as liquidated damages and such amount was not applied to the purchase price paid by the applicable Purchaser.

On March 26, 2020, the Company and one Purchaser completed the first closing of the Share Sale (the “First Closing”). In connection with the First Closing, the Company sold 4,000,000 ordinary shares for aggregate gross proceeds (before taxes and transaction expenses) of SAR40 million (or approximately \$10.7 million) (inclusive of the full amount of the

Purchaser's non-refundable deposit previously paid of \$0.5 million). The Company recorded a foreign tax payable of approximately \$0.3 million related to the First Closing.

During the third quarter of 2020, the Company completed additional closings of the Share Sale with respect to its remaining ownership interest in AMAK. In connection with these closings, the Company sold a total of 22,467,422 ordinary shares for aggregate gross proceeds (before taxes and transaction expenses) of SAR224 million (or approximately \$59.9 million) (inclusive of \$1.5 million which constituted 50% of the non-refundable deposits previously paid by certain Purchasers). As none of the third quarter 2020 closings were completed prior to March 31, 2020, the remaining portion of the initial deposits (approximately \$1.5 million) were forfeited to the Company as liquidated damages and were not applied to the purchase price. These amounts are included in income from discontinued operations, net of tax. The Company recorded a foreign tax payable of approximately \$1.1 million related to the third quarter 2020 closings.

In connection with the completion of the Share Sale, the Company and AMAK entered into an agreement whereby AMAK agreed to withhold approximately \$2.1 million of the purchase price to pay the Company's estimated tax obligations in Saudi Arabia. The Company is in the process of finalizing the necessary tax returns in the Kingdom of Saudi Arabia. All foreign taxes paid will create foreign tax credit to offset U.S. taxes. As of March 31, 2021, approximately \$1.3 million of foreign taxes has been paid. The remaining funds of approximately \$0.8 million withheld by AMAK are included in prepaid expenses and other assets on the Company's consolidated balance sheets as of March 31, 2021.

As previously disclosed, and as a result of the Company's investment in AMAK, the Company was required to execute a limited guarantee on October 24, 2010 (the "Guarantee") of up to 41% of a loan (the "Loan") by the Saudi Industrial Development Fund ("SIDF") to AMAK to fund the construction of the AMAK facilities and to provide working capital needs. The provision of personal or corporate guarantees, as applicable, by each shareholder of AMAK was a condition to SIDF providing the Loan. Pursuant to the Purchase Agreement, the Purchasers (other than AMAK) agreed, upon the completion of the Share Sale, to assume the Company's obligation under the Guarantee (proportionately based upon such Purchaser's percentage acquisition of ordinary shares in the Share Sale). While a formal written release of the Company from the Guarantee was not obtained from SIDF prior to closing, the Company believes that the Purchasers' assumption of the Company's obligation under the Guarantee effectively eliminates the Company's liability arising under the Guarantee.

Included in discontinued operations are the following:

	Three Months Ended March 31,	
	2021	2020
	<i>(thousands of dollars)</i>	
Saudi administration and transaction expenses	\$ —	\$ 17
Equity in losses of AMAK	—	(532)
Gain on sale of equity interest	—	6,663
Income from discontinued operations before taxes	—	6,148
Tax expense	—	(1,291)
Income from discontinued operations, net of tax	<u>\$ —</u>	<u>\$ 4,857</u>

AMAK's financial statements were prepared in the functional currency of AMAK which is the SAR. In June 1986, the SAR was officially pegged to the U. S. Dollar at a fixed exchange rate of 1 USD to 3.75 SAR.

The summarized results of operations and financial position for AMAK are as follows:

Results of Operations

	Three Months Ended March 31,	
	2021	2020
	<i>(thousands of dollars)</i>	
Sales	\$ —	\$ 17,937
Cost of sales	—	16,821
Gross profit	—	1,116
Selling, general, and administrative	—	2,680
Operating income (loss)	—	(1,564)
Other income	—	17
Finance and interest expense	—	(531)
Income (loss) before Zakat and income taxes	—	(2,078)
Zakat and income tax (benefit)	—	533
Net Income (Loss)	<u>\$ —</u>	<u>\$ (2,611)</u>

Financial Position

	March 31,	December 31,
	2021	2020
	<i>(thousands of dollars)</i>	
Current assets	\$ —	\$ 29,799
Noncurrent assets	—	209,814
Total assets	<u>\$ —</u>	<u>\$ 239,613</u>
Current liabilities	\$ —	\$ 40,919
Long term liabilities	—	79,122
Stockholders' equity	—	119,572
	<u>\$ —</u>	<u>\$ 239,613</u>

The equity in the earnings (losses) of AMAK included in income (loss) from discontinued operations, net of tax, on the condensed consolidated statements of operations for the three months ended March 31, 2021 and 2020, is comprised of the following:

	Three Months Ended	
	March 31,	
	2021	2020
	<i>(thousands of dollars)</i>	
AMAK Net Loss	—	(2,611)
Company's share of loss reported by AMAK	—	(869) *
Amortization of difference between Company's investment in AMAK and Company's share of net assets of AMAK	—	337
Equity in losses of AMAK	—	(532)
	<u>—</u>	<u>(3,349)</u>

* Percentage of Ownership varies during the period.

For additional information, see NOTE 6, "INVESTMENT IN AMAK AND DISCONTINUED OPERATIONS" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2020.

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following:

	March 31, 2021		December 31, 2020
	<i>(thousands of dollars)</i>		
Prepaid license	\$ 202	\$	403
Prepaid insurance premiums	2,767		4,241
Spare parts	1,944		2,376
Cash held in escrow by AMAK	823		1,877
Other prepaid expenses and assets	656		301
Total prepaid expenses and other assets	<u>\$ 6,392</u>	<u>\$</u>	<u>9,198</u>

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	March 31, 2021		December 31, 2020
	<i>(thousands of dollars)</i>		
Platinum catalyst metal	\$ 1,580	\$	1,580
Catalyst	4,298		4,325
Land	5,428		5,428
Plant, pipeline and equipment	271,960		270,149
Construction in progress	9,335		6,422
Total property, plant and equipment	<u>\$ 292,601</u>	<u>\$</u>	<u>287,904</u>
Less accumulated depreciation	<u>(104,678)</u>		<u>(100,800)</u>
Total property, plant and equipment, net	<u>\$ 187,923</u>	<u>\$</u>	<u>187,104</u>

Property, plant and equipment serve as collateral for our amended and restated credit agreement. See Note 11.

Labor capitalized for construction was approximately \$0.3 million and \$0.6 million for the three months ended March 31, 2021 and 2020, respectively.

Construction in progress during the first three months of 2021 included costs for rebuild and restoration of a distillation tower. Construction in progress during the first three months of 2020 included Advanced Reformer unit improvements and pipeline maintenance at SHR and equipment modifications at TC.

Amortization relating to the catalyst, which is included in cost of sales, was approximately \$0.3 million and \$0.2 million for the three months ended March 31, 2021 and 2020, respectively.

8. LEASES

The Company leases certain rail cars, rail equipment, office space and office equipment. The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised.

Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheets. Lease expense for these leases is recognized on a straight-line basis over the lease term.

The Company has no finance leases.

The components of lease expense were as follows:

(\$ in thousands)	Classification in the Condensed Consolidated Statements of Income	Three Months Ended March 31,	
		2021	2020
Operating lease cost (a)	Cost of sales, exclusive of depreciation and amortization	\$ 1,049	\$ 920
Operating lease cost (a)	Selling, general and administrative	34	48
Total lease cost		<u>\$ 1,083</u>	<u>\$ 968</u>

(a) Short-term lease costs were approximately \$0.2 million and \$0.1 million for the three months ended March 31, 2021 and 2020, respectively.

The Company had no variable lease expense, as defined by ASC 842, during the periods.

(\$ in thousands)	Classification on the Condensed Consolidated Balance Sheets	March 31, 2021	December 31, 2020
Assets:			
Operating	Operating lease assets	\$ 9,757	\$ 10,528
Total lease right-of-use assets, net		<u>\$ 9,757</u>	<u>\$ 10,528</u>
Liabilities:			
Current:			
Operating	Current portion of operating lease liabilities	\$ 3,219	\$ 3,195
Noncurrent:			
Operating	Operating lease liabilities	6,538	7,333
Total lease liabilities		<u>\$ 9,757</u>	<u>\$ 10,528</u>

(\$ in thousands)	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	\$ 903	\$ 947
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 19	\$ —
	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Weighted-average remaining lease term (in years):		
Operating leases	3.5	4.3
Weighted-average discount rate:		
Operating leases	4.5 %	4.5 %

Most of the Company's lease contracts do not provide a readily determinable implicit rate. For these contracts, the Company's estimated incremental borrowing rate is based on information available at the inception of the lease.

As of March 31, 2021, maturities of lease liabilities were as follows:

	Operating Leases	
(\$ in thousands)		
2021	\$	2,691
2022		3,273
2023		2,380
2024		1,066
2025		995
Thereafter		118
Total lease payments	\$	10,523
Less: Interest		766
Total lease obligations	\$	<u>9,757</u>

9. INTANGIBLE ASSETS, NET

Intangible assets were recorded in relation to the acquisition of TC on October 1, 2014.

The following tables summarize the gross carrying amounts and accumulated amortization of intangible assets by major class:

	March 31, 2021		
	Gross	Accumulated Amortization	Net
	(thousands of dollars)		
Customer relationships	\$ 16,852	\$ (7,302)	\$ 9,550
Non-compete agreements	94	(94)	—
Licenses and permits	1,471	(734)	737
Developed technology	6,131	(3,985)	2,146
Total	<u>\$ 24,548</u>	<u>\$ (12,115)</u>	<u>\$ 12,433</u>

	December 31, 2020		
	Gross	Accumulated Amortization	Net
	(thousands of dollars)		
Customer relationships	\$ 16,852	\$ (7,022)	\$ 9,830
Non-compete agreements	94	(94)	—
Licenses and permits	1,471	(707)	764
Developed technology	6,131	(3,832)	2,299
Total	<u>\$ 24,548</u>	<u>\$ (11,655)</u>	<u>\$ 12,893</u>

Amortization expense for intangible assets included in cost of sales was approximately \$0.5 million and \$0.5 million for the three months ended March 31, 2021 and 2020, respectively.

Based on identified intangible assets that are subject to amortization as of March 31, 2021, we expect future amortization expenses for each period to be as follows:

	Total	Remainder of						
		2021	2022	2023	2024	2025	2026	Thereafter
	(thousands of dollars)							
Customer relationships	\$ 9,550	\$ 843	\$ 1,123	\$ 1,123	1,123	1,123	1,123	\$ 3,092
Licenses and permits	737	74	86	86	86	86	86	233
Developed technology	2,146	460	613	613	460	—	—	—
Total future amortization expense	<u>\$ 12,433</u>	<u>\$ 1,377</u>	<u>\$ 1,822</u>	<u>\$ 1,822</u>	<u>\$ 1,669</u>	<u>\$ 1,209</u>	<u>\$ 1,209</u>	<u>\$ 3,325</u>

10. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	<i>(thousands of dollars)</i>	
State taxes	\$ 45	\$ 125
Property taxes	906	—
Payroll	2,104	2,282
Royalties	391	260
Officer compensation	368	1,053
Foreign taxes	—	1,054
AMAK transaction costs	—	559
Other	2,188	1,524
Total accrued liabilities	<u>\$ 6,002</u>	<u>\$ 6,857</u>

11. LIABILITIES AND LONG-TERM DEBT

Senior Secured Credit Facilities

As of March 31, 2021, the Company had no outstanding borrowings under the senior secured revolving credit facility (the "Revolving Facility") and approximately \$45.0 million in borrowings outstanding under the senior secured term loan facility (the "Term Loan Facility") (and, together with the Revolving Facility, the "Credit Facilities"), in each case, under the Company's amended and restated credit agreement (as amended, the "ARC Agreement"). In addition, the Company had approximately \$53 million of availability under our Revolving Facility at March 31, 2021. TOCCO's ability to make additional borrowings under the Revolving Facility at March 31, 2021 was limited by, and in the future may be limited by, the Company's obligation to maintain compliance with the covenants contained in the ARC Agreement (including maintenance of a maximum Consolidated Leverage Ratio and minimum Consolidated Fixed Charge Coverage Ratio (each as defined in the ARC Agreement)).

On May 3, 2021, TOCCO, SHR, GSPL and TC (SHR, GSPL and TC collectively, the "Guarantors") entered into an Eighth Amendment to Amended and Restated Credit Agreement (the "Eighth Amendment") which amended the definition of Consolidated EBITDA for any Measurement Period (as defined in the ARC Agreement) (including any Measurement Period containing the quarter ended March 31, 2021) to allow for certain add backs not to exceed \$5.0 million in the aggregate for the 2021 fiscal year related to charges, expenses and losses arising from or related to the prolonged period of sub-freezing temperatures and snow across the State of Texas and the region in February 2021 (the "Texas freeze event").

For each fiscal quarter after December 31, 2019, TOCCO must maintain a maximum Consolidated Leverage Ratio of 3.50 to 1.00 (subject to temporary increase following certain acquisitions). TOCCO's Consolidated Leverage Ratio was 1.62 and 1.65 as of March 31, 2021 and December 31, 2020, respectively. Additionally, TOCCO must maintain a minimum Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter of 1.15 to 1.00. TOCCO's Consolidated Fixed Charge Coverage Ratio was 2.13 and 1.80 as of March 31, 2021 and December 31, 2020, respectively.

The maturity date for the ARC Agreement is July 31, 2023. As of March 31, 2021, the year to date effective interest rate for the Credit Facilities was 8.88%. The ARC Agreement contains a number of customary affirmative and negative covenants and the Company was in compliance with those covenants as of March 31, 2021.

For a summary of additional terms of the Credit Facilities, see NOTE 13, "LONG-TERM DEBT AND LONG-TERM OBLIGATIONS" to the consolidated financial statements set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

PPP Loans

On May 6, 2020, SHR and TC (collectively, the "Borrowers") received loan proceeds from loans (the "PPP Loans") under the United States Small Business Administration Paycheck Protection Program in an aggregate principal amount of approximately \$6.1 million. The PPP Loans are evidenced by unsecured promissory notes each payable to Bank of America, N.A. The Borrowers fully utilized the PPP Loans to cover payroll and benefits costs in accordance with the relevant terms and conditions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Loans mature on May 6, 2022, and bear interest at a stated rate of 1.0% per annum. The Company is currently working on the forgiveness applications and expects to receive full forgiveness of the PPP Loans in accordance with the provisions of the CARES Act.

Debt Issuance Costs

Debt issuance costs of approximately \$0.9 million were incurred in connection with the fourth amendment to the ARC Agreement in July 2018. Unamortized debt issuance costs of approximately \$0.4 million and \$0.5 million for the periods ended March 31, 2021 and December 31, 2020, have been netted against outstanding loan balances.

