Calumet Specialty Products Partners, L.P.
Form 424B4
January 26, 2006

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**Filed Pursuant to Rule 424(b)(4)**
**Registration No. 333-128880**

**PROSPECTUS**

**6,450,000 Common Units**
**Calumet Specialty Products Partners, L.P.**
Representing Limited Partner Interests

We are offering 6,450,000 common units, including 750,100 common units that will be offered directly by us to three individuals related to the chairman of the board of directors of our general partner. This is the initial public offering of our common units.

Prior to this offering, there has been no public market for the common units. Our common units have been approved for quotation on the NASDAQ National Market under the symbol CLMT.

*See Risk Factors on page 14 to read about factors you should consider before buying the common units.*

These risks include the following:

- We may not have sufficient cash from operations to pay our minimum quarterly distribution following the establishment of cash reserves and payment of fees and expenses, including payments to our general partner.
- Refining margins are volatile, and a reduction in our refining margins will adversely affect the amount of cash we will have available for distribution.
- Our hedging activities may reduce our earnings, profitability and cash flows.
- We depend on certain key crude oil gatherers for a significant portion of our supply of crude oil.
- Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to your detriment.
- Unitholders have limited voting rights and are not entitled to elect our general partner or its directors.
- Even if unitholders are dissatisfied, they cannot initially remove our general partner without its consent.
- You will experience immediate and substantial dilution of $16.88 per common unit.
- You may be required to pay taxes on income from us even if you do not receive any cash distributions from us.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

| | Per Common Unit | Total |
|---|---|---|
| Initial public offering price(1) | $21.5000 | $137,546,099.50 |
| Underwriting discount(1)(2) | $ 1.3975 | $ 7,965,610.25 |
| Proceeds before expenses to Calumet Specialty Products Partners, L.P.(1) | $20.1025 | $129,580,489.25 |

(1) The underwriters will not receive any underwriting discount or commission on the 750,100 common units offered directly by us to three individuals related to the chairman of the board of directors of our general partner at a per unit price of $19.995.

(2) Excludes a structuring fee of $612,739 to be paid to Goldman, Sachs & Co. and a structuring fee of $2.0 million to be paid to Petrie Parkman & Co., Inc.

We have granted the underwriters a 30-day option to purchase up to 854,985 common units on the same terms and conditions as set forth above to cover over-allotment of common units, if any.

The underwriters expect to deliver the common units against payment in New York, New York on January 31, 2006.

**Goldman, Sachs & Co.**

**Deutsche Bank Securities**

**Raymond James**

**Petrie Parkman & Co.**

Prospectus dated January 25, 2006.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front

cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus to Calumet Specialty Products Partners, we, our, us or like terms, whe used in a historical context, refer to the assets of Calumet Lubricants Co., Limited Partnership and its subsidiaries that are being contributed to Calumet Specialty Products Partners, L.P. and its subsidiaries in connection with this offering. When used in the present tense or prospectively, those terms refer to Calumet Specialty Products Partners, L.P. and its subsidiaries. References in this prospectus to our general partner refer to Calumet GP, LLC.

## SUMMARY

*This summary provides a brief overview of information contained elsewhere in this prospectus. Because it is abbreviated, this summary does not contain all of the information that you should consider before investing in the common units. You should read the entire prospectus carefully, including the historical and pro forma financial statements and the notes to those financial statements. The information presented in this prospectus assumes that the underwriters over-allotment option to purchase additional units is not exercised. You should read Risk Factors beginning on page 14 for more information about important risks that you should consider carefully before buying our common units. We include a glossary of some of the terms used in this prospectus as Appendix B.*

## Calumet Specialty Products Partners, L.P.

We are a leading independent producer of high-quality, specialty hydrocarbon products in North America. Our business is organized into two segments: specialty products and fuel products. In our specialty products segment, we process crude oil into a wide variety of customized lubricating oils, solvents and waxes. Our specialty products are sold to domestic and international customers who purchase them primarily as raw material components for basic industrial, consumer and automotive goods. In our fuel products segment, we process crude oil into a variety of fuel and fuel-related products including unleaded gasoline, diesel fuel and jet fuel. In connection with our production of specialty products and fuel products, we also produce asphalt and a limited number of other by-products. For the nine months ended September 30, 2005, approximately 53.6% of our gross profit was generated from our specialty products segment and approximately 46.4% of our gross profit was generated from our fuel products segment.

Our operating assets consist of our:

*Princeton Refinery.* Our Princeton refinery, with an aggregate crude oil throughput capacity of approximately 10,000 barrels per day ( bpd ) and located in northwest Louisiana, produces specialty lubricating oils, including process oils, base oils, transformer oils and refrigeration oils that are used in a variety of industrial and automotive applications.

*Cotton Valley Refinery.* Our Cotton Valley refinery, with an aggregate crude oil throughput capacity of approximately 13,500 bpd and located in northwest Louisiana, produces specialty solvents that are used principally in the manufacture of paints, cleaners and automotive products.

*Shreveport Refinery.* Our Shreveport refinery, with an aggregate crude oil throughput capacity of approximately 42,000 bpd and located in northwest Louisiana, produces specialty lubricating oils and waxes, as well as fuel products such as gasoline, diesel fuel and jet fuel.

*Distribution and Logistics Assets.* We own and operate a terminal in Burnham, Illinois with a storage capacity of approximately 150,000 barrels that facilitates the distribution of our products in the upper Midwest and East Coast regions of the United States and in Canada. In addition, we lease approximately 1,200 rail cars to receive crude oil or distribute our products throughout the United States and Canada. We also have approximately 4.5 million barrels of aggregate finished product storage capacity at our refineries.

## Business Strategies

Our management team is dedicated to increasing the amount of cash available for distribution on each limited partner unit by executing the following strategies:

*Concentrate on stable cash flows.*

*Develop and expand our customer relationships.*

*Enhance profitability of our existing assets.*

*Pursue strategic and complementary acquisitions.*

## Competitive Strengths

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

*We offer our customers a diverse range of specialty products.*

*We have strong relationships with a broad customer base.*

*Our refineries have advanced technology.*

*We have an experienced management team.*

## Recent Developments

In the aggregate, sales volumes and prices for our products in the fourth quarter of 2005 were higher than those we realized in the third quarter of 2005.

On December 9, 2005, we refinanced our existing indebtedness by entering into a $225 million senior secured revolving credit facility due December 2010 and a $225 million senior secured first lien credit facility consisting of a $175 million term loan facility and a $50 million letter of credit facility to support crack spread hedging.

## Risk Factors

An investment in our common units involves risks associated with our business, regulatory and legal matters, our limited partnership structure and the tax characteristics of our common units. Please carefully read Risk Factors immediately following this Summary beginning on page 14.

## Formation Transactions and Partnership Structure

We are a Delaware limited partnership formed in September 2005 to acquire, own and operate the assets that have historically been owned by Calumet Lubricants Co., Limited Partnership.

In connection with this offering and the related formation transactions:

we will issue to the current owners of Calumet Lubricants Co., Limited Partnership (The Heritage Group, a privately-owned general partnership that invests in a variety of industrial companies, the Fehsenfeld and Grube families or trusts set up on their behalf, and certain of their affiliates) 5,761,015 common units and 13,066,000 subordinated units, representing a 73.0% limited partner interest in us, in exchange for the contribution of their ownership interests in Calumet Lubricants Co., Limited Partnership;

we will issue to our general partner, Calumet GP, LLC, a 2% general partner interest in us and all of our incentive distribution rights, which will entitle our general partner to increasing percentages of the cash we distribute in excess of $0.495 per unit per quarter;

we will enter into an omnibus agreement with The Heritage Group and certain of its affiliates pursuant to which The Heritage Group and certain of its affiliates will generally agree not to compete with us in the business of refining or marketing certain fuels and specialty hydrocarbon products;

- we will sell 5,699,900 common units to the public in this offering, representing a 22.1% limited partner interest in us; and
- we will sell 750,100 common units, representing a 2.9% limited partner interest in us, to Messrs. Fred M. Fehsenfeld, Sr., the father of our chairman, Mac Fehsenfeld, the uncle of our chairman, and Frank B. Fehsenfeld, the uncle of our chairman (collectively, the Fehsenfeld Investors ).

The principal difference between our common units and subordinated units is that, in any quarter during the subordination period, holders of the subordinated units are entitled to receive the minimum quarterly distribution of $0.45 per unit only after the common units have received the minimum quarterly distribution plus arrearages from prior quarters. Subordinated units will not accrue arrearages. The subordination period will end if we meet the financial tests in our partnership agreement, but it generally cannot end before December 31, 2010. Please read The Offering for a description of the subordination period.

We believe that conducting our operations through a publicly traded limited partnership will offer us the following advantages:

- access to public equity and debt capital markets;
- a lower cost of capital for expansions and acquisitions;
- an enhanced ability to use equity securities as consideration in future acquisitions; and
- an overall lower effective income tax rate to our unitholders than if we were a corporation.

## Holding Company Structure

As is common with publicly traded limited partnerships and in order to maximize operational flexibility, we will conduct our operations through subsidiaries. In order to be treated as a partnership for federal income tax purposes, we must generate 90% or more of our gross income from certain qualifying sources, such as the refining of crude oil and other feedstocks and the marketing of finished petroleum products. However, the income derived from the marketing of these products to certain end-users, such as governmental entities and airlines, is not considered qualifying income for federal income tax purposes. As a result, we plan on marketing products to these non-qualifying end-users through Calumet Sales Company Incorporated, a corporate subsidiary of our operating company, Calumet Operating, LLC. Sales from activities conducted by our corporate subsidiary will be taxed at the applicable corporate income tax rate. Dividends received by us from our corporate subsidiary constitute qualifying income. For a more complete description of this qualifying income requirement, please read Material Tax Consequences Partnership Status.

The diagram on the following page depicts our organization and ownership after giving effect to the offering and the related formation transactions.

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## Organizational Structure After the Transactions

| Ownership of Calumet Specialty Products Partners, L.P. | |
| --- | --- |
| Public Common Units | 22.1% |
| Common Units to be purchased by the Fehsenfeld Investors | 2.9% |
| Common Units owned by Affiliates of our General Partner | 22.3% |
| Subordinated Units owned by Affiliates of our General Partner | 50.7% |
| General Partner Interest | 2.0% |
| Total | 100% |

## Management and Ownership of Calumet Specialty Products Partners, L.P.

Calumet GP, LLC, our general partner, has sole responsibility for conducting our business and for managing our operations. The Heritage Group and the Fehsenfeld and Grube families and their family trusts own our general partner. For information about the executive officers and directors of our general partner, please read Management Directors and Executive Officers. Our general partner will not receive any management fee or other compensation in connection with its management of our business but will be entitled to be reimbursed for all direct and indirect expenses incurred on our behalf. Our general partner will also be entitled to distributions on its general partner interest and, if specified requirements are met, on its incentive distribution rights. Please read Certain Relationships and Related Party Transactions and Management Executive Compensation.

Neither our general partner nor the board of directors of our general partner will be elected by our unitholders. Unlike shareholders in a publicly traded corporation, our unitholders will not be entitled to elect the directors of our general partner.

## Principal Executive Offices and Internet Address

Our principal executive offices are located at 2780 Waterfront Pkwy E. Drive, Suite 200, Indianapolis, Indiana 46214 and our telephone number is (317) 328-5660. Our website is located at http://www.calumetspecialty.com. We expect to make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, or SEC, available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

## Summary of Conflicts of Interest and Fiduciary Duties

Calumet GP, LLC, our general partner, has a legal duty to manage us in a manner beneficial to our unitholders. This legal duty originates in statutes and judicial decisions and is commonly referred to as a fiduciary duty. The officers and directors of our general partner also have fiduciary duties to manage our general partner in a manner beneficial to its owners. As a result of this relationship, conflicts of interest may arise in the future between us and our unitholders, on the one hand, and our general partner and its affiliates on the other hand. For a more detailed description of the conflicts of interest and fiduciary duties of our general partner, please read Conflicts of Interest and Fiduciary Duties.

Our partnership agreement limits the liability and reduces the fiduciary duties of our general partner to our unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions that might otherwise constitute a breach of our general partner s fiduciary duties owed to unitholders. By purchasing a common unit, you are treated as having consented to various actions contemplated in our partnership agreement and conflicts of interest that might otherwise be considered a breach of fiduciary or other duties under applicable state law. Please read Conflicts of Interest and Fiduciary Duties Fiduciary Duties for a description of the fiduciary duties imposed on our general partner by Delaware law, the material modifications of these duties contained in our partnership agreement and certain legal rights and remedies available to unitholders.

## The Offering

| | |
|---|---|
| Common units offered | 6,450,000 common units, including 750,100 common units offered to the Fehsenfeld Investors that will not be underwritten and will be sold directly by us.<br><br>7,304,985 common units, if the underwriters exercise their over-allotment option in full. |
| Units outstanding after this offering | 12,211,015 common units, representing a 47.3% limited partner interest in us, and 13,066,000 subordinated units, representing a 50.7% limited partner interest in us.<br><br>13,066,000 common units and 13,066,000 subordinated units, each representing a 49.0% limited partner interest in us, if the underwriters exercise their over-allotment option in full. |
| Use of proceeds | We intend to use the estimated net proceeds of approximately $123.0 million from this offering, after deducting underwriting discounts, commissions and fees, and estimated offering and related formation transaction expenses of approximately $4.0 million, to:<br><br>repay $108.0 million in borrowings under our new term loan facility; and<br><br>repay $15.0 million in borrowings under our new revolving credit facility.<br><br>If the underwriters exercise their over-allotment option to purchase additional common units, we will use the net proceeds to repay additional borrowings under our term loan facility. |
| Cash distributions | We will make minimum quarterly distributions of $0.45 per unit to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner.<br><br>Within 45 days after the end of each quarter, beginning with the quarter ending March 31, 2006, we will distribute our available cash to unitholders of record on the applicable record date. We will adjust the minimum quarterly distribution for the period from the closing of the offering through the end of the quarter in which the offering occurs based on the actual length of the period.<br><br>In general, we will pay any cash distributions we make each quarter in the following manner:<br><br>first, 98% to the holders of common units and 2% to our general partner, until each common unit has received a minimum quarterly distribution of $0.45 plus any arrearages from prior quarters; |

second, 98% to the holders of subordinated units and 2% to our general partner, until each subordinated unit has received a minimum quarterly distribution of $0.45; and

third, 98% to all unitholders, pro rata, and 2% to our general partner, until each unit has received a distribution of $0.495.