Long-term debt and long-term obligations are summarized as follows:

	March 31, 2021	December 31, 2020
	<i>(thousands of dollars)</i>	
Revolving Facility	\$ —	\$ —
Term Loan Facility	45,469	46,563
Loan fees	(423)	(468)
Total long-term debt	<u>45,046</u>	<u>46,095</u>
Less current portion including loan fees	4,194	4,194
Total long-term debt, less current portion including loan fees	<u>\$ 40,852</u>	<u>\$ 41,901</u>

12. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is periodically named in legal actions arising from normal business activities. We evaluate the merits of these actions and, if we determine that an unfavorable outcome is probable and can be reasonably estimated, we will establish the necessary reserves. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

Supplier Agreements

In accordance with our supplier agreements, on a recurring monthly basis, the Company commits to purchasing a determined volume of feedstock in anticipation of upcoming requirements. Feedstock purchases are invoiced and recorded when they are delivered. As of March 31, 2021 and December 31, 2020, the value of the remaining undelivered feedstock approximated \$14.2 million and \$9.2 million, respectively.

From time to time, we may incur shortfall fees due to feedstock purchases being below the minimum amounts prescribed by our agreements with our suppliers. Shortfall fee expenses were approximately \$0.4 million and \$0.3 million for the three months ended March 31, 2021 and 2020, respectively.

Environmental Remediation

Amounts charged to expense for various activities related to environmental monitoring, compliance, and improvements were approximately \$0.3 million and \$0.2 million for the three months ended March 31, 2021 and 2020, respectively.

13. STOCKHOLDERS' EQUITY

In March 2021, The Company's Board of Directors authorized the repurchase of up to \$20 million in common stock by March 2023 (the "Share Repurchase Program"). The share repurchases will be executed from time to time on the open market, through privately negotiated transactions or through broker-negotiated purchases, in compliance with applicable securities law. The timing and amount of any shares of the Company's stock that are repurchased under the Share Repurchase Program will be determined by the Company's management based on its evaluation of market conditions and other factors, including the Company's stock price, although the Share Repurchase Program may be suspended or discontinued at any time. In connection with the Share Repurchase Program, the Company deposited funds with a broker to facilitate the repurchases. During the three months ended March 31, 2021, the Company repurchased 87,758 shares for \$0.7 million.

14. STOCK-BASED COMPENSATION

The Stock Option Plan for Key Employees, as well as, the Non-Employee Director Stock Option Plan (hereinafter collectively referred to as the "Stock Option Plans"), were approved by the Company's stockholders in July 2008. The Stock Option Plans allot for the issuance of up to 1,000,000 shares.

The Trecora Resources Stock and Incentive Plan (the "Plan") was approved by the Company's stockholders in June 2012. As amended, the Plan allots for the issuance of up to 2.5 million shares in the form of stock options or restricted stock unit awards.

The Company recognized stock-based compensation expense of approximately \$0.6 million and \$0.4 million for the three months ended March 31, 2021 and 2020, respectively.

Stock Options and Warrant Awards

Stock options and warrants granted under the provisions of the Stock Option Plans permit the purchase of our common stock at exercise prices equal to the closing price of Company common stock on the date the options were granted. The options have terms of 10 years and generally vest ratably over terms of 4 to 5 years. There were no stock options or warrant awards issued during the three months ended March 31, 2021 or 2020, respectively.

A summary of the status of the Company's stock option and warrant awards is as follows:

	Stock Options and Warrants	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Intrinsic Value (in thousands)
Outstanding at January 1, 2020	487,000	10.87		
Granted	—	—		
Exercised	(20,000)	4.09		
Forfeited	—	—		
Outstanding at March 31, 2021	<u>467,000</u>	11.16	2.6 \$	—
Expected to vest	—		\$	—
Exercisable at March 31, 2021	<u>467,000</u>	11.16	2.6 \$	—

The aggregate intrinsic value of options was calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock. At March 31, 2021, options to purchase approximately 0.1 million shares of common stock were in-the-money.

Since no options were granted, the weighted average grant-date fair value per share of options granted during the three months ended March 31, 2021 and 2020, respectively, was zero.

The Company has no non-vested outstanding options as of March 31, 2021.

Restricted Stock Unit Awards

Generally, restricted stock unit awards are granted annually to officers and directors of the Company under the provisions of the Plan. Restricted stock units are also granted ad hoc to attract or retain key personnel, and the terms and conditions under which these restricted stock units vest vary by award. The fair market value of restricted stock units granted is equal to the Company's closing stock price on the date of grant. Restricted stock units granted generally vest ratably over 3 years. Certain awards also include vesting provisions based on performance metrics measured over a 3 year period. Upon vesting, the restricted stock units are settled by issuing one share of Company common stock per unit.

A summary of the status of the Company's restricted stock units activity is as follows:

	Shares of Restricted Stock Units	Weighted Average Grant Date Price per Share
Outstanding at January 1, 2020	567,563	7.39
Granted	265,183	7.12
Forfeited	(74,280)	8.38
Vested	(80,318)	7.21
Outstanding at March 31, 2021	<u>678,148</u>	7.12
Expected to vest	<u>678,148</u>	

15. INCOME TAXES

We file an income tax return in the U.S. federal jurisdiction and a margin tax return in Texas. Previously, the Texas Comptroller selected the R&D credit calculations related to the 2014 and 2015 calendar years for audit. The state of Texas suspended examination of the 2014 and 2015 calendar years in order to perform a comprehensive review of audit procedures to provide consistency. During the fourth quarter of 2019, we received notice that Texas had completed review of its procedures and initiated additional requests for information which has been submitted for their review. In February 2020, we received notice from the Internal Revenue Service ("IRS") regarding the IRS's selection of the Company for an income tax

audit for the tax period ending December 31, 2017. We do not expect any material changes related to the federal or Texas audits. Our federal and Texas tax returns remain open for examination for the years 2016 through 2019. As of March 31, 2021 and December 31, 2020, respectively, we recognized no adjustments for uncertain tax positions or related interest and penalties.

The effective tax rate varies from the federal statutory rate of 21%, primarily as a result of state tax expense, stock based compensation, foreign taxes and a research and development credit for the three months ended March 31, 2021 and 2020. We continue to maintain a valuation allowance against certain deferred tax assets, specifically for mining claims for PEVM, where realization is not certain.

The CARES Act provided stimulus measures to companies impacted by the COVID-19 pandemic, which included the ability to defer payment for employer payroll taxes, utilize net operating loss (“NOL”) carrybacks, increased the limitation on the deductibility of interest expense, technical corrections to allow accelerated tax depreciation on qualified improvement property, as well as allowing qualified business to apply for loans and grants. We have filed carryback claims allowed under these provisions which are included in income tax receivable on the consolidated balance sheets.

In April 2021, we received approximately \$2.5 million related to our second and final NOL carryback claims, including approximately \$0.1 million of interest income.

16. SEGMENT INFORMATION

We operate through business segments according to the nature and economic characteristics of our products as well as the manner in which the information is used internally by our key decision maker, who is our Chief Executive Officer. Segment data may include rounding differences.

Our Specialty Petrochemicals segment includes SHR and GSPL. Our Specialty Waxes segment is TC. We also separately identify our corporate overhead which includes administrative activities such as legal, accounting, consulting, investor relations, officer and director compensation, corporate insurance, and other administrative costs.

	Three Months Ended March 31, 2021				
	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Product sales	\$ 44,658	\$ 6,907	\$ —	\$ —	\$ 51,565
Processing fees	1,254	1,766	—	—	3,020
Total revenues	45,912	8,673	—	—	54,585
Operating income (loss) before depreciation and amortization	2,571	(481)	(3,023)	—	(933)
Operating loss	(231)	(1,957)	(3,025)	—	(5,213)
Loss from continuing operations before taxes	(297)	(1,954)	(3,154)	—	(5,405)
Depreciation and amortization	2,802	1,476	3	—	4,281
Capital expenditures	3,567	1,214	—	—	4,781

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Three Months Ended March 31, 2020

	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Product sales	\$ 50,386	\$ 6,797	\$ —	—	\$ 57,183
Processing fees	1,244	3,640	—	—	4,884
Total revenues	51,630	10,437	—	—	62,067
Operating income (loss) before depreciation and amortization	6,490	1,066	(2,415)	—	5,141
Operating income (loss)	3,872	(262)	(2,422)	—	1,188
Income (loss) from continuing operations before taxes	2,942	(242)	(2,490)	—	210
Depreciation and amortization	2,617	1,328	7	—	3,952
Capital expenditures	1,601	316	—	—	1,917

March 31, 2021

	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Intangible assets, net	—	12,433	—	—	12,433
Total assets	285,549	81,194	124,744	(181,088)	310,399

December 31, 2020

	Specialty Petrochemicals	Specialty Waxes	Corporate	Eliminations	Consolidated
	<i>(in thousands)</i>				
Intangible assets, net	—	12,893	—	—	12,893
Total assets	298,198	83,108	127,260	(191,733)	316,833

17. NET INCOME (LOSS) PER COMMON SHARE

The following tables set forth the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2021 and 2020, respectively.

Net Income (Loss) per Common Share - Continuing Operations

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	Loss	Shares	Per Share Amount <small>(in thousands, except per share amounts)</small>	Income	Shares	Per Share Amount
Basic:						
Net income (loss) from continuing operations	\$ (4,404)	24,861	\$ (0.18)	\$ 5,863	24,765	\$ 0.24
Unvested restricted stock units		—			511	
Diluted:						
Net income (loss) from continuing operations	\$ (4,404)	24,861	\$ (0.18)	\$ 5,863	25,276	\$ 0.23

Net Income (Loss) per Common Share - Discontinued Operations

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	Loss	Shares	Per Share Amount	Income	Shares	Per Share Amount
			(in thousands, except per share amounts)			
Basic:						
Net income from discontinued operations, net of tax	\$ —	24,861	\$ —	\$ 4,857	24,765	\$ 0.20
Unvested restricted stock units		—			511	
Diluted:						
Net income from discontinued operations, net of tax	\$ —	24,861	\$ —	\$ 4,857	25,276	\$ 0.19

Net Income (Loss) per Common Share

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	Loss	Shares	Per Share Amount	Income	Shares	Per Share Amount
			(in thousands, except per share amounts)			
Basic:						
Net income (loss)	\$ (4,404)	24,861	\$ (0.18)	\$ 10,720	24,765	\$ 0.44
Unvested restricted stock units		—			511	
Diluted:						
Net income (loss)	\$ (4,404)	24,861	\$ (0.18)	\$ 10,720	25,276	\$ 0.42

At March 31, 2021 and 2020, 0.5 million and 0.5 million shares of common stock, respectively, were issuable upon the exercise of options and warrants.

8. RELATED PARTY TRANSACTIONS

In November 2020, Company Director Adam C. Peakes joined Merichem Company as Executive Vice President and Chief Financial Officer. The Company incurred expenses of less than \$0.1 million during the three months ended March 31, 2021 and 2020, respectively, for Merichem Company. At March 31, 2021 and December 31, 2020, we had outstanding liabilities payable to Merichem Company of less than \$0.1 million and nil, respectively.

19. POST-RETIREMENT OBLIGATIONS

We currently have post-retirement obligations with two former executives. As of March 31, 2021 and December 31, 2020, approximately \$0.3 million and \$0.3 million, respectively, remained outstanding and was included in post-retirement obligations.

For additional information, see NOTE 22, "POST-RETIREMENT OBLIGATIONS" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2020.

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

FORWARD LOOKING AND CAUTIONARY STATEMENTS

Some of the statements and information contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding the Company's financial position, business strategy and plans and objectives of the Company's management for future operations and other statements that are not historical facts, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as "outlook," "may," "will," "can," "shall," "should," "could," "expects," "plans," "anticipates," "contemplates," "proposes," "believes," "estimates," "predicts," "projects," "potential," "continue," "intend," or the negative of such terms and other comparable terminology, or by discussions of strategy, plans or intentions.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and factors include, but are not limited to the impacts of the COVID-19 pandemic on our business, financial results and financial condition and that of our customers, suppliers, and other counterparties; general economic and financial conditions domestically and internationally; insufficient cash flows from operating activities; our ability to attract and retain key employees; feedstock and product prices; feedstock availability and our ability to access third party transportation; competition; industry cycles; natural disasters or other severe weather events (including the Texas freeze event), health epidemics and pandemics (including the COVID-19 pandemic) and terrorist attacks; our ability to consummate extraordinary transactions, including acquisitions and dispositions, and realize the financial and strategic goals of such transactions; technological developments and our ability to maintain, expand and upgrade our facilities; regulatory changes; environmental matters; lawsuits; outstanding debt and other financial and legal obligations (including having to return the amounts borrowed under the PPP Loans or failing to qualify for forgiveness of such loans, in whole or in part); difficulties in obtaining additional financing on favorable conditions, or at all; local business risks in foreign countries, including civil unrest and military or political conflict, local regulatory and legal environments and foreign currency fluctuations; and other risks detailed in our latest Annual Report on Form 10-K, including, but not limited to, "Part I, Item 1A. Risk Factors" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" therein, under similar headings in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission (the "SEC"). Many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the COVID-19 pandemic and other natural disasters such as severe weather events (including the Texas freeze event).

There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior releases, reports and other filings with the SEC, the information contained in this report updates and supersedes such information.

Forward-looking statements are based on current plans, estimates, assumptions and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Overview

The following discussion and analysis of our financial results, as well as the accompanying unaudited condensed consolidated financial statements and related notes to consolidated financial statements to which they refer, are the responsibility of our management. Our accounting and financial reporting fairly reflect our business model which is based on the manufacturing and marketing of specialty petrochemical products and waxes and providing custom manufacturing services.

The discussion and analysis of financial condition and the results of operations which appears below should be read in conjunction with "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2020. These discussions of results reflect the continuing operations of the Company unless otherwise noted.

Our preferred supplier position into the specialty petrochemicals market is derived from the combination of our reputation as a reliable supplier established over many years, the very high purity of our products, and a focused approach to customer service. In specialty waxes, we are able to deliver to our customers a product performance and price point that is unique to our market; while the diversity of our custom processing assets and capabilities offers solutions to our customers that we believe are uncommon along the U.S. Gulf Coast.

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Enabling our success in these businesses is a commitment to operational excellence which establishes a culture that prioritizes the safety of our employees and communities in which we operate, the integrity of our assets and regulatory compliance. This commitment drives a change to an emphasis on forward-looking, leading-indicators of our results and proactive steps to continuously improve our performance. We bring the same commitment to excellence to our commercial activities where we focus on the value proposition to our customers while understanding opportunities to maximize our value capture through service and product differentiation, supply chain and operating cost efficiencies and diversified supply options. We believe our focus on execution, meeting the needs of our customers, and growing our business while maintaining prudent control of our costs, will significantly contribute to enhanced shareholder value.