If cash distributions to our unitholders exceed $0.495 per common unit in any quarter, our general partner will receive increasing percentages, up to 50%, of the cash we distribute in excess of that amount. We refer to the amount of these distributions in excess of the 2% general partner interest as incentive distributions. Please read How We Make Cash Distributions Incentive Distribution Rights.

We must distribute all of our cash on hand at the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash, and we define its meaning in our partnership agreement, in How We Make Cash Distributions Distributions of Available Cash Definition of Available Cash and in the glossary of terms attached as Appendix B. The amount of available cash may be greater than or less than the minimum quarterly distribution to be distributed on all units.

We believe that, based on the estimates contained and the assumptions listed under the caption Our Cash Distribution Policy and Restrictions on Distributions, we will have sufficient cash from operations to enable us to pay the full minimum quarterly distribution for the four quarters ending December 31, 2006 on all common units and subordinated units. Our pro forma cash available for distribution generated during the year ended December 31, 2004 would have been sufficient to allow us to pay approximately 76.0% of the minimum quarterly distribution on the common units and none of the minimum quarterly distribution on the subordinated units. Our pro forma cash available for distribution generated during the twelve months ended September 30, 2005 would have been sufficient to allow us to pay the full minimum quarterly distribution on the common units and the subordinated units. Please read Our Cash Distribution Policy and Restrictions on Distributions.

Subordination period

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.45 per quarter, plus any arrearages from prior quarters, before any distributions may be made on the subordinated units. The subordination period

| | |
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| | will extend until the first day of any quarter beginning after December 31, 2010 that each of the following tests are met:<br><br>(1) distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded the minimum quarterly distributions on all such units for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;<br><br>(2) the adjusted operating surplus generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units, subordinated units and general partner units during those periods on a fully diluted basis; and<br><br>(3) there are no arrearages in payment of minimum quarterly distributions on the common units.<br><br>When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages. |
| Issuance of additional units | In general, during the subordination period, we may issue up to 6,533,000 additional common units without obtaining unitholder approval. We can also issue an unlimited number of common units in connection with acquisitions and capital improvements that increase cash flow from operations per unit on an estimated pro forma basis. We can also issue additional common units if the proceeds are used to repay certain of our indebtedness. Please read Units Eligible for Future Sale and The Partnership Agreement Issuance of Additional Securities. |
| Limited voting rights | Our general partner will manage and operate us. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by a vote of the holders of at least $66^{2}/3$% of the outstanding units, including any units owned by our general partner and its affiliates, voting together as a single class. Upon consummation of this offering, the owners of our general partner, certain of their affiliates and the Fehsenfeld Investors will own an aggregate of 77.5% of our common and subordinated units. This will give our general partner the practical ability to prevent its involuntary removal. Please read The Partnership Agreement Voting Rights. |
| Limited call right | If at any time our general partner and its affiliates own more than 80% of the outstanding common units, our general |

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| | partner has the right, but not the obligation, to purchase all of the remaining common units at a price not less than the then-current market price of the common units. |
| Estimated ratio of taxable income to distributions | We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2008, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be 20% or less of the cash distributed to you with respect to that period. For example, if you receive an annual distribution of $1.80 per unit, we estimate that your average allocable federal taxable income per year will be no more than $0.36 per unit. Please read Material Tax Consequences Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions. |
| Material tax consequences | For a discussion of other material federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States, please read Material Tax Consequences. |
| Trading | Our common units have been approved for quotation on the NASDAQ National Market under the symbol CLMT. |

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## Summary Historical and Pro Forma Financial and Operating Data

The following table shows summary historical financial and operating data of Calumet Lubricants Co., Limited Partnership ( Calumet Predecessor ) and pro forma financial data of Calumet Specialty Products Partners, L.P. for the periods and as of the dates indicated. The summary historical financial data as of December 31, 2003 and 2004 and September 30, 2005 and for the years ended December 31, 2002, 2003 and 2004 and the nine months ended September 30, 2004 and 2005 are derived from the consolidated financial statements of Calumet Predecessor. The summary pro forma financial data as of September 30, 2005 and for the year ended December 31, 2004 and the nine months ended September 30, 2005 are derived from the unaudited pro forma financial statements of Calumet Specialty Products Partners, L.P. The pro forma adjustments have been prepared as if the transactions listed below had taken place on September 30, 2005, in the case of the pro forma balance sheet, or as of January 1, 2004, in the case of the pro forma statement of operations for the nine months ended September 30, 2005 and for the year ended December 31, 2004. The pro forma financial data give pro forma effect to:

- the refinancing by Calumet Predecessor of its long-term debt obligations pursuant to new credit facilities it entered into in December 2005;
- the retention of certain assets and liabilities of Calumet Predecessor by the owners of Calumet Predecessor;
- the contribution of the ownership interests in Calumet Predecessor to Calumet Specialty Products Partners, L.P. in exchange for the issuance by Calumet Specialty Products Partners, L.P. to the owners of Calumet Predecessor of 5,761,015 common units, 13,066,000 subordinated units, the 2% general partner interest represented by 515,857 general partner units and the incentive distribution rights;
- the sale by Calumet Specialty Products Partners, L.P. of 6,450,000 common units in this offering;
- the payment of estimated underwriting commissions and other offering and transaction expenses; and
- the repayment by Calumet Specialty Products Partners, L.P. of a portion of indebtedness under its new credit facilities.

None of the assets or liabilities of Calumet Predecessor s Rouseville wax processing facility, Reno wax packaging facility and Bareco wax marketing joint venture, which are included in the historical financial statements, will be contributed to us upon the closing of this offering.

The following table includes the non-GAAP financial measures EBITDA and Adjusted EBITDA. For a reconciliation of EBITDA and Adjusted EBITDA to net income and cash flow from operating activities, our most directly comparable financial performance and liquidity measures calculated in accordance with GAAP, please read Non-GAAP Financial Measures.

We derived the information in the following table from, and that information should be read together with and is qualified in its entirety by reference to, the historical and pro forma combined financial statements and the accompanying notes included elsewhere in this prospectus. The table should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

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|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Nine Months Ended September 30, | | Year Ended December 31, | Nine Months Ended September 30, |
| | 2002 | 2003 | 2004 | 2004 | 2005 | 2004 | 2005 |
| | | (audited) | | (unaudited) | (audited) | (unaudited) | |
| | (Dollars in thousands, except per unit data) | | | | | | |
| **Summary of Operations Data:** | | | | | | | |
| Sales | $ 316,350 | $ 430,381 | $ 539,616 | $ 393,036 | $ 894,981 | $ 539,616 | $ 894,981 |
| Cost of sales | 268,911 | 385,890 | 501,284 | 361,820 | 799,574 | 501,284 | 799,574 |
| Gross profit | 47,439 | 44,491 | 38,332 | 31,216 | 95,407 | 38,332 | 95,407 |
| Operating costs and expenses: | | | | | | | |
| Selling, general and administrative | 9,066 | 9,432 | 13,133 | 10,286 | 11,998 | 13,133 | 11,998 |
| Transportation | 25,449 | 28,139 | 33,923 | 24,987 | 33,544 | 33,923 | 33,544 |
| Taxes other than income | 2,404 | 2,419 | 2,309 | 1,881 | 2,037 | 2,309 | 2,037 |
| Other | 1,392 | 905 | 839 | 572 | 618 | 839 | 618 |
| Restructuring, decommissioning and asset impairments(1) | | 6,694 | 317 | 187 | 2,159 | 317 | 2,159 |
| Total operating income (loss) | 9,128 | (3,098) | (12,189) | (6,697) | 45,051 | (12,189) | 45,051 |
| Other income (expense): | | | | | | | |
| Equity in income (loss) of unconsolidated affiliates | 2,442 | 867 | (427) | (427) | | (427) | |
| Interest expense | (7,435) | (9,493) | (9,869) | (6,617) | (16,771) | (6,328) | (9,918) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Realized gain (loss) on derivative instruments | 1,058 | (961) | 39,160 | 27,133 | (812) | 39,160 | (812) |
| Unrealized gain (loss) on derivative instruments | | 7,228 | (7,788) | 5,299 | (48,412) | (7,788) | (48,412) |
| Other | 88 | 32 | 83 | 75 | 127 | 83 | 127 |
| Total other income (expense) | (3,847) | (2,327) | 21,159 | 25,463 | (65,868) | 24,700 | (59,015) |
| Net income (loss) before income taxes | 5,281 | (5,425) | 8,970 | 18,766 | (20,817) | 12,511 | (13,964) |
| Pro forma income tax expense | | | | | | | 90 |
| Net income (loss) | $ 5,281 | $ (5,425) | $ 8,970 | $ 18,766 | $ (20,817) | $ 12,511 | $ (14,054) |
| Basic and diluted pro forma net income per limited partner unit: | | | | | | | |
| Common | | | | | | $ 1.80 | $ 1.35 |
| Subordinated | | | | | | $ (0.74) | $ (2.32) |
| Weighted average units: | | | | | | | |
| Common | | | | | | 12,211,015 | 12,211,015 |
| Subordinated | | | | | | 13,066,000 | 13,066,000 |
| **Balance Sheet Data (at period end):** | | | | | | | |
| Property, plant and equipment, net | $ 85,995 | $ 89,938 | $ 126,585 | | $ 127,454 | | $ 126,931 |
| Total assets | 217,915 | 216,941 | 318,206 | | 444,896 | | 442,723 |
| Accounts payable | 34,072 | 32,263 | 58,027 | | 45,695 | | 45,695 |
| Long-term debt | 141,968 | 146,853 | 214,069 | | 313,398 | | 198,644 |
| Partners capital | 30,968 | 25,544 | 34,514 | | 6,412 | | 119,151 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Cash Flow Data:** | | | | | | | |
| Net cash flow provided by (used in): | | | | | | | |
| Operating activities | $ (4,326) | $ 7,048 | $ (612) | $ 5,061 | $ (97,769) | | |
| Investing activities | (9,924) | (11,940) | (42,930) | (4,672) | (9,564) | | |
| Financing activities | 14,209 | 4,884 | 61,561 | (382) | 92,000 | | |
| **Other Financial Data:** | | | | | | | |
| EBITDA | $ 18,592 | $ 10,837 | $ 25,766 | $ 30,480 | $ 3,368 | $ 25,766 | $ 3,368 |
| Adjusted EBITDA | 16,277 | 6,110 | 34,711 | 27,940 | 57,637 | 34,711 | 57,637 |
| **Operating Data (bpd):** | | | | | | | |
| Total sales volume(2) | 19,110 | 23,616 | 24,658 | 24,982 | 45,484 | | |
| Total feedstock runs(3) | 21,665 | 25,007 | 26,205 | 26,473 | 48,876 | | |
| Total refinery production(4) | 21,587 | 25,204 | 26,297 | 26,696 | 47,216 | | |

(1) Incurred in connection with the decommissioning of the Rouseville, Pennsylvania facility, the termination of the Bareco joint venture and the closing of the Reno, Pennsylvania facility, none of which will be contributed to Calumet Specialty Products Partners, L.P.

(2) Total sales volume includes sales from the production of our refineries and sales of inventories.

(3) Feedstock runs represents the barrels per day of crude oil and other feedstocks processed at our refineries.

(4) Total refinery production represents the barrels per day of specialty products and fuel products yielded from processing crude oil and other refinery feedstocks at our refineries.

## Non-GAAP Financial Measures

We include in this prospectus the non-GAAP financial measures EBITDA and Adjusted EBITDA, and provide reconciliations of EBITDA and Adjusted EBITDA to net income and cash flow from operating activities, our most directly comparable financial performance and liquidity measures calculated and presented in accordance with GAAP.

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

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

We define EBITDA as net income plus interest expense, taxes and depreciation and amortization. We define Adjusted EBITDA to be Consolidated EBITDA as defined in our new credit facilities. Consistent with that definition, Adjusted EBITDA means, for any period: (1) net income plus (2)(a) interest expense; (b) taxes; (c) depreciation and amortization; (d) unrealized losses from mark to market accounting for hedging activities; (e) unrealized items decreasing net income (including the non-cash impact of restructuring, decommissioning and asset impairments in the periods presented); and (f) other non-recurring expenses reducing net income which do not represent a cash item for such period; minus (3)(a) tax credits; (b) unrealized items increasing net income (including the non-cash impact of restructuring, decommissioning and asset impairment in the periods presented); (c) unrealized gains from mark to market accounting for hedging activities; and (d) other non-recurring expenses and unrealized items that reduced net income for a prior period, but represent a cash item in the current period. We are required to report Adjusted EBITDA to our lenders under our new credit facilities and it is used to determine our compliance with the consolidated leverage test thereunder. We are required to maintain a consolidated leverage ratio of consolidated debt to Adjusted EBITDA, after giving effect to any proposed distributions, of no greater than 3.75 to 1 in order to make distributions to our unitholders.