Review of First Quarter 2021 Results

We reported first quarter 2021 net loss from continuing operations of \$4.4 million, down from net income from continuing operations of \$5.9 million in the first quarter of 2020. During February 2021, a prolonged duration of sub-freezing temperatures and snow resulted in widespread utilities failures and rolling blackouts across the State of Texas and the region. This caused significant disruptions for our suppliers, customers and our own facilities. The Texas freeze event ultimately resulted in higher utility, repair and maintenance costs, as well as loss of sales at both facilities. Cost impacts of the Texas freeze event are estimated to be approximately \$1.9 million across the Company, in addition to capital expenditures related to restoration of approximately \$1.7 million. Sales volume of our Specialty Petrochemicals products decreased 12.9% in the first quarter of 2021 as compared to the first quarter of 2020. In addition, sales of Specialty Petrochemicals were also generally weaker compared to the same period last year due to the COVID-19 pandemic. Specialty Waxes sales revenue was up 1.6% compared to the first quarter 2020 due to wax feed supply interruptions in the first quarter of 2020.

Adjusted EBITDA from continuing operations was \$(0.5) million for the first quarter of 2021, compared with Adjusted EBITDA from continuing operations of \$5.5 million in the first quarter of 2020. Adjusted EBITDA from continuing operations decreased due to factors associated with the Texas freeze event in first quarter 2021, as noted above, which increased costs for the Company and our suppliers and also reduced demand for our products through its impact on our customers and their facilities. The Company estimates the impact of the Texas freeze event on Adjusted EBITDA in the first quarter of 2021 to be between \$4.5 million and \$5.0 million. Adjusted EBITDA from continuing operations is a non-GAAP financial measure. See below for additional information about this measure and a reconciliation to the most directly comparable GAAP financial measure.

COVID-19 Pandemic

The continued global impact of COVID-19 has resulted in various emergency measures to curb the spread of the virus. We continue to monitor the progression of the COVID-19 pandemic on a daily basis. Our guiding principle is, and has always been, the protection of our people and the communities in which we work, as well as maintaining the overall integrity of our assets. While our essential plant personnel remain on-site, many of our other employees continue to work remotely and socially distanced when in our offices. We are continuing to follow the orders and guidance of federal, state, and local governmental agencies, as we maintain our own stringent protocols in an effort to mitigate the spread of the virus and protect the health of our employees, customers, and suppliers as well as the communities in which we work. As an organization, we adopted social distancing behaviors early, executed the necessary changes to enable all possible job duties to be performed remotely and rapidly identified and executed the necessary adjustments to support optimal productivity for all remote workers.

To date, our plants have continued to operate as normal with regard to COVID-19, and our supply chain has generally remained intact, with adequate availability of raw materials. Importantly, under the U.S. Department of Homeland Security guidance issued on April 17, 2020 as updated through August 18, 2020, as well as many related state and local governmental orders, chemical manufacturing sites are considered essential critical infrastructure, and as such, are not currently subject to closure in the locations where we operate. Although there has been some disruption in global logistics channels, we have not experienced significant delays in fulfillment of customer orders.

The COVID-19 pandemic continues to have an impact on our business, results of operations, financial position and liquidity for the first quarter of 2021. In comparison to the same period in 2020, in the first quarter we continued to see reduced demand for our products and services which we attribute to the economic slowdown caused by the COVID-19 pandemic as well as to the Texas freeze event in February. This weakened demand may continue throughout 2021, and could spread more broadly to our other end markets.

Our management will continue to actively monitor the impact of the global pandemic on our business, results of operations, financial condition, liquidity, suppliers, industry, investments, and workforce. We do not currently anticipate any material impairments, with respect to intangible assets, long-lived assets, or right of use assets, increases in allowances for credit

losses from our customers, restructuring charges, other expenses, or changes in accounting judgments to have a material impact on our condensed consolidated financial statements.

On March 27, 2020, the CARES Act was signed into law to address the economic impact of the COVID-19 pandemic. On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law and includes further relief and stimulus provisions to address economic concerns related to the COVID-19 pandemic. On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law and provides further economic relief and stimulus to deal with the economic impact of the COVID-19 pandemic. We continue to monitor any effects that may result from these Acts and other similar legislation or actions on our Company.

Non-GAAP Financial Measures

We include in this Quarterly Report on Form 10-Q the non-GAAP financial measures of EBITDA from continuing operations and Adjusted EBITDA from continuing operations and provide reconciliations from our most directly comparable GAAP financial measures to those measures.

We believe these financial measures provide users of our financial statements with supplemental information that may be useful in evaluating our operating performance. We also believe that such non-GAAP measures, when read in conjunction with our operating results presented under GAAP, can be used to better assess our performance from period to period and relative to performance of other companies in our industry, without regard to financing methods, historical cost basis or capital structure. These measures are not measures of financial performance or liquidity under GAAP and should be considered in addition to, and not as a substitute for, analysis of our results under GAAP.

We define EBITDA from continuing operations as net income (loss) from continuing operations plus interest expense, income tax expense (benefit), depreciation and amortization. We define Adjusted EBITDA from continuing operations as EBITDA from continuing operations plus share-based compensation, plus restructuring and severance expenses, plus impairment losses and plus or minus gains or losses on disposal of assets.

The following table presents a reconciliation of net income (loss), our most directly comparable GAAP financial performance measure for each of the periods presented, to EBITDA from continuing operations and Adjusted EBITDA from continuing operations.

	Three Months Ended March 31, 2021			
	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	<i>(in thousands)</i>			
Net income (loss)	\$ 205	\$ (1,954)	\$ (2,655)	\$ (4,404)
Income from discontinued operations, net of tax	—	—	—	—
Income (loss) from continuing operations	\$ 205	\$ (1,954)	\$ (2,655)	\$ (4,404)
Interest expense	302	—	—	302
Income tax benefit	(486)	—	(515)	(1,001)
Depreciation and amortization	200	23	3	226
Depreciation and amortization in cost of sales	2,602	1,452	—	4,054
EBITDA from continuing operations	\$ 2,823	\$ (479)	\$ (3,167)	\$ (823)
Stock-based compensation	—	—	571	571
Gain on disposal of assets	(254)	—	—	(254)
Adjusted EBITDA from continuing operations	<u>\$ 2,569</u>	<u>\$ (479)</u>	<u>\$ (2,596)</u>	<u>\$ (506)</u>

**Three Months Ended
March 31, 2020**

	Specialty Petrochemicals	Specialty Waxes	Corporate	Consolidated
	<i>(in thousands)</i>			
Net income	\$ 4,596	\$ 1,214	\$ 4,910	\$ 10,720
Income from discontinued operations, net of tax	—	—	4,857	4,857
Income from continuing operations	\$ 4,596	\$ 1,214	\$ 53	\$ 5,863
Interest expense	915	—	1	916
Income tax benefit	(1,654)	(1,456)	(2,543)	(5,653)
Depreciation and amortization	186	24	6	216
Depreciation and amortization in cost of sales	2,431	1,305	—	3,736
EBITDA from continuing operations	\$ 6,474	\$ 1,087	\$ (2,483)	\$ 5,078
Stock-based compensation	—	—	390	390
(Gain) loss on disposal of assets	(1)	17	—	16
Adjusted EBITDA from continuing operations	<u>\$ 6,473</u>	<u>\$ 1,104</u>	<u>\$ (2,093)</u>	<u>\$ 5,484</u>

Liquidity and Capital Resources

Working Capital

Our approximate working capital days are summarized as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Days sales outstanding in accounts receivable	42.8	40.0	41.6
Days sales outstanding in inventory	19.4	20.5	12.3
Days sales outstanding in accounts payable	27.3	22.9	14.8
Days of working capital	34.8	37.7	39.1

Our days sales outstanding in accounts receivable at March 31, 2021 was 42.8 days compared to 40 days at December 31, 2020. The increase was driven by higher selling prices during the first quarter of 2021. Our days sales outstanding in inventory decreased by approximately 1.1 days from December 31, 2020, driven primarily by lower production and the need to meet customer demands utilizing existing inventory. Our days sales outstanding in accounts payable increased primarily due to significant payables to our utilities suppliers driven by sharply higher rates for utilities in February 2021 due to the Texas freeze event. Since days of working capital is calculated using the above three metrics, it decreased for the aforementioned reasons discussed.

Our cash balance at March 31, 2021 was \$53.0 million.

The change in cash is summarized as follows:

	Three Months Ended March 31,	
	2021	2020
	<i>(thousands of dollars)</i>	
Net cash provided by (used in)		
Operating activities	\$ 3,831	\$ 4,301
Investing activities	(4,500)	8,098
Financing activities	(1,969)	18,906
Increase (decrease) in cash	<u>\$ (2,638)</u>	<u>\$ 31,305</u>
Cash	<u>\$ 53,026</u>	<u>\$ 37,450</u>

Operating Activities

Cash provided by operating activities totaled \$3.8 million for the first three months of 2021, \$0.5 million lower than the corresponding period in 2020. For the first three months of 2021, net income decreased by approximately \$15.1 million as compared to the corresponding period in 2020. Major non-cash items affecting income in the first three months of 2021 included changes in depreciation and amortization of \$4.3 million, deferred taxes of \$(0.9) million, and stock-based compensation of \$0.6 million. Major non-cash items affecting income in the first three months of 2020 included changes in depreciation and amortization of \$4.0 million, deferred taxes of \$10.4 million and stock-based compensation of \$0.4 million.

Additional factors leading to the decrease in cash provided by operating activities included:

- Trade receivables increased approximately \$0.6 million, primarily due to increases in selling prices. We do not expect any collection issues at this time.
- Inventories decreased approximately \$1.2 million driven by planned reduction of inventory due to the successful turnaround at SHR combined with maintenance of customer demand through existing inventory during the Texas freeze event.
- Prepaid and other assets decreased \$2.8 million primarily related to the payment of our foreign tax liability and amortization of our prepaid insurance for the quarter.
- Accounts payable and accrued liabilities increased \$1.3 million primarily due to significant payables to our utilities suppliers driven by sharply higher rates for utilities in February 2021 due to the Texas freeze event.

Investing Activities

Cash used in investing activities during the first three months of 2021 was approximately \$4.5 million, representing a decrease of approximately \$12.6 million from the corresponding period of 2020. The primary outflow of the funds used in investing activities was additions and the rebuild and restoration of property, plant and equipment of approximately \$4.8 million offset by proceeds from the sale of assets.

Financing Activities

Cash used in financing activities during the first three months of 2021 was approximately \$2.0 million versus cash provided by financing activities of \$18.9 million during the corresponding period of 2020. In the first quarter of 2021, we made a mandatory payment of \$1.1 million on our Term Loan Facility and repurchased shares of our common stock under our Share Repurchase Program. During the first three months of 2020, we borrowed \$20.0 million under the Revolving Facility for working capital purposes, offset by a mandatory payment on our Term Loan Facility.

Anticipated Cash Needs

As of March 31, 2021, we have approximately \$53.0 million in cash, combined with an available balance on our Revolving Facility of approximately \$53 million. As a result, we believe the Company is able to support its operating requirements and capital expenditures through internally generated funds supplemented with cash on our balance sheet and availability under our ARC Agreement.

Results of Operations

Comparison of Three Months Ended March 31, 2021 and 2020

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Specialty Petrochemicals Segment

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	<i>(thousands of dollars)</i>			
Product Sales	\$ 44,658	\$ 50,386	\$ (5,728)	(11.4) %
Processing	1,254	1,244	10	0.8 %
Gross Revenue	\$ 45,912	\$ 51,630	\$ (5,718)	(11.1) %
Volume of Sales (gallons)				
Specialty Petrochemicals Products	17,201	19,741	(2,540)	(12.9) %
Prime Product Sales	14,675	16,218	(1,543)	(9.5) %
By-product Sales	2,526	3,523	(997)	(28.3) %
Cost of Sales	\$ 42,869	\$ 44,796	(1,927)	(4.3) %
Gross Margin	6.6 %	13.2 %		(6.6) %
Total Operating Expense*	20,357	16,740	3,617	21.6 %
Natural Gas Expense*	2,976	927	2,049	221.0 %
Operating Labor Costs*	3,348	4,005	(657)	(16.4) %
Transportation Costs*	4,606	4,887	(281)	(5.7) %
General & Administrative Expense	3,074	2,776	298	10.7 %
Depreciation and Amortization**	2,802	2,617	185	7.1 %
Capital Expenditures	3,567	1,601	1,966	122.8 %

* Included in cost of sales

**Includes \$2,602 and \$2,431 for 2021 and 2020, respectively, which is included in operating expense

Gross Revenue

Gross Revenue for our Specialty Petrochemicals segment decreased for the first quarter 2021 compared to the first quarter 2020 by 11.1%, primarily due to lower sales volumes for prime products and by-products which were impacted by the Texas freeze event in February 2021 as well as continued impact of the COVID-19 pandemic.

Product Sales

Specialty Petrochemicals segment product sales declined approximately 11.4% for the first quarter 2021 compared to the first quarter 2020. Prime products sales volume declined approximately 1.5 million gallons, or 9.5%, from the first quarter 2020 due to the Texas freeze event which resulted in widespread utilities failures and rolling blackouts across the state and region. This caused significant disruptions for our suppliers, customers and our own facilities. In addition, sales were also generally weaker compared to the same period last year due to the continued impact of the COVID-19 pandemic. By-product sales volumes in first quarter 2021 declined 28.3% compared to the first quarter 2020. By-products are produced as a result of prime product production and their margins are significantly lower than margins for our prime products. Foreign sales volume decreased to 17.8% of total Specialty Petrochemicals volume in the first quarter for 2021 compared to 22.8% in the first quarter 2020. Foreign sales volume includes sales to Canadian oil sands customers.

Processing

Processing revenues were \$1.3 million in the first quarter 2021 compared to \$1.2 million for the first quarter 2020.

Cost of Sales (includes but is not limited to raw materials and total operating expense)

We use natural gasoline as feedstock, which is the heavier liquid remaining after ethane, propane and butanes are removed from liquids produced by natural gas wells. The material is a commodity product in the oil/petrochemical markets and generally is readily available. The price of natural gasoline is highly correlated with the price of crude oil. Our Advanced Reformer unit upgrades the by-product stream produced as a result of prime product production. This upgrade allows us to sell our by-products at higher prices than would be possible without the Advanced Reformer unit.

Cost of sales declined by 4.3% for the first quarter 2021 compared to the first quarter 2020. The decline in cost of sales compared to the same period last year was driven by depressed sales volumes, offset by higher natural gas costs associated

with the Texas freeze event. Benchmark Mont Belvieu natural gasoline feedstock price increased by 42% from \$0.93 per gallon in first quarter 2020 to \$1.33 per gallon in the first quarter 2021. Despite the increase in feedstock costs, our margins for prime products were relatively flat in the first quarter of 2021 compared to first quarter of 2020. By-product margins were higher compared to the first quarter of 2020. This was primarily due to higher component prices.