EBITDA and Adjusted EBITDA should not be considered alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate EBITDA and Adjusted EBITDA in the same manner. The following tables present a reconciliation of EBITDA and Adjusted EBITDA to net income and cash flow from operating activities, our most directly comparable GAAP financial performance and liquidity measures, for each of the periods indicated:

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| | Calumet Predecessor | | | | | Calumet Specialty Products Partners, L.P. Pro Forma | |
|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Nine Months Ended September 30, | | Year Ended December 31, | Nine Months Ended September 30, |
| | 2002 | 2003 | 2004 | 2004 | 2005 | 2004 | 2005 |
| | (In thousands) | | | | | | |
| **Reconciliation of Adjusted EBITDA and EBITDA to net income:** | | | | | | | |
| Net income (loss) | $ 5,281 | $ (5,425) | $ 8,970 | $ 18,766 | $ (20,817) | $ 12,511 | $ (14,054) |
| Add: | | | | | | | |
| Interest expense | 7,435 | 9,493 | 9,869 | 6,617 | 16,771 | 6,328 | 9,918 |
| Depreciation and amortization | 5,876 | 6,769 | 6,927 | 5,097 | 7,414 | 6,927 | 7,414 |
| Income tax expense | | | | | | | 90 |
| EBITDA | $ 18,592 | $ 10,837 | $ 25,766 | $ 30,480 | $ 3,368 | $ 25,766 | $ 3,368 |
| Add: | | | | | | | |
| Unrealized losses (gains) from mark to market accounting for hedging activities | $ | $ (7,228) | $ 7,788 | $ (5,299) | $ 48,412 | $ 7,788 | $ 48,412 |
| Non-cash impact of restructuring, decommissioning and asset impairments | | 2,250 | (1,276) | (1,064) | 1,593 | (1,276) | 1,593 |
| Prepaid non-recurring expenses and accrued non-recurring expenses, net of cash outlays | (2,315) | 251 | 2,433 | 3,823 | 4,264 | 2,433 | 4,264 |
| Adjusted EBITDA | $ 16,277 | $ 6,110 | $ 34,711 | $ 27,940 | $ 57,637 | $ 34,711 | $ 57,637 |

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2004 | 2005 |
| | (In thousands) | | | | |
| **Reconciliation of Adjusted EBITDA and EBITDA to net cash provided (used) by operating activities:** | | | | | |
| Net cash provided (used) by operating activities | $ (4,326) | $ 7,048 | $ (612) | $ 5,061 | $ (97,769) |
| Add: | | | | | |
| Interest expense | 7,435 | 9,493 | 9,869 | 6,617 | 16,771 |
| Restructuring charge | | (874) | | | (1,693) |
| Provision for doubtful accounts | (16) | (12) | (216) | (135) | (195) |
| Equity in (loss) income of unconsolidated affiliates | 2,442 | 867 | (427) | (427) | |
| Dividends received from unconsolidated affiliates | (2,925) | (750) | (3,470) | (3,470) | |
| Changes in operating working capital: | | | | | |
| Accounts receivable | 1,025 | 4,670 | 19,399 | 18,681 | 65,077 |
| Inventory | 16,984 | (15,547) | 20,304 | (4,882) | 50,114 |
| Other current assets | (1,295) | 563 | 11,596 | 17,697 | 14,622 |
| Derivative activity | 3,682 | 6,265 | (5,046) | 3,686 | (51,018) |
| Accounts payable | (9,587) | 1,809 | (25,764) | (12,194) | 12,333 |
| Accrued liabilities | 2,622 | (1,379) | (1,203) | (5,227) | (6,167) |
| Other, including changes in noncurrent assets and liabilities | 2,551 | (1,316) | 1,336 | 5,073 | 1,293 |
| EBITDA | $ 18,592 | $ 10,837 | $ 25,766 | $ 30,480 | $ 3,368 |
| Add: | | | | | |
| Unrealized losses (gains) from mark to market accounting for hedging activities | $ | $ (7,228) | $ 7,788 | $ (5,299) | $ 48,412 |
| Non-cash impact of restructuring, decommissioning and asset impairments | | 2,250 | (1,276) | (1,064) | 1,593 |
| Prepaid non-recurring expenses and accrued non-recurring expenses, net of cash outlays | (2,315) | 251 | 2,433 | 3,823 | 4,264 |
| Adjusted EBITDA | $ 16,277 | $ 6,110 | $ 34,711 | $ 27,940 | $ 57,637 |

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## RISK FACTORS

*Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should consider carefully the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our common units.*

*The following risks could materially and adversely affect our business, financial condition or results of operations. In that case, we might not be able to pay the minimum quarterly distribution on our common units, the trading price of our common units could decline and you could lose all or part of your investment.*

### Risks Related to Our Business

***We may not have sufficient cash from operations to enable us to pay the minimum quarterly distribution following the establishment of cash reserves and payment of fees and expenses, including payments to our general partner.***

We may not have sufficient available cash from operations each quarter to enable us to pay the minimum quarterly distribution. Under the terms of our partnership agreement, we must pay expenses, including payments to our general partner, and set aside any cash reserve amounts before making a distribution to our unitholders. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which is primarily dependent upon our producing and selling quantities of fuels and specialty products, or refined products, at margins that are high enough to cover our fixed and variable expenses. Crude oil costs, fuels and specialty products prices and, accordingly, the cash we generate from operations, will fluctuate from quarter to quarter based on, among other things:

- overall demand for specialty hydrocarbon products, fuels and other refined products;
- the level of foreign and domestic production of crude oil and refined products;
- our ability to produce fuels and specialty products that meet our customers unique and precise specifications;
- the marketing of alternative and competing products;
- the extent of government regulation;
- results of our hedging activities; and
- overall economic and local market conditions.

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

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

For a description of additional restrictions and factors that may affect our ability to make cash distributions, please read Cash Distribution Policy and Restrictions on Distributions.

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

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

***The assumptions underlying our estimate of cash available for distribution that we include in Cash Distribution Policy and Restrictions on Distributions are inherently uncertain and are subject to significant business, economic, financial, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those estimated.***

Our estimate of cash available for distribution for the twelve months ending December 31, 2006 set forth in Cash Distribution Policy and Restrictions on Distributions is based on assumptions that are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those estimated. Furthermore, our estimate of cash available for distribution for the twelve months ending December 31, 2006 exceeds the amount of available cash we need to pay the minimum quarterly distribution for four quarters on all of our units by less than 4%. If we do not achieve the estimated results, we may not be able to pay the full minimum quarterly distribution or any amount on the common units or subordinated units, in which event the market price of the common units may decline materially.

The amount of available cash we need to pay the minimum quarterly distribution for four quarters on the common units, the subordinated units and the general partner interest to be outstanding immediately after this offering is approximately $46.4 million. Our pro forma cash available for distribution generated during the year ended December 31, 2004 would have been sufficient to allow us to pay approximately 76.0% of the minimum quarterly distribution on the common units and none of the minimum quarterly distribution on the subordinated units. For a calculation of our ability to make distributions to unitholders based on our pro forma results for 2004 and the twelve-month period ended September 30, 2005, and for an estimate of our ability to pay the full minimum quarterly distribution on the common and subordinated units and the 2% general partner interest for the twelve-month period ending December 31, 2006, please read Cash Distribution Policy and Restrictions on Distributions.

***Refining margins are volatile, and a reduction in our refining margins will adversely affect the amount of cash we will have available for distribution to our unitholders.***

Our financial results are primarily affected by the relationship, or margin, between our specialty products and fuel prices and the prices for crude oil and other feedstocks. The cost to acquire our feedstocks and the price at which we can ultimately sell our refined products depend upon numerous factors beyond our control. Historically, refining margins have been volatile, and they are likely to continue to be volatile in the future. A widely used benchmark in the fuel products industry to measure market values and margins is the 3/2/1 crack spread, which represents the approximate gross margin resulting from processing one barrel of crude oil, assuming that three barrels of a benchmark crude oil are converted, or cracked, into two barrels of gasoline and one barrel of heating oil. The 3/2/1 crack spread, as reported by Bloomberg L.P., averaged $3.04 per barrel between 1990 and 1999, $4.61 per barrel between 2000 and 2004, $6.52 per barrel in the first quarter of 2005, $9.10 per barrel in the second quarter of 2005, $17.07 per barrel in the third quarter of 2005 and $9.81 per barrel in the fourth quarter of 2005. Our actual refinery margins vary from the Gulf Coast 3/2/1 crack spread due to the actual crude oil used and products produced, transportation costs, regional differences, and the timing of the purchase of the feedstock and sale of the refined products, but we use the Gulf Coast 3/2/1 crack spread as an indicator of the volatility and general

levels of refining margins. Because refining margins are volatile, you should not assume that our current margins will be sustained. If our refining margins fall, it will adversely affect the amount of cash we will have available for distribution to our unitholders. Please read Industry Overview Fuel Products.

The price at which we sell specialty products, fuel and other refined products is strongly influenced by the commodity price of crude oil. If crude oil prices increase, our operating margins will fall unless we are able to pass along these price increases to our customers. Increases in selling prices typically lag the rising cost of crude oil for specialty products. It is possible we may not be able to pass on all or any portion of the increased crude oil costs to our customers. In addition, we will not be able to completely eliminate our commodity risk through our hedging activities.

***Because of the volatility of crude oil and refined products prices, our method of valuing our inventory may result in decreases in net income.***

The nature of our business requires us to maintain substantial quantities of crude oil and refined product inventories. Because crude oil and refined products are essentially commodities, we have no control over the changing market value of these inventories. Because our inventory is valued at the lower of cost or market value, if the market value of our inventory were to decline to an amount less than our cost, we would record a write-down of inventory and a non-cash charge to cost of sales. In a period of decreasing crude oil or refined product prices, our inventory valuation methodology may result in decreases in net income.

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

The volatility in costs of fuel, principally natural gas, and other utility services, principally electricity, used by our refinery and other operations affect our net income and cash flows. Fuel and utility prices are affected by factors outside of our control, such as supply and demand for fuel and utility services in both local and regional markets. Natural gas prices have historically been volatile. For example, daily prices as reported on the New York Mercantile Exchange ( NYMEX ) ranged between $4.57 and $8.75 per million British thermal units, or MMBtu, in 2004 and between $5.79 and $15.39 per MMBtu in 2005. Typically, electricity prices fluctuate with natural gas prices. Future increases in fuel and utility prices may have a material adverse effect on our results of operations. Fuel and utility costs constituted approximately 48.1% and 43.2% of our total operating expenses included in cost of sales for the year ended December 31, 2004 and the nine months ended September 30, 2005, respectively.

***Our hedging activities may reduce our earnings, profitability and cash flows.***

We utilize derivative financial instruments related to the future price of crude oil, natural gas and crack spreads with the intent of reducing volatility in our cash flows due to fluctuations in commodity prices. We are not able to enter into derivative financial instruments to reduce the volatility of the prices of the specialty hydrocarbon products we sell as there is no established derivative market for such products. We are exposed to fluctuations in commodity prices.

Historically, we have not designated any of our derivative instruments as hedges in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities.* According to SFAS 133, changes in the fair value of derivatives which have not been designated as hedges are to be recorded each period in earnings as reflected in unrealized gain (loss) on derivative instruments in the consolidated statements of operations. For the years ended December 31, 2003 and 2004, these unrealized gains (losses) were $7,228,000 and $(7,788,000), respectively. For the nine months ended September 30, 2004 and 2005, these unrealized gains (losses) were $5,299,000 and $(48,412,000), respectively.

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The extent of our commodity price exposure is related largely to the effectiveness and scope of our hedging activities. For example, the derivative instruments we utilize are based on posted market prices, which may differ significantly from the actual crude oil prices, natural gas prices or crack spreads that we realize in our operations. Furthermore, we have a policy to enter into derivative transactions related to only a portion of the volume of our expected production or fuel requirements and, as a result, we will continue to have direct commodity price exposure to the unhedged portion. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk. Our actual future production or fuel requirements may be significantly higher or lower than we estimate at the time we enter into derivative transactions for such period. If the actual amount is higher than we estimate, we will have greater commodity price exposure than we intended. If the actual amount is lower than the amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, resulting in a substantial diminution of our liquidity. As a result of these factors, our hedging activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows. In addition, our hedging activities are subject to the risks that a counterparty may not perform its obligation under the applicable derivative instrument, the terms of the derivative instruments are imperfect, and our hedging policies and procedures are not properly followed. It is possible that the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

***If our general financial condition deteriorates, we may be limited in our ability to issue letters of credit which may affect our ability to enter into hedging arrangements or to purchase crude oil.***

We rely on our ability to issue letters of credit to enter into hedging arrangements in an effort to reduce our exposure to adverse fluctuations in the prices of crude oil, natural gas and crack spreads. We also rely on our ability to issue letters of credit to purchase crude oil feedstocks for our refineries. If, due to our financial condition or other reasons, we are limited in our ability to issue letters of credit or we are unable to issue letters of credit at all, we may be required to post substantial amounts of cash collateral to our hedging counterparties or crude oil suppliers in order to continue these activities, which would adversely affect our liquidity and our ability to distribute cash to our unitholders.

***We depend on certain key crude oil gatherers for a significant portion of our supply of crude oil, and the loss of any of these key suppliers or a material decrease in the supply of crude oil generally available to our refineries could materially reduce our ability to make distributions to unitholders.***

We purchase crude oil from major oil companies as well as from various gatherers and marketers in Texas and North Louisiana. For the nine months ended September 30, 2005, subsidiaries of Plains All American Pipeline, L.P. and Genesis Crude Oil, L.P. supplied us with approximately 65% and 12%, respectively, of our total crude oil supplies. Each of our refineries is dependent on one or both of these suppliers and the loss of these suppliers would adversely affect our financial results to the extent we were unable to find another supplier of this substantial amount of crude oil. We do not maintain long-term contracts with most of our suppliers. Please read Business Crude Oil and Feedstock Supply.

To the extent that our suppliers reduce the volumes of crude oil that they supply us as a result of declining production or competition or otherwise, our revenues, net income and cash available for distribution would decline unless we were able to acquire comparable supplies of crude oil on comparable terms from other suppliers, which may not be possible in areas where the supplier that

reduces its volumes is the primary supplier in the area. A material decrease in crude oil production from the fields that supply our refineries, as a result of depressed commodity prices, lack of drilling activity, natural production declines or otherwise, could result in a decline in the volume of crude oil we refine. Fluctuations in crude oil prices can greatly affect production rates and investments by third parties in the development of new oil reserves. Drilling activity generally decreases as crude oil prices decrease. We have no control over the level of drilling activity in the fields that supply our refineries, the amount of reserves underlying the wells in these fields, the rate at which production from a well will decline or the production decisions of producers, which are affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, geological considerations, governmental regulation and the availability and cost of capital.

***We are dependent on certain third-party pipelines for transportation of crude oil and refined products, and if these pipelines become unavailable to us, our revenues and cash available for distribution could decline.***

Each of our refineries is interconnected to pipelines that supply most of its crude oil and ship most of its refined fuel products to customers, such as pipelines operated by subsidiaries of TEPPCO Partners, L.P. and ExxonMobil Corporation. Since we do not own or operate any of these pipelines, their continuing operation is not within our control. If any of these third-party pipelines become unavailable to transport crude oil feedstock or our refined products because of accidents, government regulation, terrorism or other events, our revenues, net income and cash available for distribution could decline.

***Distributions to unitholders could be adversely affected by a decrease in the demand for our specialty products.***

Changes in our customers products or processes may enable our customers to reduce consumption of the specialty products that we produce or make our specialty products unnecessary. Should a customer decide to use a different product due to price, performance or other considerations, we may not be able to supply a product that meets the customer s new requirements. In addition, the demand for our customers end products could decrease, which would reduce their demand for our specialty products. Our specialty product customers are primarily in the industrial goods, consumer goods and automotive goods industries and we are therefore susceptible to changing demand patterns and products in those industries. Consequently, it is important that we develop and manufacture new products to replace the sales of products that mature and decline in use. If we are unable to manage successfully the maturation of our existing specialty products and the introduction of new specialty products our revenues, net income and cash available for distribution to unitholders could be reduced.

***Distributions to unitholders could be adversely affected by a decrease in demand for fuel products in the markets we serve.***

Any sustained decrease in demand for fuel products in the markets we serve could result in a significant reduction in our cash flow, reducing our ability to make distributions to unitholders. Factors that could lead to a decrease in market demand include:

- a recession or other adverse economic condition that results in lower spending by consumers on gasoline, diesel, and travel;
- higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasoline;
- an increase in fuel economy or the increased use of alternative fuel sources;
- an increase in the market price of crude oil that lead to higher refined product prices, which may reduce demand for gasoline;

competitor actions; and

availability of raw materials.

***We could be subject to damages based on claims brought against us by our customers or lose customers as a result of the failure of our products to meet certain quality specifications.***

Our specialty products provide precise performance attributes for our customers products. If a product fails to perform in a manner consistent with the detailed quality specifications required by the customer, the customer could seek replacement of the product or damages for costs incurred as a result of the product failing to perform as guaranteed. A successful claim or series of claims against us could result in a loss of one or more customers and reduce our ability to make distributions to unitholders.

***We are subject to compliance with stringent environmental laws and regulations that may expose us to substantial costs and liabilities.***

Our crude oil and specialty hydrocarbon refining and terminal operations are subject to stringent and complex federal, state and local environmental laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations impose numerous obligations that are applicable to our operations, including the acquisition of permits to conduct regulated activities, the incurrence of significant capital expenditures to limit or prevent releases of materials from our refineries, terminal, and related facilities, and the incurrence of substantial costs and liabilities for pollution resulting both from our operations and from those of prior owners. Numerous governmental authorities, such as the EPA and state agencies, such as the Louisiana Department of Environmental Quality ( LDEQ ), have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. Failure to comply with environmental laws, regulations, permits and orders may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial obligations, and the issuance of injunctions limiting or preventing some or all of our operations.

We recently have entered into discussions on a voluntary basis with the LDEQ regarding our participation in that agency s Small Refinery and Single Site Refinery Initiative. We are only in the beginning stages of discussion with the LDEQ and, consequently, while no significant compliance and enforcement expenditures have been requested as a result of our discussions, we anticipate that we will ultimately be required to make emissions reductions or other efforts requiring capital investments and increased operating expenditures that may be material. Please read Business Environmental Matters Air.

***Our business subjects us to the inherent risk of incurring significant environmental liabilities in the operation of our refineries and related facilities.***

There is inherent risk of incurring significant environmental costs and liabilities in the operation of our refineries, terminal, and related facilities due to our handling of petroleum hydrocarbons and wastes, air emissions and water discharges related to our operations, and historical operations and waste disposal practices by prior owners. We currently own or operate properties that for many years have been used for industrial activities, including refining or terminal storage operations. Petroleum hydrocarbons or wastes have been released on or under the properties owned or operated by us. Joint and several strict liability may be incurred in connection with such releases of petroleum hydrocarbons and wastes on, under or from our properties and facilities. Private parties, including the owners of properties adjacent to our operations and facilities where our petroleum hydrocarbons or wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and

regulations or for personal injury or property damage. We may not be able to recover some or any of these costs from insurance or other sources of indemnity.

Increasingly stringent environmental laws and regulations, unanticipated remediation obligations or emissions control expenditures and claims for penalties or damages could result in substantial costs and liabilities, and our ability to make distributions to our unitholders could suffer as a result. Neither the owners of our general partner nor their affiliates will indemnify us for any environmental liabilities, including those arising from non-compliance or pollution, that may be discovered at, or arise from operations on, the assets they are contributing to us. As such, we can expect no economic assistance from any of them in the event that we are required to make expenditures to investigate or remediate any petroleum hydrocarbons, wastes, or other materials. Please read Business Environmental Matters.

***We are exposed to trade credit risk in the ordinary course of our business activities.***

We are exposed to risks of loss in the event of nonperformance by our customers and by counterparties of our forward contracts, options and swap agreements. Some of our customers and counterparties may be highly leveraged and subject to their own operating and regulatory risks. Even if our credit review and analysis mechanisms work properly, we may experience financial losses in our dealings with other parties. Any increase in the nonpayment or nonperformance by our customers and/or counterparties could reduce our ability to make distributions to our unitholders.

***Our reconfiguration and enhancement of assets may not result in revenue increases and is subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our business, operating results, cash flows and financial condition.***

One of the ways we may grow our business is through the reconfiguration and enhancement of our refinery assets. The construction of additions or modifications to our existing refineries involves numerous regulatory, environmental, political and legal uncertainties beyond our control and requires the expenditure of significant amounts of capital. If we undertake these projects, they may not be completed on schedule or at the budgeted cost, or at all. Moreover, our revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if we expand an existing refinery, the construction may occur over an extended period of time, and we will not receive any material increases in revenues until the project is completed.

***If we do not make acquisitions on economically acceptable terms, our future growth will be limited.***

Our ability to grow depends on our ability to make acquisitions that result in an increase in the cash generated from operations per unit. If we are unable to make these accretive acquisitions either because we are: (1) unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them, (2) unable to obtain financing for these acquisitions on economically acceptable terms, or (3) outbid by competitors, then our future growth and ability to increase distributions will be limited. Furthermore, any acquisition involves potential risks, including, among other things:

- performance from the acquired assets and businesses that is below the forecasts we used in evaluating the acquisition;
- a significant increase in our indebtedness and working capital requirements;
- an inability to timely and effectively integrate the operations of recently acquired businesses or assets, particularly those in new geographic areas or in new lines of business;
- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets;

- the diversion of management s attention from other business concerns; and

- customer or key employee losses at the acquired businesses.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and you will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of our funds and other resources.

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

Our refining activities are conducted at three refineries in northwest Louisiana. These refineries are our principal operating assets. Our operations are subject to significant interruption, and our cash from operations could decline, if any of our refineries experiences a major accident or fire, is damaged by severe weather or other natural disaster, or otherwise is forced to curtail its operations or shut down. These hazards could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of our related operations.

We are not fully insured against all risks incident to our business. Furthermore, we may be unable to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. Our business interruption insurance will not apply unless a business interruption exceeds 90 days. We are not insured for environmental accidents. If we were to incur a significant liability for which we were not fully insured, it could diminish our ability to make distributions to unitholders.

***Downtime for maintenance at our refineries will reduce our revenues and cash available for distribution.***

Our refineries consist of many processing units, a number of which have been in operation for a long time. One or more of the units may require additional unscheduled down time for unanticipated maintenance or repairs that are more frequent than our scheduled turnaround for each unit every one to five years. Scheduled and unscheduled maintenance reduce our revenues during the period of time that our units are not operating.

***We are subject to strict regulations at many of our facilities regarding employee safety, and failure to comply with these regulations could reduce our ability to make distributions to our unitholders.***

The workplaces associated with the refineries we operate are subject to the requirements of the federal Occupational Safety and Health Act ( OSHA ) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that we maintain information about hazardous materials used or produced in our operations and that we provide this information to employees, state and local government authorities, and local residents. Failure to comply with OSHA requirements, including general industry standards, record keeping requirements and monitoring of occupational exposure to regulated substances, could reduce our ability to make distributions to our unitholders if we are subjected to fines or significant compliance costs.

***We face substantial competition from other refining companies.***

The refining industry is highly competitive. Our competitors include large, integrated, major or independent oil companies that, because of their more diverse operations, larger refineries and

stronger capitalization, may be better positioned than we are to withstand volatile industry conditions, including shortages or excesses of crude oil or refined products or intense price competition at the wholesale level. If we are unable to compete effectively, we may lose existing customers or fail to acquire new customers. For example, if a competitor attempts to increase market share by reducing prices, our operating results and cash available for distribution to our unitholders could be reduced.

***Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.***

After giving effect to this offering and the related transactions, we estimate that our total debt as of the close of this offering will be approximately $137.0 million. Additionally, we will have a $50.0 million letter of credit facility to support crack spread hedging. Following this offering, we estimate we will continue to have the ability to incur additional debt, including the capacity to borrow up to $90.0 million under our new senior secured revolving credit facility, subject to borrowing base limitations in the credit agreement. Our significant level of indebtedness could have important consequences to us, including the following:

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

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

***Our new credit agreements contain operating and financial restrictions that may restrict our business and financing activities.***

The operating and financial restrictions and covenants in our new credit agreements and any future financing agreements could restrict our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our new credit agreements restrict our ability to:

- incur indebtedness;
- grant liens;
- make certain acquisitions and investments;
- make capital expenditures above specified amounts;
- redeem or prepay other debt or make other restricted payments;

- enter into transactions with affiliates;
- enter into a merger, consolidation or sale of assets; and
- cease our crack spread hedging program.

Our ability to comply with the covenants and restrictions contained in our new credit agreements may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or tests in our credit agreement, a significant portion of our indebtedness may become immediately due and payable, our ability to make distributions may be inhibited and our lenders commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our credit agreements are secured by substantially all of our assets, and if we are unable to repay our indebtedness under our credit agreements, the lenders could seek to foreclose on our assets.

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

Borrowings under our new credit facilities bear interest at floating rates. The rates are subject to adjustment based on fluctuations in the London Interbank Offered Rate ( LIBOR ). An increase in the interest rates associated with our floating-rate debt would increase our debt service costs and affect our results of operations and cash flow available for distribution to our unitholders. In addition, an increase in our interest expense could adversely affect our future ability to obtain financing or materially increase the cost of any additional financing.

***Our business and operations could be adversely affected by terrorist attacks.***

Since the September 11th terrorist attacks, the U.S. government has issued public warnings that indicate that energy assets might be specific targets of terrorist organizations. The continued threat of terrorism and the impact of military and other actions will likely lead to increased volatility in prices for natural gas and oil and could affect the markets for our products. These developments have subjected our operations to increased risk and, depending on their ultimate magnitude, could have a material adverse affect on our business. We do not carry any terrorism risk insurance.

***Due to our lack of asset and geographic diversification, adverse developments in our operating areas would reduce our ability to make distributions to our unitholders.***

We rely exclusively on sales generated from products processed from the refineries we own. Furthermore, almost all of our assets and operations are located in northwest Louisiana. Due to our lack of diversification in asset type and location, an adverse development in these businesses or areas, including adverse developments due to catastrophic events or weather, decreased supply of crude oil feedstocks and/or decreased demand for refined petroleum products, would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets and in diverse locations.

***We depend on key personnel for the success of our business and the loss of those persons could adversely affect our business and our ability to make distributions to our unitholders.***

The loss of the services of any member of senior management or key employee could have an adverse effect on our business and reduce our ability to make distributions to our unitholders. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or other key employees if their services were no longer available. Except with respect to Mr. Grube, neither we, our general partner nor any affiliate thereof has entered into an employment agreement with any member of our senior management team or other key personnel. Furthermore, we do not maintain any key man insurance.

***We depend on unionized labor for the operation of our refineries. Any work stoppages or labor disturbances at these facilities could disrupt our business.***

Substantially all of our operating personnel at our Princeton, Cotton Valley and Shreveport refineries are employed under collective bargaining agreements that expire in 2008, 2007 and 2007, respectively. Please read Business Employees. Any work stoppages or other labor disturbances at these facilities could have an adverse effect on our business and reduce our ability to make distributions to our unitholders. In addition, employees who are not currently represented by labor unions may seek union representation in the future, and any renegotiation of current collective bargaining agreements may result in terms that are less favorable to us.