The gross margin percentage for the Specialty Petrochemicals segment decreased from 13.2% for the first quarter of 2020 to 6.6% in the first quarter of 2021, primarily because of increased operating costs.

Total Operating Expense (includes but is not limited to natural gas, operating labor, depreciation and transportation)

Total Operating Expense increased \$3.6 million, or 21.6%, for the first quarter 2021 compared to the same period in 2020, primarily due to higher natural gas costs and repair and maintenance costs associated with the Texas freeze event. Capital expenditures primarily relate to restoration costs associated with freezing weather in February 2021.

Capital Expenditures

Capital expenditures in the first quarter 2021 were approximately \$3.6 million compared to \$1.6 million in the first quarter of 2020. First quarter 2021 capital expenditures included approximately \$0.8 million for rebuild and repair of a distillation tower, approximately \$0.6 million for restoration costs associated with the damage to pipes and other plant equipment due to the Texas freeze event and approximately \$0.8 million of continued work on the GSPL pipe line.

Specialty Waxes Segment

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	<i>(thousands of dollars)</i>			
Product Sales	\$ 6,907	\$ 6,797	\$ 110	1.6 %
Processing	1,766	3,640	(1,874)	(51.5) %
Gross Revenue	\$ 8,673	\$ 10,437	\$ (1,764)	(16.9) %
Volume of specialty wax sales (thousand pounds)	8,826	10,174	(1,348)	(13.2) %
Cost of Sales	\$ 9,321	\$ 9,193	\$ 128	1.4 %
Gross Margin (Loss)	(7.5)%	11.9 %		(19.4) %
General & Administrative Expense	1,235	1,483	(248)	(16.7) %
Depreciation and Amortization*	1,476	1,328	148	11.1 %
Capital Expenditures	\$ 1,214	\$ 316	\$ 898	284.2 %

*Includes \$1,452 and \$1,524 for 2021 and 2020, respectively, which is included in cost of sales

Product Sales

Product sales revenue for the Specialty Waxes segment increased by 1.6% for the first quarter of 2021 compared to the first quarter of 2020 due to higher selling prices. Specialty wax sales volume decreased nearly 1.3 million pounds in the first quarter of 2021 compared to the first quarter of 2020. Despite utilizing existing inventories, wax sales volumes in the first quarter of 2021 were depressed due to extended disruptions to feed supply and production limitations at our Pasadena facility resulting from the Texas freeze event. Our wax feed is based on certain by-products produced as a result of polyethylene production at major polyethylene producers' facilities on the US Gulf Coast.

Processing

Processing revenues were \$1.8 million for the first quarter 2021, a \$1.9 million decrease compared to the first quarter 2020, driven by lower demand resulting from the Texas freeze event in February 2021 and the resulting impacts on our customers.

Cost of sales

Cost of sales increased by 1.4%, or approximately \$0.1 million, in the first quarter 2021 compared to the first quarter 2020. A reduction in force was completed in the first quarter of 2021 to improve the overall cost structure for the Specialty Waxes segment.

Depreciation

Depreciation for the first quarter 2021 was \$1.5 million, a \$0.1 million increase compared to the first quarter of 2020.

Capital Expenditures

Capital Expenditures were approximately \$1.2 million in the first quarter 2021 compared to \$0.3 million in the first quarter of 2020. Capital expenditures primarily relate to restoration costs associated with the damage to pipes and other plant equipment due to the Texas freeze event in February 2021.

Corporate Segment

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	<i>(thousands of dollars)</i>			
General & Administrative Expense	\$ 3,023	\$ 2,415	\$ 608	25.2 %

Corporate expenses increased \$0.6 million in the first quarter of 2021 compared to the first quarter of 2020 primarily due to increases in consulting and insurance costs.

Investment in AMAK - Discontinued Operations

	Three Months Ended March 31,			
	2021	2020	Change	% Change
	<i>(thousands of dollars)</i>			
Equity in earnings (losses) of AMAK	\$ —	\$ (532)	\$ 532	100.0 %

Equity in earnings (losses) of AMAK include amortization of the difference between the Company's investment in AMAK and the Company's share of net assets of AMAK.

We completed the sale of our ownership interest in AMAK during the third quarter of 2020. See Note 5 for additional discussion.

Contractual Obligations

Our contractual obligations are summarized in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no other material changes to the contractual obligation amounts disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

Critical accounting policies are more fully described in Note 2, "RECENT ACCOUNTING PRONOUNCEMENTS" to the consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2020. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period reported. By their nature, these estimates, assumptions and judgments are subject to an inherent degree of uncertainty. We base our estimates, assumptions and judgments on historical experience, market trends and other factors that are believed to be reasonable under the circumstances. Estimates, assumptions and judgments are reviewed on an ongoing basis and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies and estimates have been discussed with the Audit Committee of the Board of Directors and discussed in our Annual Report on Form 10-K for the year ended December 31, 2020. For the three months ended March 31, 2021, there were no significant changes to these policies.

Recent and New Accounting Standards

See Note 2 for a summary of recent accounting guidance.

Off Balance Sheet Arrangements

As of March 31, 2021, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial statements, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

For quantitative and qualitative disclosure about market risk, see Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes in the Company’s exposure to market risk from the disclosure included in such report.

ITEM 4. CONTROLS AND PROCEDURES.

- (a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, with the participation of management, have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) and determined that our disclosure controls and procedures were effective as of the end of the period covered by this report.
- (b) Changes in internal control. There were no significant changes in our internal control over financial reporting that occurred during the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is periodically named in legal actions arising from normal business activities. The Company evaluates the merits of these actions and, if it determines that an unfavorable outcome is probable and can be reasonably estimated, the Company will establish the necessary reserves. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

ITEM 1A. RISK FACTORS.

Readers of this Quarterly Report on Form 10-Q should carefully consider the risks described in the Company's other reports and filings filed with or furnished to the SEC, including the Company's prior and subsequent reports on Forms 10-K, 10-Q and 8-K, in connection with any evaluation of the Company's financial position, results of operations and cash flows.

The risks and uncertainties in the Company's most recent Annual Report on Form 10-K are not the only risks that the Company faces. Additional risks and uncertainties not presently known or those that are currently deemed immaterial may also affect the Company's operations. Any of the risks, uncertainties, events or circumstances described therein could cause the Company's future financial condition, results of operations or cash flows to be adversely affected. There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

Please see the below table for information regarding repurchases of the Company's common stock made by the Company during the period covered by this report.

Period	(a) Total Number of Shares (or Units) Purchased ⁽¹⁾	(b) Average Price Paid Per Share (or Unit) ⁽¹⁾	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
January 1, 2021 - January 31, 2021	—	\$ —	—	\$ —
February 1, 2021 - February 28, 2021	26,721	\$ 7.11	—	\$ —
March 1, 2021 - March 31, 2021	833	\$ 8.01	87,758	\$ 19,307,708
Total	27,554	\$ 7.14	87,758	\$ 19,307,708

⁽¹⁾ Represents shares of our common stock withheld for satisfaction of tax liabilities of a holder of restricted shares. The value of such shares was calculated based on the closing price of our common stock on the New York Stock Exchange ("NYSE") on the date when the withholding was made.

⁽²⁾ Represents shares of our common stock purchased on the open market pursuant to the Share Repurchase Program. The value of such shares was calculated based on the average purchase price of our common stock on the NYSE at the time the purchase was made. On March 1, 2021, the Company announced a repurchase program for up to \$20 million of the Company's common stock, which will expire in March 2023. Repurchases under the Share Repurchase Program may be made at management's discretion from time to time on the open market, through privately negotiated transactions or through broker-negotiated purchases, in compliance with applicable securities law, including through a 10b5-1 Plan. The Company is not obligated to acquire any specific number of shares of our common stock under the Share Repurchase Program, which may be suspended for periods or discontinued at any time. The timing and the amount of any shares to be repurchased will be determined by management based on an evaluation of market conditions and other factors, including the Company's stock price.

ITEM 6. EXHIBITS.

The following documents are filed or incorporated by reference as exhibits to this Report. Exhibits marked with an asterisk (*) are filed herewith. Exhibits marked with a plus sign (+) are management contracts or a compensatory plan, contract or arrangement.

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Exhibit Number	Description
10.1+*	Form of Trecora Resources Stock and Incentive Plan Restricted Stock Unit Agreement (Time-Based)
10.2+*	Form of Trecora Resources Stock and Incentive Plan Restricted Stock Unit Agreement (Performance-Based)
10.3+*	Retirement Agreement, dated as of April 19, 2021, between Trecora Resources and John R. Townsend
10.4*	Eighth Amendment to Amended and Restated Credit Agreement, dated as of May 3, 2021, among Texas Oil & Chemical Co. II, Inc., as Borrower, certain subsidiaries of the Borrower, as Guarantors, the Lenders from time to time party thereto, Citibank, N.A., as an L/C Issuer, and Bank of America, N.A., as Administrative Agent, Swingline Lender and an L/C Issuer
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document (XBRL tags are embedded within the Inline XBRL document)
101.SCH*	XBRL Taxonomy Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and included as Exhibit 101)

SIGNATURES

Pursuant to the requirements 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.

TRECORA RESOURCES

Dated: May 6, 2021

By: /s/ Sami Ahmad

Sami Ahmad

Principal Financial Officer and Duly Authorized Officer

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TRECORA RESOURCES

Restricted Stock Unit Agreement
(Time-Based)

This Restricted Stock Unit Agreement (this "Agreement"), dated as of the [] [], 20[] (the "Grant Date") is entered into by and between TRECORA RESOURCES, a Delaware corporation (the "Company") and [] (the "Participant"). The Company and the Participant may also be referred to individually as a "Party," or collectively as the "Parties."

Background

- A. In order to encourage the Participant's contribution to the successful performance of the Company, the Company agrees to grant the Participant this restricted stock unit award.
- B. The Board of Directors of the Company (the "Board") adopted the Trecora Resources Stock and Incentive Plan (as it may be amended, supplemented, restated and/or replaced from time to time, the "Plan"), pursuant to which the Company is authorized to grant restricted stock units to certain employees, directors and other service providers of the Company.
- C. The Participant desires to accept the restricted stock unit award made pursuant to this Agreement (the "Restricted Stock Units").

Terms and Conditions

NOW THEREFORE, for good and valuable consideration and mutual covenants set forth in this Agreement, and intending to be legally bound, each Party hereby agrees to the following:

- 1. **The Grant:** Subject to the conditions set forth below, the Company hereby grants the Participant, effective as of the Grant Date, an award consisting of [] Restricted Stock Units, whereby each Restricted Stock Unit represents the right to receive one share of common stock, par value \$0.10 per share, of the Company ("Stock"), under the terms and conditions set forth this Agreement and in the Plan (collectively, the "Award").
- 2. **Vesting:** Subject to Sections 5 and 7, the following portion of Restricted Stock Units shall vest on the corresponding vesting date (each individually, a "Vesting Date") set forth in the table below:

Restricted Stock Units to Vest	Vesting Date
1/3 increment of the total Award	The first anniversary of the Grant Date
1/3 increment of the total Award	The second anniversary of the Grant Date
1/3 increment of the total Award	The third anniversary of the Grant Date

- 3. **The Plan:** This Agreement is subject to all the terms, conditions, limitations and restrictions contained in the Plan which shall be deemed incorporated into, and a part of, this Agreement. Capitalized terms used by not defined in this Agreement shall have the meanings given to such terms in, or by reference in, the Plan, a copy of which has been made available to the Participant. To the extent that any provision of this Agreement conflicts with the expressly applicable terms of the Plan, the Participant acknowledge and agree that those terms of the Plan shall control and, if necessary, the applicable terms of this Agreement shall be deemed amended so as to carry out the purpose and intent of the Plan.

4. **No Shareholder Rights:** The Restricted Stock Units do not and shall not entitle the Participant to any rights of a holder of Stock prior to the date that shares of Stock are issued to the Participant in settlement of the Award under the terms of this Agreement.

5. **Restrictions and Risk of Forfeiture:**

(a) The Restricted Stock Units are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until these restrictions are removed or otherwise expire under this Agreement, and Stock is issued to the Participant under this Agreement.

(b) The Restricted Stock Units are also forfeitable at all times under Section 7 (the "Forfeiture Restrictions") prior to the Vesting Date for such applicable Restricted Stock Units vest and the restrictions with respect to such Restricted Stock Units are removed or otherwise expire under this Agreement.

(c) No shares of Stock shall be issued to the Participant prior to the Vesting Date for such applicable Restricted Stock Units vest and the restrictions with respect to such Restricted Stock Units (including the Forfeiture Restrictions) are removed or otherwise expire under this Agreement.

(d) Subject to Section 7, the restrictions on the Restricted Stock Units (including the Forfeiture Restrictions) shall expire on the applicable Vesting Date for such Restricted Stock Units.

6. **Issuance of Stock:**

(a) Subject to Sections 5 and 7, upon the vesting of any Restricted Stock Units on an applicable Vesting Date, the Company shall as soon as practicable after the applicable Vesting Date (but no later than the earlier of: (i) ninety (90) days following the Vesting Date, or (ii) December 31st of the calendar year that includes the Vesting Date), cause to be issued shares of Stock that are registered in the Participant's name, and nonforfeitable and transferable, in complete settlement of such vested Restricted Stock Units upon receipt by the Company of any required tax withholding.

(b) The Company shall evidence the Stock to be issued under this Section in payment of such vested Restricted Stock Units in the manner it deems appropriate. The value of any fractional Restricted Stock Units shall be rounded down at the time Stock is issued to the Participant in connection with the Restricted Stock Units. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, shall be issuable or payable to the Participant under the terms of this Agreement. The value of such shares of Stock shall not bear any interest owing to the passage of time.

(c) Neither this Section nor any action taken under this Section shall be construed to create a trust or a funded or secured obligation of any kind.

7. **Effects of Certain Events Prior to Vesting:**

(a) **Termination Generally:** Subject to Section 7(c), if the Participant's service relationship with the Company or any of its Subsidiaries is terminated for any reason, then all Restricted Stock Units for which the restrictions, as of the date of termination, have not are removed or otherwise expire under this Agreement, shall become null and void and those Restricted Stock Units shall be forfeited to the Company as of the date of termination; provided that the Restricted Stock Units for which the restrictions have expired as of the date of such termination, including Restricted Stock Units for which the restrictions expire in connection with such termination, shall not be forfeited to the Company and shall be settled under Section 6. Notwithstanding the foregoing, the Committee may, in its discretion, provide for accelerated vesting or otherwise permit continued vesting of all, or any portion of, the Restricted Stock Units upon the Participant's termination of employment with the Company to the extent it deems it in the best interests of the Company and such acceleration or extension of vesting does not violate the Nonqualified Deferred Compensation Rules defined below.