***The operating results for our fuels segment and the asphalt we produce and sell are seasonal and generally lower in the first and fourth quarters of the year.***

Demand for gasoline and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic and road construction work. In addition, our natural gas costs tend to be higher during the winter months. As a result, our operating results for the first and fourth calendar quarters for those businesses are generally lower than those for the second and third calendar quarters of each year.

**Risks Inherent in an Investment in Us**

***The Fehsenfeld and Grube families, The Heritage Group and certain of their affiliates will own a 75.9% limited partner interest in us and will own and control our general partner, which has sole responsibility for conducting our business and managing our operations. Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to your detriment.***

Following the offering, The Heritage Group, the Fehsenfeld and Grube families, including the Fehsenfeld Investors, and certain of their affiliates will own a 75.9% limited partner interest in us. In addition, The Heritage Group and the Fehsenfeld and Grube families will own our general partner. Conflicts of interest may arise between our general partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, the general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- our general partner is allowed to take into account the interests of parties other than us, such as its affiliates, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to our unitholders;

- our general partner has limited its liability and reduced its fiduciary duties under our partnership agreement and has also restricted the remedies available to our unitholders for actions that, without the limitations, might constitute breaches of fiduciary duty. As a result of purchasing common units, unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;

- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership securities, and reserves, each of which can affect the amount of cash that is distributed to unitholders;

- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces operating surplus, or a capital expenditure for acquisitions or capital improvements, which does not.

This determination can affect the amount of cash that is distributed to our unitholders and the ability of the subordinated units to convert to common units;

our general partner has the flexibility to cause us to enter into a broad variety of derivative transactions covering different time periods, the net cash receipts from which will increase operating surplus and adjusted operating surplus, with the result that our general partner may be able to shift the recognition of operating surplus and adjusted operating surplus between periods to increase the distributions it and its affiliates receive on their subordinated units and incentive distribution rights or to accelerate the expiration of the subordination period; and

in some instances, our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate the expiration of the subordination period.

Please read Conflicts of Interest and Fiduciary Duties.

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

Pursuant to the omnibus agreement, The Heritage Group and its controlled affiliates will agree not to engage in, whether by acquisition or otherwise, the business of refining or marketing specialty lubricating oils, solvents and wax products as well as gasoline, diesel and jet fuel products in the continental United States ( restricted business ) for so long as it controls us. This restriction does not apply to certain assets and businesses which are more fully described under Certain Relationships and Related Party Transactions Omnibus Agreement.

Although Mr. Grube will be prohibited from competing with us pursuant to the terms of the employment agreement we intend to enter into with him, the owners of our general partner, other than The Heritage Group, will not be prohibited from competing with us.

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

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

permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of our partnership or amendment to our partnership agreement;

provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decision was in the best interests of our partnership;

generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us. In determining whether a transaction or resolution is fair and reasonable, our general

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partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

provides that our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that such person s conduct was criminal.

In order to become a limited partner of our partnership, a common unitholder is required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above. Please read Conflicts of Interest and Fiduciary Duties Fiduciary Duties.

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

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management s decisions regarding our business. Unitholders did not elect our general partner or its board of directors, and will have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen by the members of our general partner. Furthermore, if the unitholders were dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

***Even if unitholders are dissatisfied, they cannot remove our general partner without its consent.***

The unitholders will be unable initially to remove the general partner without its consent because the general partner and its affiliates will own sufficient units upon completion of the offering to be able to prevent its removal. The vote of the holders of at least $66^{2}/3\%$ of all outstanding units voting together as a single class is required to remove the general partner. Following the closing of this offering, the owners of our general partner, certain of their affiliates and the Fehsenfeld Investors will own 77.5% of our common and subordinated units. Also, if our general partner is removed without cause during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units and any existing arrearages on the common units will be extinguished. A removal of the general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests.

Cause is narrowly defined in our partnership agreement to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud or willful misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of our general partner during the subordination period because of the unitholders dissatisfaction with our general partner s performance in managing our partnership will most likely result in the termination of the subordination period.

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

Unitholders voting rights are further restricted by the partnership agreement provision providing that any units held by a person that owns 20% or more of any class of units then outstanding, other

than our general partner, its affiliates, their transferees, and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

***Control of our general partner may be transferred to a third party without unitholder consent.***

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

***You will experience immediate and substantial dilution of $16.88 in net tangible book value per common unit.***

The initial public offering price of $21.50 per unit exceeds our pro forma net tangible book value after the offering of $4.62 per unit. Based on the initial public offering price of $21.50 per unit, you will incur immediate and substantial dilution of $16.88 per common unit. This dilution results primarily because the assets contributed by our general partner and its affiliates are recorded at their historical cost, and not their fair value, in accordance with GAAP. Please read Dilution.

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

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

***We may issue additional common units without your approval, which would dilute your existing ownership interests.***

During the subordination period, our general partner, without the approval of our unitholders, may cause us to issue up to 6,533,000 additional common units. Our general partner may also cause us to issue an unlimited number of additional common units or other equity securities of equal rank with the common units, without unitholder approval, in a number of circumstances set forth under The Partnership Agreement Issuance of Additional Securities.

The issuance of additional common units or other equity securities of equal or senior rank to the common units will have the following effects:

- our unitholders proportionate ownership interest in us may decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;

the relative voting strength of each previously outstanding unit may be diminished;

the market price of the common units may decline; and

the ratio of taxable income to distributions may increase.

After the end of the subordination period, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. Our partnership agreement does not give our unitholders the right to approve our issuance of equity securities ranking junior to the common units at any time. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity securities, which may effectively rank senior to the common units.

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

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

***Cost reimbursements due to our general partner and its affiliates will reduce cash available for distribution to you.***

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf. Any such reimbursement will be determined by our general partner and will reduce the cash available for distribution to unitholders. These expenses will include all costs incurred by our general partner and its affiliates in managing and operating us. Please read Certain Relationships and Related Party Transactions and Conflicts of Interests and Fiduciary Duties Conflicts of Interest.

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

If at any time our general partner and its affiliates own more than 80% of the issued and outstanding common units, our general partner will have the right, but not the obligation, which right it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, you may be required to sell your common units to our general partner, its affiliates or us at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your common units. At the completion of this offering, our general partner and its affiliates will own approximately 47.2% of the common units. At the end of the subordination period, assuming no additional issuances of common units, our general partner and its affiliates will own approximately 74.5% of the common units. For additional information about this right, please read The Partnership Agreement Limited Call Right.

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

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in

some of the other states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if:

a court or government agency determined that we were conducting business in a state but had not complied with that particular state s partnership statute; or

your right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute control of our business.

For a discussion of the implications of the limitations of liability on a unitholder, please read The Partnership Agreement Limited Liability.

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

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

***There is no existing market for our common units, and a trading market that will provide you with adequate liquidity may not develop. The price of our common units may fluctuate significantly, and you could lose all or part of your investment.***

Prior to the offering, there has been no public market for the common units. After the offering, there will be only 6,450,000 publicly traded common units, assuming no exercise of the underwriters over-allotment option. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. You may not be able to resell your common units at or above the initial public offering price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units.

The initial public offering price for the common units was determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the common units that will prevail in the trading market. The market price of our common units may decline below the initial public offering price. The market price of our common units may also be influenced by many factors, some of which are beyond our control, including:

the level of our distributions and our earnings or those of other companies in our industry;

announcements by us or our competitors of significant contracts, acquisitions or other business developments;

changes in accounting standards, policies, guidance, interpretations or principles;

general economic conditions;

the failure of securities analysts to cover our common units after this offering or changes in financial estimates by analysts; and

the other factors described in these Risk Factors.

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***We will incur increased costs as a result of being a public company.***

We have no history operating as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. For example, as a result of becoming a public company, we are required to have three independent directors, create additional board committees and adopt policies regarding internal controls and disclosure controls and procedures, including the preparation of reports on internal controls over financial reporting. In addition, we will incur additional costs associated with our public company reporting requirements. We also expect these rules and regulations to make it more difficult and more expensive for our general partner to obtain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for our general partner to attract and retain qualified persons to serve on its board of directors or as executive officers. We have included $4.5 million of estimated incremental costs per year associated with being a public company; however, our actual incremental costs of being a public company may be higher than we currently estimate.

**Tax Risks to Common Unitholders**

In addition to reading the following risk factors, you should read Material Tax Consequences for a more complete discussion of the expected material federal income tax consequences of owning and disposing of common units.

***Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to entity-level taxation by individual states. If the Internal Revenue Service, or IRS, treats us as a corporation or we become subject to entity-level taxation for state tax purposes, it would substantially reduce the amount of cash available for distribution to you.***

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other tax matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our income at the corporate tax rate, which is currently a maximum of 35% and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, our treatment as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

Current law may change so as to cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. In addition, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. If any of these states were to impose a tax on us, the cash available for distribution to you would be reduced. The partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution levels will be adjusted to reflect the impact of that law on us.

***A successful IRS contest of the federal income tax positions we take may adversely affect the market for our common units, and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.***

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel expressed in this prospectus or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel s conclusions or the positions we take. A court may not agree with all of our counsel s conclusions or positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

***You may be required to pay taxes on income from us even if you do not receive any cash distributions from us.***

Because our unitholders will be treated as partners to whom we will allocate taxable income which could be different in amount than the cash we distribute, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income even if you receive no cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the tax liability that results from that income.

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

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Prior distributions to you in excess of the total net taxable income you were allocated for a common unit, which decreased your tax basis in that common unit, will, in effect, become taxable income to you if the common unit is sold at a price greater than your tax basis in that common unit, even if the price is less than your original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income. In addition, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

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

Investment in common units by tax-exempt entities, such as individual retirement accounts ( IRAs ), other retirement plans, and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file United States federal tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity you should consult your tax advisor before investing in our common units.

***We will treat each purchaser of our common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.***

Because we cannot match transferors and transferees of common units and because of other reasons, we will take depreciation and amortization positions that may not conform to all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the

amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns. For a further discussion of the effect of the depreciation and amortization positions we will adopt, please read Material Tax Consequences Uniformity of Units.

***Unitholders may be subject to state and local taxes and return filing requirements.***

In addition to federal income taxes, you will likely be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property, even if you do not live in any of those jurisdictions. You will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, you may be subject to penalties for failure to comply with those requirements. We will initially own assets and do business in Arkansas, California, Connecticut, Florida, Georgia, Indiana, Illinois, Kentucky, Louisiana, Massachusetts, Mississippi, Missouri, New Jersey, New York, Ohio, South Carolina, Pennsylvania, Texas, Utah and Virginia. Each of these states, other than Texas and Florida, currently imposes a personal income tax as well as an income tax on corporations and other entities. As we make acquisitions or expand our business, we may own assets or do business in additional states that impose a personal income tax. It is your responsibility to file all United States federal, foreign, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in the common units.

***We have a subsidiary that will be treated as a corporation for federal income tax purposes and subject to corporate-level income taxes.***

We will conduct all or a portion of our operations in which we market finished petroleum products to certain end-users through a subsidiary that is organized as a corporation. We may elect to conduct additional operations through this corporate subsidiary in the future. This corporate subsidiary will be subject to corporate-level tax, which will reduce the cash available for distribution to us and, in turn, to you. If the IRS were to successfully assert that this corporation has more tax liability than we anticipate or legislation was enacted that increased the corporate tax rate, our cash available for distribution to you would be further reduced.

***The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.***

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. If this occurs, you will be allocated an increased amount of federal taxable income for the year in which we are considered to be terminated as a percentage of the cash distributed to you with respect to that period. Please read Material Tax Consequences Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions.

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## USE OF PROCEEDS

We expect to receive net proceeds of approximately $127.0 million from the sale of 6,450,000 common units offered by this prospectus, after deducting underwriting discounts, commissions and structuring and advisory fees, but before deducting estimated offering and related formation transaction expenses of approximately $4.0 million. Our estimates assume no exercise of the underwriters over-allotment option. The underwriters will not receive any discount or commission on 750,100 common units offered to the Fehsenfeld Investors, which will be sold directly by us at a price per unit of $19.995. The following table illustrates the estimated sources and uses of funds from this offering (in millions):

**Sources:**

| | | |
|---|---|---|
| 6,450,000 common units offered hereby (net of underwriting discounts) | $ | 127.0 |
| Total sources of funds | $ | 127.0 |

**Uses:**

| | | |
|---|---|---|
| Repay indebtedness under our first lien term loan facility(1)(2) | $ | 108.0 |
| Repay indebtedness under our secured revolving credit facility(1)(2) | $ | 15.0 |
| Pay transaction fees and expenses | | 4.0 |
| Total uses of funds | $ | 127.0 |

(1) We entered into our new credit facilities in December 2005 and simultaneously drew down revolving and term loans thereunder, the proceeds of which were used to repay all of our then outstanding indebtedness. Our new credit facilities, which mature in 2010 and 2012, provide for a secured revolving credit facility of up to $225.0 million, a $175.0 million first lien term loan facility and a $50.0 million letter of credit facility to support crack spread hedging. Borrowings under our revolving and term loan facilities bear interest at a variable rate based upon LIBOR or prime rate, at our option, and borrowings under our letter of credit facility to support crack spread hedging bear interest at 3.5%. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt and Credit Facilities.

(2) After applying the net proceeds from this offering, we expect to have $137.0 million of outstanding indebtedness, consisting of $67.0 million outstanding under our first lien term loan facility and $70.0 million under our secured revolving credit facility. Additionally, we will have a $50.0 million letter of credit facility to support crack spread hedging. We anticipate we will be able to borrow up to approximately $90.0 million in additional funds under our secured revolving credit facility, based upon its anticipated $200.0 million borrowing base and our anticipated $40.0 million in outstanding letters of credit (other than those pursuant to our $50.0 million letter of credit facility to support crack spread hedging).

If the underwriters over-allotment option is exercised, we will use the additional net proceeds to repay additional borrowings under our term loan facility.

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## CAPITALIZATION

The following table shows:

- our historical cash and capitalization as of September 30, 2005; and
- our pro forma cash and capitalization as of September 30, 2005 reflects (1) the borrowings under our new credit facilities which closed in December 2005 to refinance all of our then outstanding indebtedness and (2) the offering of the common units and related formation transactions and the application of the net proceeds from the offering as described under Use of Proceeds.

We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, the historical and pro forma consolidated financial statements and the accompanying notes included elsewhere in this prospectus. You should also read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations.

| | As of September 30, 2005 | |
|---|---|---|
| | Historical | Pro Forma |
| | (In thousands) | |
| Cash | $ 2,754 | $ 2,754 |
| Long term debt, including current portion(1): | | |
| Debt due affiliates | 181,815 | |
| Other revolving credit loans | 91,583 | 131,644 |
| Other term loans | 40,000 | 67,000 |
| Total debt | 313,398 | 198,644(2) |
| Partners equity: | | |
| Partners capital | 6,412 | |
| Held by public: | | |
| Common units | | 122,968 |
| Held by the general partner and its affiliates: | | |
| Common units | | (1,137) |
| Subordinated units | | (2,578) |
| General partner units | | (102) |
| Total partners equity | 6,412 | 119,151 |
| Total capitalization | $ 319,810 | $ 317,795 |

(1) On December 9, 2005, we refinanced all of our existing indebtedness by entering into a $225.0 million senior secured revolving credit facility due December 2010 and a $225.0 million senior secured first lien credit facility consisting of a $175.0 million term loan facility, which requires quarterly principal payments and matures in December 2012, and a $50.0 million letter of credit facility to support crack spread hedging, which expires in November 2012. The pro forma amounts above reflect the refinancing along with the additional borrowing necessary to pay $8.2 million of costs incurred associated with the refinancing. Further, the pro forma amounts presented above reflect our intent to use the net proceeds of the offering to repay $108.0 million of borrowings

under the term loan facility and $15.0 million of borrowings under the revolving credit facility.

(2) The pro forma total debt amount of $198.6 million set forth above does not reflect our anticipated repayment of approximately $61.6 million of indebtedness under our credit facilities subsequent to September 30, 2005 and prior to the completion of this offering. This repayment is primarily a result of (a) an improvement in the mark-to-market positions of our outstanding crack spread hedges subsequent to September 30, 2005 and our utilization of the $50.0 million letter of credit facility to support our crack spread hedging, both of which reduced borrowings needed to provide credit support to our crack spread hedging counterparties in the form of cash collateral; (b) cash generated from our operating results subsequent to September 30, 2005; and (c) the impact of fluctuations in the funding of our working capital requirements. Following the completion of this offering, we anticipate that we will have $137.0 million of outstanding indebtedness in addition to our $50.0 million letter of credit facility to support crack spread hedging.

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## DILUTION

Dilution is the amount by which the offering price paid by the purchasers of common units sold in this offering will exceed the pro forma net tangible book value per unit after the offering. Based on the initial public offering price of $21.50 per common unit, on a pro forma basis as of September 30, 2005, after giving effect to the offering of common units and the application of the related net proceeds, our net tangible book value was $119.2 million, or $4.62 per common unit. Purchasers of common units in this offering will experience substantial and immediate dilution in net tangible book value per common unit for financial accounting purposes, as illustrated in the following table:

| | | |
|---|---|---|
| Initial public offering price per common unit | | $ 21.50 |
| Pro forma net tangible book value per common unit before the offering(1) | $ (0.20) | |
| Increase in net tangible book value per common unit attributable to purchasers in the offering | 4.82 | |
| Less: Pro forma net tangible book value per common unit after the offering(2) | | 4.62 |
| Immediate dilution in tangible net book value per common unit to new investors | | $ 16.88 |

(1) Determined by dividing the number of units (5,761,015 common units, 13,066,000 subordinated units and the 2% general partner interest represented by 515,857 general partner units) to be issued to the general partner and its affiliates for their contribution of assets and liabilities to us into the net tangible book value of the contributed assets and liabilities.

(2) Determined by dividing the total number of units to be outstanding after the offering (12,211,015 common units, 13,066,000 subordinated units and the 2% general partner interest represented by 515,857 general partner units) into our pro forma net tangible book value, after giving effect to the application of the expected net proceeds of the offering.

The following table sets forth the number of units that we will issue and the total consideration contributed to us by our general partner, its affiliates and by the purchasers of common units in this offering upon consummation of the transactions contemplated by this prospectus:

| | Units Acquired | | Total Consideration | |
|---|---|---|---|---|
| | Number | Percent | Amount | Percent |
| General partner and affiliates(1) | 19,342,872 | 75.0% | $ (3,817,000) | (3.2)% |
| New investors(2) | 6,450,000 | 25.0% | 122,968,000 | 103.2% |
| Total | 25,792,872 | 100.0% | $ 119,151,000 | 100.0% |

(1) The units acquired by our general partner and its affiliates, excluding the 750,100 common units offered to the Fehsenfeld Investors, consist of 5,761,015 common units and 13,066,000 subordinated units and the 2% general

partner interest represented by 515,857 general partner units.

(2) Includes 750,100 common units offered to the Fehsenfeld Investors.

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## OUR CASH DISTRIBUTION POLICY AND RESTRICTIONS ON DISTRIBUTIONS

*You should read the following discussion of our cash distribution policy in conjunction with the specific assumptions upon which our cash distribution policy is based. Please read Assumptions and Considerations below. For additional information regarding our historical and pro forma operating results, you should refer to our audited historical financial statements for the years ended December 31, 2002, 2003 and 2004 and the nine months ended September 30, 2005, our unaudited historical financial statements for the nine months ended September 30, 2004 and our unaudited pro forma condensed consolidated financial statements for the year ended December 31, 2004 and nine months ended September 30, 2005 included elsewhere in this prospectus.*

### General

***Rationale for Our Cash Distribution Policy.*** Our cash distribution policy reflects a basic judgment that our unitholders will be better served by our distributing our available cash rather than retaining it. Because we are not subject to a partnership-level federal income tax, we have more cash to distribute to you than would be the case were we subject to partnership level federal income tax. Our cash distribution policy is consistent with the terms of our partnership agreement, which requires that we distribute available cash to our unitholders quarterly. Our determination of available cash takes into account the need to maintain certain cash reserves to preserve our distribution levels across seasonal and cyclical fluctuations in our business. We will distribute to the holders of common units and subordinated units on a quarterly basis at least the minimum quarterly distribution of $0.45 per unit, or $1.80 per year, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner. During the subordination period, the common units have a priority over the subordinated units for the minimum quarterly distribution and, during the subordination period, the common units carry arrearage rights, which are similar to cumulative rights on preferred stock. If the minimum quarterly distribution is not paid, we must pay all arrearages in addition to the current minimum quarterly distribution before distributions are made on the subordinated units or the incentive distribution rights. We are a newly formed limited partnership and have not historically paid any cash distributions. For a more detailed discussion, please read How We Make Cash Distributions.

***Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy.*** There is no guarantee that unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

Our distribution policy will be subject to restrictions on distributions under our new credit facilities. Specifically, our new credit facilities contain consolidated leverage and available liquidity tests that we must satisfy in order to make distributions to unitholders. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt and Credit Facilities. Should we be unable to satisfy these restrictions under our new credit facilities, we would be prohibited from making cash distributions to you notwithstanding our stated cash distribution policy.

Our board of directors will have the authority to establish reserves for the prudent conduct of our business or for future distributions to unitholders, and the establishment of those reserves could result in a reduction in cash distributions to you from levels we currently anticipate pursuant to our stated distribution policy.

Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.

Under Section 17-607 of the Delaware Act, we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets.

We may lack sufficient cash to pay distributions to our unitholders due to a number of factors, including increases in our general and administrative expense, principal and interest payments on our outstanding debt, tax expenses, working capital requirements, anticipated cash needs and seasonality. Please read Risk Factors for a discussion of these factors.

While our partnership agreement requires us to distribute our available cash, our partnership agreement may be amended. During the subordination period, with certain exceptions, our partnership agreement may not be amended without approval of the nonaffiliated common unitholders, but our partnership agreement can be amended with the approval of a majority of our outstanding common units after the subordination period has ended. At the closing of this offering, owners of our general partner, certain of their affiliates and the Fehsenfeld Investors will own approximately 77.5% of our outstanding common units and subordinated units.

***Our Cash Distribution Policy May Limit Our Ability to Grow.*** Because we intend to distribute the majority of the cash generated from our business to our unitholders, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

***Our Ability to Grow is Dependent on Our Ability to Access External Expansion Capital.*** We will distribute our available cash from operations to our unitholders. As a result, we expect that we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and major expansion capital expenditures. As a result, to the extent we are unable to finance growth externally, our cash distribution policy will significantly impair our ability to grow. In addition, to the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payments of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level, which in turn may reduce the available cash that we have to distribute on each unit. We are able to issue additional units without the approval of our unitholders in a number of circumstances. Please read The Partnership Agreement Issuance of Additional Securities. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which in turn may reduce the available cash that we have to distribute to our unitholders.

**Our Initial Distribution Rate**

Upon completion of this offering, the board of directors of our general partner will adopt a policy pursuant to which we will declare an initial quarterly distribution of $0.45 per unit per complete quarter, or $1.80 per unit per year, to be paid no later than 45 days after the end of the fiscal quarter through the quarter ending December 31, 2006. This equates to an aggregate cash distribution of $11.6 million per quarter or $46.4 million per year, in each case based on the number of common units, subordinated units and general partner units outstanding immediately after completion of this offering. Our ability to make cash distributions at the initial distribution rate pursuant to this policy will be subject to the factors described above under the caption Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy.

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The table below sets forth the assumed number of outstanding common units, subordinated units and general partner units upon the closing of this offering and the aggregate distribution amounts payable on such units during the year following the closing of this offering at our initial distribution rate of $0.45 per common unit per quarter ($1.80 per common unit on an annualized basis).

| | Number of Units | Distributions One Quarter | Distributions Four Quarters |
|---|---|---|---|
| Publicly held common units | 5,699,900 | $ 2,564,955 | $ 10,259,820 |
| Common units held by affiliates of our general partner and the Fehsenfeld Investors | 6,511,115 | 2,930,002 | 11,720,007 |
| Subordinated units held by affiliates of our general partner | 13,066,000 | 5,879,700 | 23,518,800 |
| General partner units held by our general partner | 515,857 | 232,136 | 928,543 |
| Total | 25,792,872 | $ 11,606,793 | $ 46,427,170 |

We do not have a legal obligation to pay distributions at our initial distribution rate or at any other rate except as provided in our partnership agreement. Our partnership agreement requires that we distribute our available cash quarterly. Under our partnership agreement, available cash is defined to generally mean, for each fiscal quarter, cash generated from our business in excess of expenses and the amount of reserves our general partner determines is necessary or appropriate to provide for the conduct of our business, comply with applicable law, any of our debt instruments or other agreements or provide for future distributions to our unitholders for any one or more of the upcoming four quarters. Please read How We Make Distributions Distributions of Available Cash.

If distributions on our common units are not paid with respect to any fiscal quarter at the anticipated initial distribution rate, our unitholders will not be entitled to receive such payments in the future; provided, however, the holders of common units will be entitled to a preference over holders of subordinated units with respect to cash distributions at our initial distribution rate, which preference will allow holders of common units to receive deficiencies in payments of cash distributions at our initial distribution rate in subsequent quarters to the extent we have available cash to pay these deficiencies related to prior quarters, before any cash distribution is made to holders of subordinated units. Please read How We Make Distributions Subordination Period.

Our distribution policy is consistent with the terms of our partnership agreement, which requires that we distribute all of our available cash quarterly. Under our partnership agreement, available cash is defined to generally mean, for each fiscal quarter, cash generated from our business in excess of the amount of reserves our general partner determines is necessary or appropriate to provide for the conduct of our business, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our unitholders for any one or more of the upcoming four quarters. Our partnership agreement provides that any determination made by our general partner in its capacity as our general partner must be made in good faith and that any such determination will not be subject to any other standard imposed by our partnership agreement, the Delaware limited partnership statute or any other law, rule or regulation or at equity. Holders of our common units may pursue judicial action to enforce provisions of our partnership agreement, including these related to requirements to make cash distributions as described above; however, our partnership agreement provides that our general partner is entitled to make

the determinations described above without regard to any standard other than the requirement to act in good faith. Our partnership agreement provides that, in order for a determination by our general partner to be made in good faith, our general partner must believe that the determination is in our best interests.

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Our cash distribution policy, as expressed in our partnership agreement, may not be modified or repealed without amending our partnership agreement; however, the actual amount of our cash distributions for any quarter is subject to fluctuations based on the amount of cash we generate from our business and the amount of reserves our general partner establishes in accordance with our partnership agreement as described above. During the subordination period, with certain exceptions, our partnership agreement may not be amended without approval of the nonaffiliated common unitholders, but our partnership agreement can be amended with the approval of a majority of our outstanding common units after the subordination period has ended.

As of the date of this offering, our general partner will be entitled to 2% of all distributions that we make prior to our liquidation. The general partner s initial 2% interest in these distributions may be reduced if we issue additional units in the future and our general partner does not elect to contribute a proportionate amount of capital to us to maintain its initial 2% general partner interest.

We will pay our distributions on or about the 15th of each February, May, August and November to holders of record on or about the 1st of each of such month. If the distribution date does not fall on a business day, we will make the distribution on the business day immediately preceding the indicated distribution date. We will adjust the quarterly distribution for the period from the closing of this offering through March 31, 2006 based on the actual length of the period.