(b) **Corporate Change:** As permitted under Section 13.5 of the Plan, in the event that a Corporate Change occurs prior to the Restricted Stock Units becoming fully vested, the accelerated vesting provided in Section 13.5 of the Plan shall not apply to the Restricted Stock Units and such Restricted Stock Units shall continue to vest under the terms of the Plan and this Agreement, subject to Section 13.6 of the Plan, the Trecora Resources Change in Control Severance Plan or any employment agreement between the Participant and the Company which specifically addresses the vesting of equity awards held by the Participant in the event of a Corporate Change.

(c) **Effect of Employment Agreement:** Notwithstanding any provision in this Agreement to the contrary, in the event of any inconsistency between this Agreement, on the one hand, and any employment agreement entered into by and between the Participant and the Company or its Subsidiaries, whether entered into before or after the date of this Agreement, on the other hand, the terms of the employment agreement shall control.

8. **Leave of Absence:** With respect to the Award, the Company may, in its sole discretion, determine that, if the Participant are on leave of absence for any reason, the Participant shall be considered to still be in the employment of, or providing services for, the Company, provided that rights to the Restricted Stock Units during a leave of absence shall be limited to the extent to which those rights were earned or vested when the leave of absence began.

9. **Payment of Taxes:** The Company may require the Participant to pay to the Company (or the Subsidiary of the Company if the Participant are an employee of such Subsidiary), an amount the Company deems necessary to satisfy current or future obligation of the Company (or such applicable Subsidiary) to withhold federal, state or local income or other taxes that the Participant incur as a result of the Award. Unless the Participant make other arrangements with the Company prior to the applicable withholding date, the Restricted Stock Units shall be net settled to withhold applicable taxes.

10. **Compliance with Securities Law:** Notwithstanding any provision of this Agreement to the contrary, the issuance of Stock shall be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Stock shall be issued under this Agreement if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, Stock shall not be issued under this Agreement unless: (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued, or (b) in the opinion of legal counsel to the Company, the shares issued may be issued under the terms of an applicable exemption from the registration requirements of the Securities Act. YOU ARE CAUTIONED THAT ISSUANCE OF STOCK UPON THE VESTING OF RESTRICTED STOCK UNITS GRANTED PURSUANT TO THIS AGREEMENT MAY NOT OCCUR UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance under this Agreement, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make shares of Stock available for issuance.

11. **Section 409A of the Code:** It is the general intention, but not the obligation, of the Committee to design Awards to comply with or to be exempt from the Section 409A of the Code and the regulations promulgated thereunder (the "Nonqualified Deferred Compensation Rules"), and Awards shall be operated and construed accordingly. This Section 11 does not contain a representation to the Participant regarding the tax consequences of the grant, vesting, exercise, settlement, or sale of the Award (or the Stock underlying such Award) granted under this

Agreement, and should not be interpreted as such. In no event shall the Company or any of its affiliates or their respective employees or directors be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant (or anyone claiming a benefit through the Participant) on account of non-compliance with the Nonqualified Deferred Compensation Rules. Notwithstanding any provision in the Plan or this Agreement to the contrary, in the event that the Participant are a "specified employee" (as defined under the Nonqualified Deferred Compensation Rules) and the Participant become entitled to a payment under an Award that would be subject to additional taxes and interest under the Nonqualified Deferred Compensation Rules if the Participant's receipt of such payment or benefits is not delayed until the earlier of (a) the date of the Participant's death, or (b) the date that is six months after the Participant's "separation from service," as defined under the Nonqualified Deferred Compensation Rules (such date, the "Section 409A Payment Date"), then such payment or benefit shall not be provided to the Participant until the Section 409A Payment Date. Any amounts subject to the preceding sentence that would otherwise be payable prior to the Section 409A Payment Date shall be aggregated and paid in a lump sum without interest on the Section 409A Payment Date. The applicable provisions of the Nonqualified Deferred Compensation Rules are hereby incorporated by reference and shall control over any provision in the Plan or this Agreement that are in conflict therewith. Each payment made under this Award, if any, shall be treated as a separate payment under the Nonqualified Deferred Compensation Rules.

12. **Clawback:** The Restricted Stock Units are subject to any written clawback policies that the Company, with the approval of the Board or an authorized Committee of the Board, may adopt either prior to or following the Grant Date, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Company determines should apply to the Award. Any such policy may subject the Participant's Award and amounts paid or realized with respect to the Award to reduction, cancellation, forfeiture or recoupment if certain specified events or wrongful conduct occur as specified in any such clawback policy.

13. **Legends:** The Company may at any time place legends referencing any restrictions imposed on the shares of Stock issued under this Agreement on all certificates representing shares issued with respect to this Award.

14. **Right of the Company and Subsidiaries to Terminate Services:** Nothing in this Agreement confers upon the Participant the right to continue in the employ of or performing services for the Company or any Subsidiary, or interfere in any way with the rights of the Company or any Subsidiary to terminate the Participant's employment or service relationship at any time. Nothing contained in this Agreement shall be construed or interpreted as requiring the Company to enter into any further agreement regarding the Award.

15. **No Guarantee and Liability:** The Company and the Board do not guarantee the Stock from loss or depreciation. The Company and the members of the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement, the Award, and/or the Restricted Stock Units.

16. **Execution of Receipts and Releases:** Any payment of cash or any issuance or transfer of shares of Stock or other property to the Participant, or to the Participant's legal representative, heir, legatee or distributee, under the provisions of this Agreement, shall, to the extent thereof, be in full satisfaction of all claims of such Persons under this Agreement. The Company may require the Participant or the Participant's legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

17. **Furnish Information:** The Participant agree to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirements imposed upon the Company by or under any applicable statute or regulation.

18. **Company Records:** Records of the Company or its Subsidiaries regarding the Participant's period of service, termination of service and the reason(s) therefor, and other matters shall be conclusive for all purposes under this Agreement, unless determined by the Company to be incorrect.

19. **Information Confidential:** As partial consideration for the granting of the Award under this Agreement, the Participant hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that the Participant have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to the Participant's spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to the Participant, as a factor weighing against the advisability of granting any such future award to the Participant.
20. **Company Action:** Any action required of the Company shall be by resolution of the Board or by a person or entity authorized to act by resolution of the Board.
21. **Notice:** All notices, requests, demands, claims, and other communications made under this Agreement shall be in writing and be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service to the address first listed above, or (iii) immediately after being sent to the recipient by electronic mail. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan (including grants) by electronic means. The Participant hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Any person entitled to notice under this Agreement may waive such notice in writing.
22. **Definitions and Headings:** Unless otherwise expressly noted, all references to: (a) "Section" shall mean, with respect to such reference, each such section or subsection of this Agreement unless otherwise noted, and (b) "Attachment" shall mean, with respect to any such reference, each such schedule or exhibit attached to this Agreement. The headings of any section or paragraph of this Agreement are for convenience of reference only and shall not be used to interpret any provision of this Agreement.
23. **Non-Waiver:** No failure or delay by the Company in exercising any right, power or privilege under this Agreement shall constitute a waiver of such right, power or privilege, nor shall any single or partial exercise by the Company of such right, power or privilege preclude any other or further exercise of such right, power or privilege or the exercise of any right, power or privilege under this Agreement.
24. **Assignment:** Any assignment of this Agreement by the Participant without the prior written consent of the Company shall not be permitted.
25. **Successors:** This Agreement shall be binding upon the Participant, the Participant's legal representatives, heirs, legatees and distributees, and upon the Company, its successors and assigns.
26. **Severability:** The provisions of this Agreement are to be deemed severable and the invalidity, illegality or unenforceability of one or more of such provisions shall not affect the validity, legality or enforceability of the remaining provisions.
27. **Governing Law:** This Agreement shall be governed by, and construed and enforced under, the laws of the State of Texas, U.S.A., without regard to its otherwise applicable conflicts of laws rules, except to the extent that it implicates mandatory provisions of the General Corporation Law of the State of Delaware, which matters shall be governed by such Delaware law. The obligation of the Company to sell and deliver Stock under this Agreement is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.
28. **Governing Jurisdiction:** Subject to the terms of this Agreement, any civil action relating to or arising from this Agreement, including any dispute as to the validity or existence of this Agreement and/or this clause, shall be brought in the state or federal courts located in Houston, Texas, and the parties hereto consent to the exclusive jurisdiction of such courts in respect of such civil action.

29. **Remedies:** The Parties shall be entitled to recover from each other reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

30. **Entire Agreement:** This Agreement constitutes the entire agreement of the Parties, and supersedes any prior or contemporaneous written or oral agreements between the Parties regarding the subject matter contained in this Agreement.

31. **Amendment:** This Agreement may be amended solely the Board or by the Committee at any time (a) if the Board or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Grant Date and by its terms applies to the Award; or (b) other than in the circumstances described in clause (a) or provided in the Plan, with the Participant's consent.

32. **Execution by Counterparts and Portable Document Format:** This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signatures of any Party exchanged by electronic mail in portable document format (pdf.) shall be binding on each Party.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound, hereby executes this Agreement as of the Grant Date.

Trecora Resources

By: _____
Name:
Title:

The undersigned Participant acknowledges receipt of this Agreement and the Plan, and, as an express condition to the Award, agrees to be bound by the terms of this Agreement and the Plan.

[Name of Participant]

TRECORA RESOURCES

Restricted Stock Unit Agreement
(Performance-Based)

This Restricted Stock Unit Agreement (this "Agreement"), dated as of the [] [], 20[] (the "Grant Date") is entered into by and between TRECORA RESOURCES, a Delaware corporation (the "Company") and [] (the "Participant"). The Company and the Participant may also be referred to individually as a "Party," or collectively as the "Parties."

Background

- A. In order to encourage the Participant's contribution to the successful performance of the Company, the Company agrees to grant the Participant this restricted stock unit award.
- B. The Board of Directors of the Company (the "Board") adopted the Trecora Resources Stock and Incentive Plan (as it may be amended, supplemented, restated and/or replaced from time to time, the "Plan"), pursuant to which the Company is authorized to grant restricted stock units to certain employees, directors and other service providers of the Company.
- C. The Participant desires to accept the restricted stock unit award made pursuant to this Agreement (the "Restricted Stock Units").

Terms and Conditions

NOW THEREFORE, for good and valuable consideration and mutual covenants set forth in this Agreement, and intending to be legally bound, each Party hereby agrees to the following:

- 1. **The Grant:** Subject to the conditions set forth below, the Company hereby grants the Participant, effective as of the Grant Date, an award consisting of: (a) the number of [] Restricted Stock Units (the "TSR Target Award") and (b) the number of [] Restricted Stock Units (the "FCF Target Award"), whereby each Restricted Stock Unit represents the right to receive one share of common stock, par value \$0.10 per share, of the Company ("Stock"), under the terms and conditions set forth in this Agreement and in the Plan (collectively, the "Award").
- 2. **Vesting:** Subject to Sections 5 and 7, the following portion of Restricted Stock Units shall vest on the corresponding vesting date (each individually, a "Vesting Date") set forth in the table below:

Restricted Stock Units to Vest	Vesting Date
100% of the total Award	Upon the occurrence of the later of: (a) the third anniversary of the Grant Date, or (b) the determination by the Committee of the Cumulative FCF and the TSR Ranking for the applicable Performance Period.

- 3. **The Plan:** This Agreement is subject to all the terms, conditions, limitations and restrictions contained in the Plan which shall be deemed incorporated into, and a part of, this Agreement. Capitalized terms used by not defined in this Agreement shall have the meanings given to such terms in, or by reference in, the Plan, a copy of which has been made available to the Participant. To the extent that any provision of this Agreement conflicts with the expressly applicable terms of the Plan, the Participant acknowledge and agree that those terms of the Plan shall control and, if necessary, the applicable terms of this Agreement shall be deemed amended so as to carry out the purpose and intent of the Plan.

4. **No Shareholder Rights:** The Restricted Stock Units do not and shall not entitle the Participant to any rights of a holder of Stock prior to the date that shares of Stock are issued to the Participant in settlement of the Award under the terms of this Agreement.

5. **Restrictions and Risk of Forfeiture:**

(a) The Restricted Stock Units are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until these restrictions are removed or otherwise expire under this Agreement, and Stock is issued to the Participant under this Agreement.

(b) The Restricted Stock Units are also forfeitable at all times under Section 7 (the "Forfeiture Restrictions") prior to the Vesting Date for such applicable Restricted Stock Units vest and the restrictions with respect to such Restricted Stock Units are removed or otherwise expire under this Agreement.

(c) No shares of Stock shall be issued to the Participant prior to the Vesting Date for such applicable Restricted Stock Units vest and the restrictions with respect to such Restricted Stock Units (including the Forfeiture Restrictions) are removed or otherwise expire under this Agreement.

(d) Subject to Section 7, the restrictions on the Restricted Stock Units (including the Forfeiture Restrictions) shall expire on the applicable Vesting Date for such Restricted Stock Units.

6. **Issuance of Stock:**

(a) Subject to Sections 5 and 7, upon the vesting of any Restricted Stock Units on an applicable Vesting Date, the Company shall as soon as practicable after the applicable Vesting Date (but no later than the earlier of: (i) ninety (90) days following the Vesting Date, or (ii) December 31st of the calendar year that includes the Vesting Date), cause to be issued shares of Stock that are registered in the Participant's name, and nonforfeitable and transferable, in complete settlement of such vested Restricted Stock Units upon receipt by the Company of any required tax withholding.

(b) The Company shall evidence the Stock to be issued under this Section in payment of such vested Restricted Stock Units in the manner it deems appropriate. The value of any fractional Restricted Stock Units shall be rounded down at the time Stock is issued to the Participant in connection with the Restricted Stock Units. No fractional shares of Stock, nor the cash value of any fractional shares of Stock, shall be issuable or payable to the Participant under the terms of this Agreement. The value of such shares of Stock shall not bear any interest owing to the passage of time.

(c) Neither this Section nor any action taken under this Section shall be construed to create a trust or a funded or secured obligation of any kind.

7. **Effects of Certain Events Prior to Vesting:**

(a) **Termination Generally:** Subject to Section 7(c), if the Participant's service relationship with the Company or any of its Subsidiaries is terminated for any reason, then all Restricted Stock Units for which the restrictions, as of the date of termination, have not are removed or otherwise expire under this Agreement, shall become null and void and those Restricted Stock Units shall be forfeited to the Company as of the date of termination; provided that the Restricted Stock Units for which the restrictions have expired as of the date of such termination, including Restricted Stock Units for which the restrictions expire in connection with such termination, shall not be forfeited to the Company and shall be settled under Section 6. Notwithstanding the foregoing, the Committee may, in its discretion, provide for accelerated vesting or otherwise permit continued vesting of all, or any portion of, the Restricted Stock Units upon the Participant's termination of employment with the Company to the extent it deems it in the best interests of the Company and such acceleration or extension of vesting does not violate the Nonqualified Deferred Compensation Rules defined below.