In the sections that follow, we present in detail the basis for our belief that we will have sufficient available cash from operating surplus to pay the minimum quarterly distribution on all of our outstanding common and subordinated units for each quarter through December 31, 2006. In those sections, we present two tables, consisting of:

Unaudited Pro Forma Cash Available for Distribution, in which we present the amount of cash we would have had available for distribution for our fiscal year ended December 31, 2004 and the twelve months ended September 30, 2005, based on our pro forma financial statements.

Estimated Cash Available for Distribution, in which we present how we calculate the estimated minimum EBITDA necessary for us to have sufficient cash available for distribution to pay the full minimum quarterly distribution on all the outstanding units for each quarter through December 31, 2006. In Assumptions and Considerations below, we also present our assumptions underlying our belief that we will generate sufficient EBITDA to pay the minimum quarterly distribution on all units for each quarter through December 31, 2006.

**Pro Forma Cash Available for Distribution for Year Ended December 31, 2004 and Twelve Months Ended September 30, 2005**

If we had completed the transactions contemplated in this prospectus on January 1, 2004, pro forma available cash generated during the year ended December 31, 2004 would have been approximately $17.1 million. This amount would have been sufficient to pay approximately 76.0% of the minimum quarterly distribution on the common units and none of the minimum quarterly distribution on the subordinated units in 2004. We would not have borrowed in order to make up this shortfall, and to the extent our pro forma available cash was insufficient to pay the minimum quarterly distribution on our common or subordinated units, such amount would not have been paid. If we had completed the transactions contemplated in this prospectus on October 1, 2004, our pro forma available cash for the twelve months ended September 30, 2005 would have been approximately $53.8 million. This amount would have been sufficient to pay the full minimum quarterly distribution on the common units and the subordinated units for the twelve-month period ended September 30, 2005.

Pro forma cash available for distribution includes incremental general and administrative expenses we will incur as a result of being a publicly traded limited partnership, such as costs associated with annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation

and distribution, investor relations, registrar and transfer agent fees, director compensation and incremental insurance costs, including director and officer liability and business interruption insurance. We expect these incremental general and administrative expenses initially to total approximately $4.5 million per year. The estimated incremental general and administrative expenses are not reflected in our pro forma financial statements.

The pro forma financial statements, upon which pro forma cash available for distribution is based, do not purport to present our results of operations had the transactions contemplated in this prospectus actually been completed as of the dates indicated. Furthermore, cash available for distribution is a cash accounting concept, while our pro forma financial statements have been prepared on an accrual basis. We derived the amounts of pro forma cash available for distribution shown above in the manner described in the table below. As a result, the amount of pro forma cash available for distribution should only be viewed as a general indication of the amount of cash available for distribution that we might have generated had we been formed in earlier periods.

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The following table illustrates, on a pro forma basis, for the year ended December 31, 2004 and for the twelve months ended September 30, 2005, the amount of available cash that would have been available for distributions to our unitholders, assuming in each case that the offering had been consummated at the beginning of such period. Each of the pro forma adjustments presented below is explained in the footnotes to such adjustments.

**Calumet Specialty Products Partners, L.P.**
**Unaudited Pro Forma Cash Available for Distribution**

| | Year Ended December 31, 2004 | Twelve Months Ended September 30, 2005 |
|---|---|---|
| | (In thousands, except per unit amounts) | |
| **Pro forma net income (loss)** | $ 12,511 | $ (22,769) |
| Add: | | |
| Pro forma interest expense(a) | 6,328 | 11,946 |
| Pro forma income tax expense(b) | | 90 |
| Depreciation and amortization | 6,927 | 9,244 |
| EBITDA(c) | 25,766 | (1,489) |
| Add: | | |
| Unrealized (gain)/loss on derivative instruments(d) | 7,788 | 61,499 |
| Realized (gain)/loss on derivative instruments(d) | (39,160) | (11,215) |
| Net cash receipts from derivative instruments(e) | 32,999 | 24,905 |
| Provision for doubtful accounts(f) | 216 | 276 |
| Loss on disposal of property and equipment(g) | 59 | (15) |
| Restructuring charge(h) | | 1,693 |
| Dividends received from unconsolidated affiliates(i) | 3,470 | |
| Equity in loss of unconsolidated affiliates(j) | 427 | |
| Other(k) | 332 | 332 |
| Less: | | |
| Estimated incremental general and administrative expenses(l) | 4,500 | 4,500 |
| Replacement and environmental capital expenditures(m) | 4,000 | 5,647 |
| Pro forma interest expense(a) | 6,328 | 11,946 |
| Pro forma income tax expense(b) | | 90 |
| Pro forma cash available for distribution | $ 17,069 | $ 53,803 |
| Expected distributions per unit | $ 1.80 | $ 1.80 |
| Distributions to: | | |
| Common units | $ 21,980 | $ 21,980 |
| Subordinated units | 23,519 | 23,519 |
| General partner units | 929 | 929 |
| Total | $ 46,428 | $ 46,428 |

| | | | | |
|---|---|---|---|---|
| Surplus/(Shortfall) | $ | (29,359) | $ | 7,375 |
| Consolidated leverage ratio(n) | | 2.86x | | 3.08x |
| Available liquidity(o) | $ | 57,586 | $ | 65,033 |

(a) Reflects the interest expense and fees related to our borrowings after giving effect to the refinancing of our long-term debt obligations pursuant to new credit facilities that we entered into in December 2005 and the repayment of a portion of those borrowings with the net proceeds of this offering.

(b) Reflects the income tax expense of Calumet Sales Company Incorporated, a corporate subsidiary of our operating company, Calumet Operating, LLC.

(c) EBITDA is defined as net income plus interest expense, taxes, depreciation and amortization.

(d) Reflects the (gain)/loss on derivative instruments recognized in net income. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Derivatives and Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk for a discussion of our use of derivative instruments.

(e) Reflects the net cash proceeds received in settlement of our derivative instruments. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Derivatives and Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk for a discussion of our use of derivative instruments.

(f) Reflects non-cash expenses recognized in net income related to doubtful accounts.

(g) Reflects non-cash loss recognized in net income related to the disposal of equipment.

(h) Reflects a non-cash impairment charge recognized in net income to write-down the carrying value of the long-lived assets at Calumet Predecessor s Reno wax packaging facility to estimated fair value.

(i) Reflects cash dividends received by us from our unconsolidated affiliates and not recognized in net income.

(j) Reflects non-cash loss recognized in net income related to our equity investment in unconsolidated affiliates.

(k) Reflects other non-cash expenses reflected in net income.

(l) Reflects an adjustment for estimated incremental general and administrative expenses we will incur as a result of being a publicly traded limited partnership, such as costs associated with annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, investor relations, registrar and transfer agent fees, director compensation and incremental insurance costs, including director and officer liability and business interruption insurance.

(m) Reflects actual capital expenditures for the replacement of worn out or obsolete equipment and for property additions to comply with environmental and operations regulations.

(n) On December 9, 2005, we repaid all of our existing indebtedness and entered into new credit agreements with syndicates of financial institutions for credit facilities that consist of:

a five-year $225.0 million senior secured revolving credit facility; and

a seven-year $225.0 million senior secured first lien credit facility consisting of a $175.0 million term loan facility and a $50.0 million letter of credit facility to support crack spread hedging.

The term loan and letter of credit facilities were fully drawn at the closing of the refinancing. We borrowed $75.3 million under the secured revolving credit facility at the closing of the refinancing. Following the application of the net proceeds from this offering, we anticipate we will be able to borrow up to approximately $90.0 million in additional funds under our secured revolving credit facility, based upon its anticipated $200.0 million borrowing base and our

anticipated approximately $40.0 million in outstanding letters of credit (other than those pursuant to our $50.0 million letter of credit facility to support crack spread hedging).

The Consolidated Leverage Ratio is defined under our new credit agreements to mean the ratio of our consolidated debt (as defined in the credit agreements) as of the last day of any fiscal quarter to our Adjusted EBITDA for the four fiscal quarter period ending on such date. Our credit facilities permit us to make distributions to our unitholders as long as we are not in default or would not be in default following the distribution. Under the credit facilities, we are obligated to comply with certain financial covenants, including one requiring us to maintain a Consolidated Leverage Ratio of no more than 3.75 to 1 (as of the end of each fiscal quarter and after giving effect to a proposed distribution).

We would have been in compliance with this covenant for the year ended December 31, 2004 and the twelve months ended September 30, 2005 had our new credit facilities been in effect at each of those dates.

(o) Available liquidity is a measure used under our new credit agreements to mean the sum of the cash, cash equivalents and borrowing capacity under our senior secured revolving credit facility that we have as of a given date. Our credit facilities permit us to make distributions to our unitholders as long as we are not in default or would not be in default following the distribution. Under the credit facilities, we are obligated to comply with certain financial covenants, including one requiring us to maintain available liquidity of at least $30.0 million (after giving effect to the distribution).

We would have been in compliance with this covenant for the year ended December 31, 2004 and the twelve months ended September 30, 2005 had our new credit facilities been in effect at each of those dates. In calculating available liquidity, we assumed that our revolving credit facility would have a borrowing base capacity of $109.3 million as of December 31, 2004 and $225.0 million as of September 30, 2005 and that all of our letters of credit relating to hedging activities would have been issued pursuant to our letter of credit facility to support crack spread hedging.

Available liquidity is different from our pro forma cash available for distribution and our estimated cash available for distribution and is included solely to describe a financial covenant with which we must comply in order to make distributions to our unitholders.

**Estimated Cash Available for Distribution**

***As a result of the factors described in this Estimated Cash Available for Distribution and Assumptions and Considerations below, we believe we will be able to pay the minimum quarterly distribution on all our common units, subordinated units and general partner units for each quarter in the twelve months ending December 31, 2006.***

In order to pay the minimum quarterly distribution on all our common units and subordinated units of $0.45 per unit per complete quarter, we estimate that our EBITDA for the twelve months ending December 31, 2006 must be at least $66.8 million. EBITDA should not be considered an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance calculated in accordance with GAAP, as those items are used to measure operating performance, liquidity or ability to service debt obligations.

We have also determined that if our EBITDA for such period is at or above our estimate, we would be permitted to make the minimum quarterly distributions on all the common units and subordinated units under the restricted payments covenants in our new credit agreement.

We believe we will generate estimated EBITDA of $68.5 million for the twelve months ending December 31, 2006. You should read Assumptions and Considerations below for a discussion of the material assumptions underlying this belief, which reflect our judgment of conditions we expect to exist and the course of action we expect to take. If our estimate is not achieved, we may not be

able to pay the minimum quarterly distribution on all our units. We can give you no assurance that our assumptions will be realized or that we will generate the $66.8 million in EBITDA required to pay the minimum quarterly distribution on all our common and subordinated units. There will likely be differences between our estimates and the actual results we will achieve and those differences could be material. If we do not generate the estimated minimum EBITDA or if our replacement and environmental capital expenditures, interest expense or income tax expense are higher than estimated, we may not be able to pay the minimum quarterly distribution on all units.

When considering our ability to generate the estimated EBITDA of $68.5 million, you should keep in mind the risk factors and other cautionary statements under the heading Risk Factors and elsewhere in this prospectus. Any of these factors or the other risks discussed in this prospectus could cause our results of operations and cash available for distribution to our unitholders to vary significantly from those set forth below.

The following table shows how we calculate the estimated EBITDA necessary to pay the minimum quarterly distribution on all our common units, subordinated units and general partner units through December 31, 2006. Our estimated EBITDA is based on our estimates of consolidated sales and expenses from all of our operating subsidiaries for the twelve months ending December 31, 2006. The assumptions that we have made that we believe are relevant to particular line items in the table below are explained in the corresponding footnotes set forth in Assumptions and Considerations beginning on page 46.

**Calumet Specialty Products Partners, L.P.**
**Estimated Cash Available for Distribution**

| | Twelve Months Ending December 31, 2006 (In thousands) |
|---|---|
| Sales | |
| Specialty products(c)(d)(e) | $ 912,233 |
| Fuel products(c)(e) | 691,302 |
| Total sales | 1,603,535 |
| Cost of sales | |
| Specialty products(a)(b)(c)(f) | 827,205 |
| Fuel products(a)(b)(c)(f) | 634,089 |
| Total cost of sales | 1,461,294 |
| Gross profit | |
| Specialty products | 85,028 |
| Fuel products | 57,213 |
| Total gross profit(g) | 142,241 |
| Operating costs and expenses | |
| Selling, general and administrative(h) | 17,988 |
| Transportation(i) | 52,357 |
| Taxes other than income | 2,800 |
| Total operating costs and expenses | 73,145 |
| Operating profit | 69,096 |
| Realized gain (loss) on derivatives instruments(k) | (12,128) |

| | | |
|---|---|---|
| Depreciation and amortization(l) | | 11,535 |
| Estimated EBITDA | $ | 68,502 |

| | Assuming No Exercise of the Underwriters Over-allotment Option | Assuming Full Exercise of the Underwriters Over-allotment Option(1) |
|---|---|---|
| Less: | | |
| Replacement and environmental capital expenditures(n) | $ 7,200 | $ 7,200 |
| Interest expense and debt amortization(j)* | 12,842 | 11,395 |
| Income tax expense(m)* | 320 | 320 |
| Estimated cash available for distribution | $ 48,140 | $ 49,587 |
| Per unit minimum annual distribution | $ 1.80 | $ 1.80 |
| Distributions to: | | |
| Publicly held common units** | $ 10,260 | $ 11,799 |
| Common units held by affiliates of our general partner and the Fehsenfeld Investors** | 11,720 | 11,720 |
| Subordinated units held by affiliates of our general partner** | 23,519 | 23,519 |
| General partner units held by our general partner** | 928 | 960 |
| Total minimum annual cash distribution(o)(p)(q)(r) | $ 46,427 | $ 47,998 |
| Consolidated leverage ratio*** | 2.32x | 2.07x |
| Available liquidity**** | $ 53,200 | $ 53,200 |

* Assuming the underwriters exercise their over-allotment option to purchase 854,985 common units in this offering, we would receive additional net proceeds of $17.1 million, which we would use to pay down additional borrowings under our term loans. Our resulting decreased indebtedness will reduce our estimated interest expense and debt amortization by $1.4 million and will have a corresponding increase in our estimated cash available for distribution. The annual minimum quarterly distribution on the additional 854,985 common units and 17,449 general partner units issued to the general partner to maintain its 2% general partner interest will be $1.6 million.