(b) **Corporate Change:** As permitted under Section 13.5 of the Plan, in the event that a Corporate Change occurs prior to the Restricted Stock Units becoming fully vested, the accelerated vesting provided in Section 13.5 of the Plan shall not apply to the Restricted Stock Units and such Restricted Stock Units shall continue to vest under the terms of the Plan and this Agreement, subject to Section 13.6 of the Plan, the Trecora Resources Change in Control Severance Plan or any employment agreement between the Participant and the Company which specifically addresses the vesting of equity awards held by the Participant in the event of a Corporate Change.

(c) **Effect of Employment Agreement:** Notwithstanding any provision in this Agreement to the contrary, in the event of any inconsistency between this Agreement, on the one hand, and any employment agreement entered into by and between the Participant and the Company or its Subsidiaries, whether entered into before or after the date of this Agreement, on the other hand, the terms of the employment agreement shall control.

8. **Leave of Absence:** With respect to the Award, the Company may, in its sole discretion, determine that, if the Participant are on leave of absence for any reason, the Participant shall be considered to still be in the employment of, or providing services for, the Company, provided that rights to the Restricted Stock Units during a leave of absence shall be limited to the extent to which those rights were earned or vested when the leave of absence began.

9. **Payment of Taxes:** The Company may require the Participant to pay to the Company (or the Subsidiary of the Company if the Participant are an employee of such Subsidiary), an amount the Company deems necessary to satisfy current or future obligation of the Company (or such applicable Subsidiary) to withhold federal, state or local income or other taxes that the Participant incur as a result of the Award. Unless the Participant make other arrangements with the Company prior to the applicable withholding date, the Restricted Stock Units shall be net settled to withhold applicable taxes.

10. **Compliance with Securities Law:** Notwithstanding any provision of this Agreement to the contrary, the issuance of Stock shall be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Stock shall be issued under this Agreement if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, Stock shall not be issued under this Agreement unless: (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued, or (b) in the opinion of legal counsel to the Company, the shares issued may be issued under the terms of an applicable exemption from the registration requirements of the Securities Act. YOU ARE CAUTIONED THAT ISSUANCE OF STOCK UPON THE VESTING OF RESTRICTED STOCK UNITS GRANTED PURSUANT TO THIS AGREEMENT MAY NOT OCCUR UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance under this Agreement, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate Persons to make shares of Stock available for issuance.

11. **Section 409A of the Code:** It is the general intention, but not the obligation, of the Committee to design Awards to comply with or to be exempt from the Section 409A of the Code and the regulations promulgated thereunder (the "Nonqualified Deferred Compensation Rules"), and Awards shall be operated and construed accordingly. This Section 11 does not contain a representation to the Participant regarding the tax consequences of the grant, vesting, exercise, settlement, or sale of the Award (or the Stock underlying such Award) granted under this

Agreement, and should not be interpreted as such. In no event shall the Company or any of its affiliates or their respective employees or directors be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant (or anyone claiming a benefit through the Participant) on account of non-compliance with the Nonqualified Deferred Compensation Rules. Notwithstanding any provision in the Plan or this Agreement to the contrary, in the event that the Participant are a "specified employee" (as defined under the Nonqualified Deferred Compensation Rules) and the Participant become entitled to a payment under an Award that would be subject to additional taxes and interest under the Nonqualified Deferred Compensation Rules if the Participant's receipt of such payment or benefits is not delayed until the earlier of (a) the date of the Participant's death, or (b) the date that is six months after the Participant's "separation from service," as defined under the Nonqualified Deferred Compensation Rules (such date, the "Section 409A Payment Date"), then such payment or benefit shall not be provided to the Participant until the Section 409A Payment Date. Any amounts subject to the preceding sentence that would otherwise be payable prior to the Section 409A Payment Date shall be aggregated and paid in a lump sum without interest on the Section 409A Payment Date. The applicable provisions of the Nonqualified Deferred Compensation Rules are hereby incorporated by reference and shall control over any provision in the Plan or this Agreement that are in conflict therewith. Each payment made under this Award, if any, shall be treated as a separate payment under the Nonqualified Deferred Compensation Rules.

12. **Clawback:** The Restricted Stock Units are subject to any written clawback policies that the Company, with the approval of the Board or an authorized Committee of the Board, may adopt either prior to or following the Grant Date, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Company determines should apply to the Award. Any such policy may subject the Participant's Award and amounts paid or realized with respect to the Award to reduction, cancellation, forfeiture or recoupment if certain specified events or wrongful conduct occur as specified in any such clawback policy.

13. **Legends:** The Company may at any time place legends referencing any restrictions imposed on the shares of Stock issued under this Agreement on all certificates representing shares issued with respect to this Award.

14. **Right of the Company and Subsidiaries to Terminate Services:** Nothing in this Agreement confers upon the Participant the right to continue in the employ of or performing services for the Company or any Subsidiary, or interfere in any way with the rights of the Company or any Subsidiary to terminate the Participant's employment or service relationship at any time. Nothing contained in this Agreement shall be construed or interpreted as requiring the Company to enter into any further agreement regarding the Award.

15. **No Guarantee and Liability:** The Company and the Board do not guarantee the Stock from loss or depreciation. The Company and the members of the Board shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement, the Award, and/or the Restricted Stock Units.

16. **Execution of Receipts and Releases:** Any payment of cash or any issuance or transfer of shares of Stock or other property to the Participant, or to the Participant's legal representative, heir, legatee or distributee, under the provisions of this Agreement, shall, to the extent thereof, be in full satisfaction of all claims of such Persons under this Agreement. The Company may require the Participant or the Participant's legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

17. **Furnish Information:** The Participant agree to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirements imposed upon the Company by or under any applicable statute or regulation.

18. **Company Records:** Records of the Company or its Subsidiaries regarding the Participant's period of service, termination of service and the reason(s) therefor, and other matters shall be conclusive for all purposes under this Agreement, unless determined by the Company to be incorrect.

19. **Information Confidential:** As partial consideration for the granting of the Award under this Agreement, the Participant hereby agree to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that the Participant have relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to the Participant's spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to the Participant, as a factor weighing against the advisability of granting any such future award to the Participant.

20. **Company Action:** Any action required of the Company shall be by resolution of the Board or by a person or entity authorized to act by resolution of the Board.

21. **Notice:** All notices, requests, demands, claims, and other communications made under this Agreement shall be in writing and be deemed duly given (i) when delivered personally to the recipient, (ii) one (1) business day after being sent to the recipient by reputable overnight courier service to the address first listed above, or (iii) immediately after being sent to the recipient by electronic mail. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan (including grants) by electronic means. The Participant hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company. Any person entitled to notice under this Agreement may waive such notice in writing.

22. **Definitions and Headings:** Unless otherwise expressly noted, all references to: (a) "Section" shall mean, with respect to such reference, each such section or subsection of this Agreement unless otherwise noted, and (b) "Attachment" shall mean, with respect to any such reference, each such schedule or exhibit attached to this Agreement. The headings of any section or paragraph of this Agreement are for convenience of reference only and shall not be used to interpret any provision of this Agreement.

23. **Non-Waiver:** No failure or delay by the Company in exercising any right, power or privilege under this Agreement shall constitute a waiver of such right, power or privilege, nor shall any single or partial exercise by the Company of such right, power or privilege preclude any other or further exercise of such right, power or privilege or the exercise of any right, power or privilege under this Agreement.

24. **Assignment:** Any assignment of this Agreement by the Participant without the prior written consent of the Company shall not be permitted.

25. **Successors:** This Agreement shall be binding upon the Participant, the Participant's legal representatives, heirs, legatees and distributees, and upon the Company, its successors and assigns.

26. **Severability:** The provisions of this Agreement are to be deemed severable and the invalidity, illegality or unenforceability of one or more of such provisions shall not affect the validity, legality or enforceability of the remaining provisions.

27. **Governing Law:** This Agreement shall be governed by, and construed and enforced under, the laws of the State of Texas, U.S.A., without regard to its otherwise applicable conflicts of laws rules, except to the extent that it implicates mandatory provisions of the General Corporation Law of the State of Delaware, which matters shall be governed by such Delaware law. The obligation of the Company to sell and deliver Stock under this Agreement is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

28. **Governing Jurisdiction:** Subject to the terms of this Agreement, any civil action relating to or arising from this Agreement, including any dispute as to the validity or existence of this Agreement and/or this clause, shall be brought in the state or federal courts located in Houston, Texas, and the parties hereto consent to the exclusive jurisdiction of such courts in respect of such civil action.

29. **Remedies:** The Parties shall be entitled to recover from each other reasonable attorneys' fees incurred in connection with the successful enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

30. **Entire Agreement:** This Agreement constitutes the entire agreement of the Parties, and supersedes any prior or contemporaneous written or oral agreements between the Parties regarding the subject matter contained in this Agreement.

31. **Amendment:** This Agreement may be amended solely the Board or by the Committee at any time (a) if the Board or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Grant Date and by its terms applies to the Award; or (b) other than in the circumstances described in clause (a) or provided in the Plan, with the Participant's consent.

32. **Execution by Counterparts and Portable Document Format:** This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signatures of any Party exchanged by electronic mail in portable document format (pdf.) shall be binding on each Party.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned, intending to be legally bound, hereby executes this Agreement as of the Grant Date.

Trecora Resources

By: _____
Name:
Title:

The undersigned Participant acknowledges receipt of this Agreement and the Plan, and, as an express condition to the Award, agrees to be bound by the terms of this Agreement and the Plan.

[Name of Participant]

ATTACHMENT A

1. **Definitions:** For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

(a) **“Beginning Price”** shall mean the average Price for the period of twenty (20) trading days immediately preceding the first day of the Performance Period.

(b) **“Cumulative FCF”** shall mean the cumulative FCF achieved during the Performance Period.

(c) **“Ending Price”** shall mean the average Price for the period of twenty (20) trading days immediately preceding and including the final day of the Performance Period.

(d) **“FCF”** shall mean the annual free cash flow of the Company and its Subsidiaries, calculated as the net cash provided by operating activities (operating cash flow) of the Company and its Subsidiaries with the following adjustments:

(i) working capital adjustment reflecting normalized natural gasoline feedstock price;

(ii) less annual capital expenditures of the Company;

(iii) less mandatory debt service of the Company including cash interest expense and mandatory debt amortization; and

(iv) any other adjustment(s) that, solely in the Committee’s discretion, is necessary to reflect management performance consistent with maximizing shareholder value.

(e) **“Peer Group”** shall mean the group of companies identified in the following table:

provided that (i) the Peer Group shall not include any company that is not publicly traded (i.e., has no ticker symbol) at the end of the Performance Period; (ii) the performance of the surviving entities shall be used in the event there is a combination of any of the Peer Group companies during the Performance Period; and (iii) no new companies shall be added to the Peer Group during the Performance Period (including a company that is not a Peer Group member which acquires a member of the Peer Group). Notwithstanding the foregoing, the Committee may disregard any of these guidelines when evaluating changes in the membership of the Peer Group during the Performance Period in any particular situation, as it deems reasonable in the exercise of its discretion.

(f) **“Performance Period”** shall mean the three (3) year period commencing as of the first day of the calendar year in which the Grant Date occurs, and ending on December 31st of the third calendar year.

(g) **“Price”** shall mean the per share closing price, as reported by the Bloomberg L.P. (or any other publicly available reporting service that the Committee may designate from time to time) of a share or share equivalent on the applicable stock exchange.

(h) "TSR Ranking" shall mean the percentage of companies in the Peer Group that have a lower TSR for the Performance Period than the Company.

(i) "TSR" shall mean the total shareholder return achieved during the Performance Period, calculated by dividing (i) the sum of the cumulative value of the subject company's dividends for the Performance Period, plus the entity's Ending Price, minus the Beginning Price, by (ii) the Beginning Price. For purposes of determining the cumulative value of the subject company's dividends during the Performance Period, it shall be assumed that all dividends declared and paid with respect to a particular subject company during the Performance Period were reinvested in such company at the ex-dividend date, using the closing price on such date. The aggregate shares, or fractional shares thereof, that shall be assumed to be purchased as part of the reinvestment calculation shall be multiplied by the Ending Price to determine the cumulative value of an entity's dividends for the Performance Period.

2. **Determination of Vested Restricted Stock Units:** Following the end of the Performance Period, the Committee shall determine the Cumulative FCF and the TSR Ranking for the Performance Period.

(a) **Cumulative FCF:** The number of Restricted Stock Units which are considered vested as a percentage of the FCF Target Award shall be based on the Cumulative FCF for the Performance Period as follows:

FCF Target	Percentage of Target Award
	0%
	50%
	100%
	200%

If the Cumulative FCF for the Performance Period is above [] but between two of the levels set forth in the table above, the payout percentage shall be determined using linear interpolation.

(b) **TSR Ranking:** The number of Restricted Stock Units which are considered vested as a percentage of the TSR Target Award shall be based on the TSR Ranking for the Performance Period as follows:

Ranking for Performance Period	Percentage of Target Award
<25th Percentile	0%
25th Percentile	50%
50th Percentile	100%
100th Percentile	200%

If the TSR Ranking for the Performance Period is above the 25th percentile but between two of the levels set forth in the table above, the payout percentage shall be determined using linear interpolation.

Subject to the continued employment requirements of Section 7, Restricted Stock Units that vest under this Section 2 shall be settled in shares of Stock as described in Section 5.

April 19, 2021

via email

John (Dick) R. Townsend

[]
[]

RE: Retirement Agreement

Dear Dick:

This letter agreement (this "Agreement") confirms the arrangements relating to your retirement from **Trecora Resources**, a Delaware corporation ("Trecora" and, together with its subsidiaries, divisions, affiliates, predecessors and successors, the "Company"). The material terms and conditions of this Agreement have been approved by the Compensation Committee of the Board of Directors of Trecora and by signing this Agreement, you acknowledge the adequacy and sufficiency of the consideration you will receive by executing and not revoking this Agreement.

After May 14, 2021 (your "Retirement Date"), you will not be entitled to receive any further payments or benefits from the Company, except as specifically set forth in this Agreement or except as provided under the indemnity provisions of Trecora's By-Laws and director and officer and professional liability insurance policies and compensation policies.

1. **Status and Responsibilities:**

- i. **Status:** Your employment with the Company will continue through, and will cease on the Retirement Date. Effective as of your Retirement Date, you will relinquish your position as Executive Vice President and Chief Manufacturing Officer of Trecora and all other appointments and offices you hold with the Company. Contingent upon your timely signing and not revoking this Agreement, you will be eligible for the payments and benefits continuation described in Section 2. Your employment with the Company will terminate on your Retirement Date.
- ii. **Responsibilities:** Through your Retirement Date, you must remain available to perform services for the Company as Executive Vice President and Chief Manufacturing Officer and must do so in a diligent and professional manner.
- iii. **Transition Services Period:** For a period of beginning on your Retirement Date until February 13, 2023 (the "Transition Services Period"), you will serve as a consultant and independent contractor to the Company pursuant to which you will provide transition and consulting services to the Company as may be reasonably requested by it from time to time, including by: (i) assisting management with respect to transitioning your role and responsibilities, (ii) assisting with respect to any resolved, pending or future regulatory matters, and (iii) assisting with respect to stakeholder communications and its relationships with its partners. During the Transition Services Period, you will be providing any services as an independent contractor. You will not be treated as an employee for federal tax purposes with respect to any services performed for the Company under this Agreement; provided, however, that any compensation, including but not limited to any annual bonus and equity compensation, provided under Section 2 below that is considered a Form W-2 wage under applicable law will be treated as such and will be subject to all required reporting, withholdings and deductions.

2. **Payments and Benefits:**

- i. **Base Salary and Employee Benefits:** Your base salary will continue at the current rate, and be paid according to normal payroll procedures, through your Retirement Date and you continue to be eligible for any employee benefits through your Retirement Date. On and after your Retirement

you will no longer receive base salary payments and you will no longer be eligible for any employee benefits, except as required by applicable law.

- ii. **Equity Awards:** You are entitled to retain all of your rights and interests in unvested time-vesting equity awards previously awarded to you in 2019 and 2020 under the Trecora Stock and Incentive Plan as set forth on Attachment A after your Retirement Date, contingent upon your compliance with this Agreement as determined by the Compensation Committee of the Board of Directors of Trecora in its sole discretion. Such awards will be administered in accordance with their respective plan and award documents, provided that subject to your timely execution and non-revocation and compliance with this Agreement, for the purchases of such awards, you will be deemed to not have experienced a termination of employment any time before the last day of the Transition Services Period, such that you will vest in all awards that are scheduled to vest prior to such date. The timing of settlement of all awards subject to continued vesting under this paragraph will be unchanged and will continue to be governed by the applicable award agreements. For avoidance of doubt, you will not be entitled to retain or otherwise receive any other unvested equity or equity-based awards (including any performance-based equity awards) previously granted to you under the Trecora Resources Stock and Incentive Plan.
3. **Return of Company Property:** You will, upon request by the Company but in any event not later than the Resignation Date, immediately return to the Company all of the Company's property, including, but not limited to, computers, computer equipment, office equipment, mobile phone, keys, passcards, credit cards, confidential or proprietary lists (including, but not limited to, customer, supplier, licensor, and client lists), tapes, laptop computer, electronic storage device, software, computer files, marketing and sales materials, and any other property, record, document, or piece of equipment belonging to the Company. You will not (a) retain any copies of the Company's property, including any copies existing in electronic form, which are in your possession, custody, or control, or (b) destroy, delete, or alter any Company property, including, but not limited to, any files stored electronically, without the Company's prior written consent. The obligations contained in this Section will also apply to any property which belongs to a third party, including, but not limited to, (i) any entity which is affiliated with or related to the Company, or (ii) the Company's customers, licensors, or suppliers.
4. **Restrictive Covenants:**
 - i. **Trade Secrets and Confidential Information:** You will not: (i) use, disclose, reverse engineer, divulge, sell, exchange, furnish, give away, or transfer in any way the Trade Secrets or the Confidential Information for any purpose other than the Company's Business, except as authorized in writing by the Company; (ii) retain any Trade Secrets or Confidential Information, including any copies existing in any form (including electronic form) that are in your possession or control, or (iii) destroy, delete, or alter the Trade Secrets or Confidential Information without the Company's prior written consent. The obligations under this subsection will: (a) with regard to the Trade Secrets, remain in effect as long as the information constitutes a trade secret under applicable law; and (b) with regard to the Confidential Information, remain in effect for so long as such information constitutes Confidential Information as defined in this Agreement. The confidentiality, property, and proprietary rights protections set forth in this Agreement are in addition to, and not exclusive of, any and all other rights to which the Company is entitled under federal and state law, including, but not limited to, rights provided under copyright laws, trade secret and confidential information laws, and laws concerning fiduciary duties. Notwithstanding anything to the contrary set forth in this Agreement, pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1833(b)(1)), no individual will be held criminally or civilly liable under federal or state law for the disclosure of a trade secret that: (1) is made (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

- ii. **Non-Solicitation of Employees:** During the Restricted Period, you will not, directly or indirectly, solicit, recruit, or induce any Employee to (i) terminate his or her employment relationship with the Company, or (ii) work for any other person or entity engaged in the Business. For the avoidance of doubt, the foregoing restriction will prohibit you from disclosing to any third party the names, background information, or qualifications of any Employee, or otherwise identifying any Employee as a potential candidate for employment.
- iii. **Non-Competition:** During the Restricted Period, you will not, on your own behalf or on behalf of any person or entity, engage in the Business within the Territory; provided, however, that you may work for a competitor within the Territory and during the Restricted Period if you first obtain express written permission from the Company's Chief Executive Officer. For purposes of this subsection, the term "engage in" will include: (a) performing or participating in any activities which are the same as, or substantially similar to, activities which you performed or in which you participated, in whole or in part, for or on behalf of the Company; (b) performing activities or services about which you obtained Confidential Information or Trade Secrets as a result of your association with the Company; and/or (c) interfering with or negatively impacting the business relationship between the Company and a Customer or any other third party about whom you obtained Confidential Information or Trade Secrets as a result of your association with the Company.
- iv. **Definitions:** For purposes of this Section 5 only, the capitalized terms will be defined as follows:
1. "**Business**" shall mean those activities, products, and services that are the same as or similar to the activities conducted and products and services offered and/or provided by the Company or any of its subsidiaries, affiliates, or predecessors within two (2) years prior to the Retirement Date.
 2. "**Confidential Information**" shall mean: (A) information of the Company, to the extent not considered a Trade Secret under applicable law, that: (1) relates to the business of the Company or any of its subsidiaries, affiliates, or predecessors, (2) was disclosed to you or of which you became aware of as a consequence of your relationship with the Company or any of its subsidiaries, affiliates, or predecessors, (3) possesses an element of value to the Company or any of its subsidiaries, affiliates, or predecessors, and (4) is not generally known to the Company's competitors (or those of any of the Company's subsidiaries, affiliates, or predecessors), and (B) information of any third party provided to the Company or any of its subsidiaries, affiliates, or predecessors which any of the foregoing is obligated to treat as confidential. Confidential Information includes, but is not limited to: (1) methods of operation, (2) price lists, (3) financial information and projections, (4) personnel data, (5) future business plans, (6) the composition, description, schematic or design of products, future products or equipment of the Company or any third party, (7) advertising or marketing plans, and (8) information regarding independent contractors, employees, clients, licensors, suppliers, Customers, Prospective Customers or any other third party, including, but not limited to, the names of Customers and Prospective Customers, Customer and Prospective Customer lists compiled by the Company, and Customer and Prospective Customer information compiled by the Company. Confidential Information will not include any information that: (x) is or becomes generally available to the public other than as a result of an unauthorized disclosure, (y) has been independently developed and disclosed by others without violating this Agreement or the legal rights of any party, or (z) otherwise enters the public domain through lawful means.
 3. "**Customer**" shall mean any person or entity in which the Company or any of its subsidiaries, affiliates, or predecessors has engaged or solicited in the conduct of the Business.

4. "Employee" shall mean any person who (i) is employed by the Company as of the Retirement Date, or (ii) was employed by the Company or any of its subsidiaries, affiliates, or predecessors during the 12-months immediately preceding the Retirement Date.
 5. "Restricted Period" shall mean during the Transition Services Period.
 6. "Territory" shall mean anywhere in the United States or in any other country in where the Company conducts business.
 7. "Trade Secrets" shall mean information of the Company or any of its subsidiaries, affiliates, or predecessors, and its licensors, suppliers, clients, and customers, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, a list of actual customers, clients, licensors, or suppliers, or a list of potential customers, clients, licensors, or suppliers which is not commonly known by or available to the public and which information (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
5. **Non-Disparagement**: You agree not to make any derogatory or disparaging remarks, written or verbal, regarding the Company or any of its officers, directors, employees, stockholders, representatives, vendors, suppliers, customers, clients products, services to any third person or otherwise make any comment or communication for the purpose of causing, or reasonably expected to cause, any material harm to the Company's business, business relationships, operations, goodwill, or reputation; provided, however that nothing in this paragraph is intended to bar you from giving testimony pursuant to a compulsory legal process or as otherwise required by law. The Company agrees to advise those individuals who serve as its executive officers as of the Retirement Date not to make any derogatory or disparaging remarks, written or verbal, regarding you to any third person, or otherwise make any comment or communication for the purpose of causing, or reasonably expected to cause, any material harm to you; provided, however that nothing in this paragraph is intended to bar any such person, or the Company, from giving testimony pursuant to a compulsory legal process or as otherwise required by law.
 6. **Irreparable Harm, Reasonableness, Other Agreements**: You acknowledge that a breach or threatened breach by you of the terms of Sections 3, 4 or 5 of this Agreement would result in material and irreparable injury to the Company, and that it would be difficult or impossible to establish the full monetary value of such damage. Therefore, the Company shall be entitled to injunctive relief in the event of any such breach or threatened breach. The undertakings and obligations contained in Sections 3, 4 or 5 shall survive the termination of this Agreement. You agree that the covenants you have made in Sections 3, 4 and 5 are reasonable with respect to their duration and description. You acknowledge that Sections 3, 4 and 5 are not intended to supersede or limit your obligations under other agreements, which may be different from those contained in such sections. Other such agreements may include confidentiality, non-disclosure, trade secret or assignment-of-invention agreements previously executed by you in favor of the Company. Any such agreement(s) shall remain in full force and effect.
 7. **Future Cooperation**: You agree that you will provide accurate information or testimony or both in connection with any legal matters, if so requested by the Company. You further agree to make yourself available upon request to provide information and/or testimony, in a formal and/or informal setting in accordance with the Company's request, subject to reasonable accommodation of your schedule and reimbursement of reasonable documented expenses incurred by you, including reasonable and necessary attorney fees (if independent legal counsel is reasonably necessary). Notwithstanding the foregoing, the

Company's agreement and obligations pursuant to the foregoing sentence shall be subject to the provisions and limitations set forth in Section 9 of this Agreement.

8. **Waiver and Release:** In exchange for the consideration set forth above, you agree to release and discharge the Company, and all of its respective past, present and future officers, directors, employees, agents, plans, trusts, administrators, stockholders and trustees (collectively, the "Released Parties") from any and all claims, losses or expenses you may have or have had or may later claim to have had against them, whether known or unknown, arising out of anything that has occurred up through the date you sign this Agreement (both initially and on the Retirement Date), including without limitation, any claims, losses or expenses arising out of your employment with or separation from the Company; provided, however, that you expressly do not release or discharge the Company from any claims, losses or expenses you may have for (i) workers' compensation benefits, (ii) all amounts or payments owed to you as contemplated by Section 2 of this Agreement, (iii) the indemnification or insurance described in Section 9 below or (iv) all of your accrued and vested pension benefits, health care, life insurance, or disability benefits as determined through the Retirement Date under the Company's applicable and governing plans and programs.

You understand and agree that, except for the claims expressly excluded from this release, you will not be entitled hereafter to pursue any claims arising out of any alleged violation of your rights while employed by the Company, including, but not limited to, claims for reinstatement, back pay, losses or other damages to you or your property resulting from any alleged violations of state or federal law, such as (but not limited to) claims arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., as amended; (prohibiting discrimination on account of race, sex, national origin or religion); the Worker Adjustment and Retraining Notification Act (requiring that advance notice be given for certain workforce reductions); the Americans With Disabilities Act of 1990, 42 U.S.C. §12101 et seq. (prohibiting discrimination on account of disability); the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq.; the Equal Pay Act, 29 U.S.C. § 206(d); the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 et seq. (protecting employee benefits); as these laws may be amended from time to time; and any other federal, state or local law, rule, regulation, administrative guidance or common law doctrine claim relating to your employment.

Also included among the claims knowingly and voluntarily waived and released by you pursuant to this Agreement are any and all age discrimination, retaliation, harassment, or related claims under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. ("ADEA"), the Texas Commission on Human Rights Act, the Older Workers Benefit Protection Act ("OWBPA"), or any other federal, state, or local law. You and the Company acknowledge and agree that nothing in this Agreement shall apply to any claims under the ADEA or OWBPA that may arise after the date that you sign this Agreement. You acknowledge that the Company provided you with a copy of the Agreement in advance of your execution of the Agreement and advised you by means of this written Agreement as follows:

- (a) that you are advised to consult with an attorney of your choosing prior to executing the Agreement;
- (b) that you have a period of 21 calendar days to review and consider the Agreement before executing it, and that if you sign this Agreement in less than 21 calendar days, then by doing so you voluntarily agreed to waive your right to the full 21 day review period;
- (c) that changes to this Agreement, whether material or immaterial, will not restart the running of the 21 day review period;
- (d) that for a period of seven (7) days following your execution of this Agreement, you may revoke the Agreement, and the Agreement shall not become effective or enforceable until this seven-day revocation period expires without you revocation;

- (e) that during the seven (7) day revocation period, you may revoke the Agreement by providing written notice of revocation sent by personal or courier delivery to the office of the Company's Chief Executive Officer, so that it is received before the seven-day revocation period expires; and
- (f) that if you fail to sign the Agreement on or before the date that the 21 day review period expires, or if you revoke the Agreement before the expiration of seven-day revocation period, this Agreement shall not become effective or enforceable and you will not be entitled to receive the consideration described in Section 2(b).

By signing this Agreement and accepting the benefits provided, you agree that, except for any claims expressly excluded from this release and except as provided below, you will not hereafter pursue any claims against the Released Parties for or on account of anything, whether known or unknown, foreseen or unforeseen, which has occurred up to the date you sign this Agreement (both initially and on the Retirement Date) and which relates to your employment with the Company. You understand no section in this Agreement is intended to or shall limit, prevent, impede or interfere with your non-waivable right, without prior notice to the Company, to provide information to the government, participate in investigations, testify in proceedings regarding the Company's past or future conduct, or engage in any activities protected under whistleblower statutes, or to receive and fully retain a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. Notwithstanding the above, unless otherwise prohibited by law, by signing this Agreement, you release and waive your right to claim or recover monetary damages directly from the Company in any charge, complaint, or lawsuit filed by you or by anyone else on your behalf, for any released claims. This release does not include any claims for breach of this Agreement or any claims that may arise after the date you sign this Agreement (both initially and on the Retirement Date). You further represent and warrant that you are not aware of any facts or circumstances which might constitute either a violation of law or a violation of Trecora's Code of Conduct, its corporate policies or justify a claim against the Company for a violation of the Sarbanes-Oxley Act of 2002 and/or the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and/or any rules, regulations or binding guidance thereunder.

You agree that you and/or your dependents (as applicable) shall no longer be eligible for the consideration described in Section 2(b) in the event: (i) the Company terminates your employment for Cause (as defined below) prior to your Retirement Date, (ii) you materially breach the terms of this Agreement and fail to cure said breach within sixty (60) days after receipt of written notice from the Company, or (iii) you file or assert any claim related to your employment with, or separation from, the Company against the Released Parties for any reason other than claims for workers compensation benefits, or accrued and vested retirement benefits, health care benefits, life, or disability benefits as determined through the Retirement Date under the Company's applicable and governing plans and programs or for violation of the terms of this Agreement. In addition, you agree to indemnify and hold harmless the Released Parties from any claim, loss or expense (including attorneys' fees) incurred by them arising out of your breach of any portion of this Agreement.

Nothing contained in Section 4, Section 5 or this Section 8 is intended to restrict you in any way from (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by any federal regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company's legal, compliance or human resources officers; (iii) filing, testifying or participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal, state or municipal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization; or (iv) filing any claims that are not permitted to be waived or released under the Fair Labor Standards Act or other applicable law.

For purposes of this Agreement, "Cause" shall mean any of the following: (i) breaching any obligation to the Company or violating the Company's Code of Conduct, Insider Trading Policy or any other written policies of the Company; (ii) unlawfully trading in the securities of Trecora or of any other company based on information gained as a result of your employment with the Company; (iii) committing a felony or other

serious crime; (iv) engaging in any activity that constitutes gross misconduct in the performance of your employment duties; or (v) engaging in any action that constitutes gross negligence or misconduct and that causes or contributes to the need for an accounting adjustment to Trecora's financial results.

9. **Indemnification and Insurance:** The Company shall indemnify you and provide for the advance of expenses in connection therewith, subject to and in accordance with Trecora's By-Laws.
10. **Right to Withhold or Deduct:** Notwithstanding anything to the contrary in this Agreement, the Company shall, and is hereby authorized to, withhold or deduct from any amounts payable by the Company to you, your beneficiary or your legal representative under this Agreement, any federal, state or municipal taxes, social security contributions or other amounts required to be withheld by law, and to remit such amounts to the proper authorities. The Company is also hereby authorized to withhold or deduct appropriate amounts with respect to any benefit plans or programs or other elections made by you.
11. **Tax Advice:** You are encouraged to obtain your own tax advice regarding your compensation from the Company. You acknowledge and agree that the Company does not guarantee any particular tax treatment and that you are solely responsible for any taxes that you owe as a result of this Agreement.
12. **Definitions and Headings:** Unless otherwise expressly noted, all references to: (a) "Section" shall mean, with respect to such reference, each such section or subsection of this Agreement, and (b) "Attachment" shall mean, with respect to any such reference, each such schedule or exhibit attached to this Agreement. The headings of any section or paragraph of this Agreement are for convenience of reference only and shall not be used to interpret any provision of this Agreement.
13. **Non-Waiver:** No failure or delay by the Company in exercising any right, power or privilege under this Agreement shall constitute a waiver of such right, power or privilege, nor shall any single or partial exercise of such right, power or privilege preclude any other or further exercise of such right, power or privilege or the exercise of any right, power or privilege hereunder.
14. **Assignment and Beneficiaries:** Any assignment of this Agreement by you without the Company's prior written consent, shall not be permitted. This Agreement shall be binding upon and shall be for the benefit of the Company, its successors and assigns and you and, in the event of your death, your estate or legal representative.
15. **Severability:** The provisions of this Agreement are to be deemed severable and the invalidity, illegality or unenforceability of one or more of such provisions shall not affect the validity, legality or enforceability of the remaining provisions.
16. **Governing Law:** This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, U.S.A., without regard to its otherwise applicable conflicts of laws rules.
17. **Governing Jurisdiction:** Subject to the terms of this Agreement, any civil action relating to or arising from this Agreement, including any dispute as to the validity or existence of this Agreement and/or this clause, shall be brought in the state or federal courts located in Houston, Texas, and you hereby consent to the exclusive jurisdiction of such courts in respect of such civil action.
18. **Entire Agreement:** This letter constitutes the entire agreement of you and the Company, and supersedes any prior or contemporaneous written or oral agreements between the parties regarding the subject matter contained in this letter, and this letter may only be modified by a written document signed by you and a duly authorized representative of the Company.
19. **Execution by Counterparts and Facsimile:** This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken

together shall constitute one and the same agreement. Signatures of the Company and you exchanged by electronic email in portable document format (pdf.) or facsimile shall be binding on each party.

[remainder of page intentionally left blank]

Thank you for your many years leading Trecora. We wish you and your family all the best.

Sincerely,

Trecora Resources

By: /s/ Patrick D. Quarles
Patrick D. Quarles
President and Chief Executive Officer

By signing below, you acknowledge that you understand and voluntarily accept the arrangements described herein. You acknowledge and agree that you have had the opportunity to review this Agreement with an attorney, that you fully understand this Agreement, that you were not coerced into signing it, and that you signed it knowingly and voluntarily. You also acknowledge that you have not received any promise or inducement to sign this Agreement except as expressly set forth herein.

Accepted and agreed to
as of April 19, 2021

/s/ John (Dick) R. Townsend
John (Dick) R. Townsend

ATTACHMENT A
Equity Awards Summary

Time-Based Restricted Stock Unit Awards

Equity Award Year	Vesting Schedule	
	Vesting Date	Restricted Stock Units (Time-Based)
2019	02/15/2022	3,075
2020	02/13/2022	4,519
	02/13/2023	4,519
Total		12,113

EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this “*Amendment*”), is entered into as of May 3, 2021, by and among TEXAS OIL & CHEMICAL CO. II, INC., a Texas corporation (“*Borrower*”), certain subsidiaries of the Borrower party hereto, as guarantors (the “*Guarantors*”), the lenders from time to time party hereto (the “*Lenders*”), Citibank, N.A., as an L/C Issuer, and BANK OF AMERICA, N.A., as Administrative Agent for the Lenders (in such capacity, the “*Administrative Agent*”), Swingline Lender and an L/C Issuer.

RECITALS

A. Borrower, the Guarantors, the Administrative Agent and the Lenders party thereto are parties to that certain Amended and Restated Credit Agreement, dated as of October 1, 2014 (as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of February 20, 2015, that certain Second Amendment to Amended and Restated Credit Agreement, dated as of March 28, 2017, that certain Third Amendment to Amended and Restated Credit Agreement, dated as of July 25, 2017, that certain Fourth Amendment to Amended and Restated Credit Agreement, dated as of July 31, 2018, that certain Fifth Amendment to Amended and Restated Credit Agreement, dated as of December 19, 2018, that certain Sixth Amendment to Amended and Restated Credit Agreement, dated as of March 29, 2019, and that certain Seventh Amendment to Amended and Restated Credit Agreement, dated as of May 8, 2020 (the “*Credit Agreement*” and the Credit Agreement, as modified by this Amendment, the “*Amended Credit Agreement*”).

B. Borrower has requested that the Administrative Agent and the Lenders amend the Credit Agreement, and the Administrative Agent and the Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions set out in this Amendment.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** Unless otherwise defined in this Amendment, each capitalized term used but not otherwise defined herein has the meaning given such term in the Amended Credit Agreement.

2. **Amendments to the Credit Agreement.** On the Effective Date:

(a) The following definition in *Section 1.01* of the Credit Agreement is deleted in its entirety and replaced as follows:

“*Consolidated EBITDA*” means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Loan Parties in accordance with GAAP, Consolidated Net Income for the most recently completed Measurement Period *plus* (a) the following to the extent deducted in calculating such Consolidated Net Income (without duplication): (i) Consolidated Interest Charges, (ii) the provision for Federal, state, local and foreign income taxes payable, (iii) depreciation and amortization expense; (iv) out of pocket severance and restructuring expenses up to an amount not to exceed \$1,000,000 in the aggregate, (v) non-recurring cash charges, expenses or losses arising from or related to the February 2021 Texas winter storm, not to exceed \$5,000,000 in the aggregate for the 2021 fiscal year, and

(vi) other non-recurring expenses reducing such Consolidated Net Income which (A) do not represent a cash item in such period or any future period (in each case of or by the Loan Parties for such Measurement Period) and (B) are approved in writing by the Administrative Agent, and *minus* (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits; and (ii) all non-cash items increasing Consolidated Net Income (in each case of or by the Loan Parties for such Measurement Period) which are approved in writing by the Administrative Agent.

3. **Effectiveness of this Amendment.** This Amendment shall be effective as of the date (the “*Effective Date*”) once all of the following have been satisfied or delivered to the Administrative Agent and the Lenders, as applicable, in each case, in Proper Form:

i. **Execution of Amendment; Loan Documents.** This Amendment executed by a Responsible Officer of each Loan Party and a duly authorized officer of each Lender.

ii. **Additional Information.** Such additional information and materials, which the Administrative Agent and/or any Lender shall reasonably request or require.

4. **Representations and Warranties.** Borrower and each Guarantor represents and warrants to the Administrative Agent and the Lenders on and as of the Effective Date hereof that (a) it possesses the requisite power and authority to execute and deliver this Amendment, (b) this Amendment has been duly authorized and approved by the requisite corporate action on the part of Borrower or such Guarantor, (c) no other consent of any Person (other than the Administrative Agent and the Lenders) that has not been obtained is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate its organizational documents, (e) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date), (f) after giving effect to this Amendment, it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, (g) after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing and (h) that each Loan Document to which it is a party remains in full force and effect and is the legal, valid, and binding obligations of Borrower or such Guarantor enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors’ rights generally and to general principles of equity and principles of good faith and fair dealing.

5. **Scope of Amendment; Reaffirmation; RELEASE.** Except as expressly modified by this Amendment, all references to the Credit Agreement shall refer to the Amended Credit Agreement. Except as affected by this Amendment, the Loan Documents are unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Amended Credit Agreement and any other Loan Document, the terms of the Amended Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Amended Credit Agreement. **As material part of the consideration for the Administrative Agent and the Lenders entering into this Amendment, Borrower and each Guarantor hereby releases and forever discharges the Administrative Agent and each Lender (and their successors, assigns, affiliates, officers, managers, directors, employees, and agents) from any and all claims, demands, damages, causes of action, or liabilities for actions or omissions (whether arising at law or in equity, and whether direct or indirect) in connection with the Credit Agreement and the other Loan Documents prior to the date**

of this Amendment, whether or not heretofore asserted, and which Borrower or any Guarantor may have or claim to have against Administrative Agent or any Lender.

6. **Miscellaneous.**

1. **Binding Effect.** The Amended Credit Agreement shall be binding upon and inure to the benefit of each of the undersigned and their respective legal representatives, successors and permitted assigns.

2. **No Waiver of Defaults.** This Amendment does not constitute a waiver of, or a consent to, any present or future violation of or default under, any provision of the Loan Documents, or a waiver of the Administrative Agent's or any Lender's right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

3. **Form.** Each agreement, document, instrument or other writing to be furnished to the Administrative Agent or any Lender under any provision of this Amendment must be in form and substance reasonably satisfactory to the Administrative Agent.

4. **Headings.** The headings and captions used in this Amendment are for convenience only and will not be deemed to limit, amplify or modify the terms of this Amendment, the Credit Agreement, or the other Loan Documents.

5. **Costs, Expenses and Attorneys' Fees.** Borrower agrees to pay or reimburse the Administrative Agent on demand for all its reasonable and invoiced (with separate invoices for each service provider) out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable and invoiced fees and disbursements of the Administrative Agent's counsel.

6. **Multiple Counterparts; Electronic Signatures.** This Amendment and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Amendment (each a "***Communication***"), including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. (including, without limitation, facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

7. **Governing Law.** This Amendment and the other Loan Documents must be construed, and their performance enforced, under Texas law.

7. **Entirety.** **The Loan Documents represent the final agreement between Borrower, the Guarantors, the Lenders and the Administrative Agent and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements by the parties. there are no unwritten oral agreements among the parties.**

*Remainder of Page Intentionally Blank.
Signature Pages to Follow.*

This Amendment is executed as of the Effective Date.

BORROWER:

TEXAS OIL & CHEMICAL CO. II, INC.

By: /s/ S. Sami Ahmad
Name: S. Sami Ahmad
Title: Treasurer

GUARANTORS:

SOUTH HAMPTON RESOURCES, INC.

By: /s/ S. Sami Ahmad
Name: S. Sami Ahmad
Title: Treasurer

GULF STATE PIPE LINE COMPANY, INC.

By: /s/ S. Sami Ahmad
Name: S. Sami Ahmad
Title: Treasurer

TRECORA CHEMICAL, INC.

By: /s/ S. Sami Ahmad
Name: S. Sami Ahmad
Title: Treasurer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

/s/ Anthony W. Kell
Name: Anthony W. Kell
Title: Vice President

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

LENDER:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swingline Lender

By: /s/ Adam Rose
Adam Rose
Senior Vice President

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

LENDER:

CITIBANK, N.A.,
as a Lender and L/C Issuer

By: /s/ Randy Humphreys

Name: Randy Humphreys

Title: Director – Head of Central Mid Corporate Banking

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

LENDER:

BMO HARRIS BANK N.A.,
as a Lender

By: /s/ Jason Deegan
Name: Jason Deegan
Title: Director

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

LENDER:

CAPITAL ONE, N.A.,
as a Lender

By: /s/ Lewis Gissel
Name: Lewis Gissel
Title: Senior Vice President

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

LENDER:

REGIONS BANK,
as a Lender

By: /s/ Philip A. Ugalde
Name: Philip A. Ugalde

Title: SVP

Signature Page to
Eighth Amendment to Amended and Restated Credit Agreement
(Texas Oil & Chemical Co. II, Inc.)

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a - 14(a)/15d-14(a)

I, Patrick Quarles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trecora Resources;
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 consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm 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
 - (ii) 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.

Dated: May 06, 2021

/s/ Patrick Quarles

Patrick Quarles

President and Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a - 14(a)/15d-14(a)

I, Sami Ahmad, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trecora Resources;
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 consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's independent registered public accounting firm 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
 - (ii) 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.

Dated: May 06, 2021

/s/ Sami Ahmad

Sami Ahmad

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick Quarles, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, 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/ Patrick Quarles
Patrick Quarles
President and Chief Executive Officer

May 6, 2021

**CERTIFICATION PURSUANT TO
18. U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Trecora Resources (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sami Ahmad, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, 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/ Sami Ahmad
Sami Ahmad
Chief Financial Officer

May 6, 2021