** Forecasted payments of distributions on common units, subordinated units and general partner units as set forth in the table above assume payment of a full four quarters worth of the minimum quarterly distribution. Pursuant to the partnership agreement, we will adjust the minimum quarterly distribution for the first quarter from the closing of the offering through March 31, 2006. Based upon an estimated closing date of the offering of January 31, 2006, the quarterly distribution per unit for the quarter ending March 31, 2006 would be $0.30 and the aggregate payment for the common units, subordinated units and general partner units would be $7.7 million ($8.0 million if the underwriters over-allotment option is exercised in full) and would be paid in May 2006.

*** On December 9, 2005, we repaid all of our existing indebtedness and entered into new credit agreements with syndicates of financial institutions for credit facilities that consist of:

a five-year $225.0 million senior secured revolving credit facility; and

a seven-year $225.0 million senior secured first lien credit facility consisting of a $175.0 million term loan facility and a $50.0 million letter of credit facility to support crack spread hedging.

The term loan and letter of credit facilities were fully drawn at the closing of the refinancing. We borrowed $75.3 million under the secured revolving credit facility at the closing of the refinancing. Following the application of the net proceeds from this offering, we anticipate we will be able to borrow up to approximately $90.0 million in additional funds under our secured revolving credit facility, based upon its anticipated $200.0 million borrowing base and our

anticipated $40.0 million in outstanding letters of credit (other than those pursuant to our $50.0 million letter of credit facility to support crack spread hedging).

The Consolidated Leverage Ratio is defined under our new credit agreements to mean the ratio of our consolidated debt (as defined in the credit agreements) as of the last day of any fiscal quarter to our Adjusted EBITDA for the four fiscal quarter period ending on such date. Our credit facilities permit us to make distributions to our unitholders as long as we are not in default or would not be in default following the distribution. Under the credit facilities, we are obligated to comply with certain financial covenants, including one requiring us to maintain a Consolidated Leverage Ratio of no more than 3.75 to 1 (as of the end of each fiscal quarter and after giving effect to a proposed distribution).

We believe that we will be in compliance with this covenant for the twelve months ending December 31, 2006.

**** Available liquidity is a measure used under our new credit agreements to mean the sum of the cash, cash equivalents and borrowing capacity under our revolving credit facility that we have as of a given date. Our credit facilities permit us to make distributions to our unitholders as long as we are not in default or would not be in default following the distribution. Under the credit facilities, we are obligated to comply with certain financial covenants, including one requiring us to maintain available liquidity of at least $30.0 million (after giving effect to the distribution).

We believe that we will be in compliance with this covenant for the twelve months ending December 31, 2006. In calculating available liquidity, we assumed that our revolving credit facility will have a borrowing base capacity of $200.0 million as of December 31, 2006. In addition, additional proceeds resulting from the exercise of the underwriters over-allotment option will be used to pay down our term loan facility and thus will not affect available liquidity.

Available liquidity is different from available cash, pro forma cash available for distribution and estimated cash available for distribution and is included solely to describe a financial covenant with which we must comply in order to make distributions to our unitholders.

**Assumptions and Considerations**

Based on a number of specific assumptions, we believe that, following completion of this offering, we will have sufficient cash available for distribution to allow us to make the full minimum quarterly distribution on all the outstanding units for each quarter through December 31, 2006. These assumptions include that:

(a) Our average realized crude oil cost will be $64.85 per barrel, which assumes an average NYMEX West Texas Intermediate, or WTI, crude oil price of $64.00 per barrel plus $0.85 per barrel to reflect the historical difference between our delivered crude oil price and the NYMEX price. For the year ended December 31, 2005, the average daily price of the prompt NYMEX WTI crude oil contract was $56.56 per barrel. The average of the monthly NYMEX WTI crude oil swap prices for 2006 was $65.55 per barrel as of January 9, 2006.

(b) Our average realized natural gas cost will be $10.42 per MMBtu, which assumes a $10.50 per MMBtu NYMEX Henry Hub natural gas price. Our realized natural gas price has historically approximated the NYMEX Henry Hub natural gas price. For the year ended December 31, 2005, the average NYMEX Henry Hub natural gas monthly settlement price was $8.62 per MMBtu. The average of the monthly NYMEX Henry Hub natural gas swap prices for 2006 was $9.77 per MMBtu as of January 9, 2006.

(c) Our average realized Gulf Coast 2/1/1 crack spread will be $10.75 per barrel. For the year ended December 31, 2005, the average U.S. Gulf Coast 2/1/1 crack spread to NYMEX WTI calculated using the calendar average NYMEX price of WTI crude oil, unleaded

gasoline and low-sulfur diesel was $12.31 per barrel. The average of the monthly Gulf Coast 2/1/1 crack spread swap prices for 2006 was $10.68 per barrel as of January 9, 2006.

(d) Our specialty product prices are based on specialty product prices we realized in September 2005.

(e) We will realize average sales of approximately 30,500 bpd in our specialty products segment and approximately 24,829 bpd in our fuel products segment as compared to 23,701 bpd and 16,290 bpd, respectively, for the twelve months ended September 30, 2005. This volumetric assumption is based on our average daily sales levels for the three months ended September 30, 2005 (25,163 bpd in our specialty products segment and 23,685 bpd in our fuel products segment) as adjusted to include an anticipated increase in blending feedstocks to optimize production at the Shreveport refinery. We have also assumed that our product mix will approximate the product mix we experienced during the three months ended September 30, 2005.

(f) Our cost of sales in 2006 are expected to be $827.2 million in the specialty products segment and $634.1 million in the fuel products segment as compared to $575.5 million and $363.6 million for the twelve months ended September 30, 2005, respectively. The cost of sales increase is primarily a result of increased costs of crude oil and natural gas as discussed above. Crude oil feedstock purchases will increase in volume to approximately 55,329 bpd from 44,491 bpd for the twelve months ended September 30, 2005. Natural gas purchased to fuel our refineries in 2006 will remain constant in volume at 6.2 million MMBtu. Labor, electricity and repair and maintenance charges, including turnaround costs, will be substantially similar to those realized in the twelve months ended September 30, 2005. We allocate costs to each segment based on barrels produced in each segment.

(g) Our gross profit will be approximately $142.2 million for the twelve months ending December 31, 2006, based on our volume and price assumptions listed above, as compared to $102.5 million for the twelve months ended September 30, 2005.

(h) Our selling, general and administrative expenses for the twelve months ending December 31, 2006 will be approximately $18.0 million. Our selling, general and administrative expenses for the twelve months ended September 30, 2005 were $14.8 million. We have assumed that selling, general and administrative expenses will increase by approximately $4.5 million as a result of incremental expenses associated with our operation as a publicly traded partnership. In addition, we assume that employee compensation costs will decrease by approximately $2.0 million due to a reduction in incentive bonuses. We assume that our other selling, general and administrative expenses will remain similar to those for the twelve months ended September 30, 2005.

(i) Our transportation costs for the twelve months ending December 31, 2006 will be approximately $52.4 million as compared to $42.5 million for the twelve months ended September 30, 2005. We have assumed that transportation costs will increase as a result of our increased sales volume in 2006.

(j) Our interest expense (including commitment, letter of credit and other fees) and debt amortization for the twelve months ending December 31, 2006 will be approximately $12.8 million. Our pro forma interest expense for the twelve months ended September 30, 2005 was $11.9 million. Borrowings under our secured revolving credit facility currently bear interest at a variable rate of LIBOR plus 150 basis points (which basis point margin may fluctuate), borrowings under our term loan bear interest at a variable rate of LIBOR plus 350 basis points and amounts outstanding under our letter of credit facility to support crack spread hedging bear interest at 3.5%. We have assumed that our weighted average

interest rate on all of our borrowings will be approximately 6.5% and we will incur approximately $1.0 million in commitment and other financing-related fees. Under the terms of our term loan facility, and pro forma for this offering, we are required to make mandatory repayments of approximately $0.2 million at the end of each fiscal quarter, beginning with the fiscal quarter ending March 31, 2006.

(k) Our net cash payment on derivative instruments will be $12.1 million for the twelve months ending December 31, 2006 as compared to a net cash receipt of $24.9 million for the twelve months ended September 30, 2005.

We expect the $12.1 million net cash payment as a result of having completed the following transactions:

- entering into swap transactions which fix the price of 200,000 MMBtu per month of natural gas at $9.84 per MMBtu for each of January, February and March 2006, which means that we will be paid by the counterparty to the extent that the NYMEX Henry Hub price of natural gas is greater than $9.84 per MMBtu, but we will be required to pay the counterparty to the extent that the NYMEX Henry Hub price of natural gas is less than $9.84 per MMBtu;

- entering into swap transactions for 4,160,000 barrels for the NYMEX Gulf Coast 2/1/1 crack spread to NYMEX WTI at $8.73 per barrel, which means that we will be required to pay the counterparty to the extent that Gulf Coast 2/1/1 crack spreads are greater than $8.73 per barrel, but we will be paid by the counterparty to the extent that Gulf Coast crack spreads are less than $8.73 per barrel; and

- entering into collar transactions for 2,725,000 barrels for the Gulf Coast 2/1/1 crack spread to NYMEX WTI pursuant to which we will be required to pay the counterparty to the extent the Gulf Coast crack spread is above $9.41 per barrel, but we will be paid by the counterparty to the extent the Gulf Coast crack spread is below $7.25 per barrel.

- entering into put/call spread transactions for a total of 960,000 barrels for the NYMEX WTI during the four months ending April 30, 2006 at the lower put price of $45.90 per barrel, the upper put price of $55.56 per barrel, the call floor price of $65.56 and the call ceiling price of $75.56. This means that if the price of crude oil falls between the upper put price of $55.56 per barrel and the call floor price of $65.56 per barrel we will pay the market rate for crude oil. If the price of crude oil falls between the call floor price of $65.56 per barrel and the call ceiling price of $75.56 per barrel we will pay $65.56 per barrel. If the price is above the call ceiling price of $75.56 per barrel we pay the market price of crude oil minus the difference between the call ceiling price and the call floor price. If the price of crude oil falls between the lower put price of $45.90 per barrel and the upper put price of $55.56 per barrel we will pay $55.56 per barrel and if the crude oil price falls below the lower put price of $45.90 we will pay the market price plus the difference between the lower put price and the upper put price.

We have entered into a portion of our total expected 2007 and 2008 crack spread hedging transactions at more favorable prices than those prices entered into for 2006, due to improved market conditions.

(l) Our depreciation and amortization expense for the twelve months ending December 31, 2006 will be $11.5 million, as compared to $9.2 million for the twelve months ended September 30, 2005. The increase in depreciation and amortization expense is principally related to expansion capital expenditures budgeted for the Shreveport refinery in 2006. Depreciation and amortization expense is reflected in cost of sales.

(m) The income tax expense of Calumet Sales Company Incorporated, a corporate subsidiary of our operating company, Calumet Operating, LLC, through which we market jet fuel

products to certain end-users, for the twelve months ending December 31, 2006 will be approximately $0.3 million.

(n) Our replacement and environmental capital expenditures for the twelve months ending December 31, 2006 will be approximately $7.2 million, as compared to $5.6 million for the twelve months ended September 30, 2005. The increase in replacement and environmental capital expenditures is due to environmental projects at all three of our refineries. Our replacement and environmental capital expenditures are the only maintenance capital expenditures that we anticipate we will incur.

(o) No material accidents, releases or similar unanticipated material events will occur at any of our facilities.

(p) Market, regulatory and overall economic conditions will not change substantially.

(q) In the event of a shortfall, we will borrow under our new revolving credit facility in order to make payments of the minimum quarterly distribution.

(r) We will refinance all term debt as it comes due, as we will not build up cash reserves for debt repayment. We will make borrowings and repayments under our revolving credit facility for working capital purposes as appropriate.

**Sensitivity Analysis**

Our cash available for distribution is significantly impacted by volatility in prevailing crude oil and natural gas prices and crack spreads (the difference between crude oil prices and refined product sales). In the paragraphs below, we discuss the impact of changes in these three primary variables, while holding all other variables constant, on our ability to generate our estimated cash available for distribution.

*Crude Oil Price Volatility*

We are exposed to significant fluctuations in the price of crude oil. Holding all other variables constant, and excluding the impact of our current hedges, we expect a $1.00 change in the per barrel price of crude oil would change our estimated cash available for distribution by $20.1 million for the twelve months ending December 31, 2006.

*Specialty Product Pricing and Crude Oil Hedging Policy*

In order to manage our exposure to fluctuations in crude oil prices, we take into account the cost of crude oil in setting our specialty product prices. We are able to do this because we typically do not set our specialty product prices in advance of our crude oil purchases. We further manage our exposure to fluctuations in crude oil prices in our specialty products segment through the use of derivative instruments. Our historical policy has generally been to enter into crude oil contracts for a period no greater than twelve months forward and for no more than 70% of our anticipated crude oil purchases related to non-fuels production. Our policy after this offering will be generally to enter into crude oil contracts covering a period of three to six months and for an amount equal to 50% to 70% of our anticipated crude oil purchases related to our specialty products production.

*Natural Gas Price Volatility*

Since natural gas purchases comprise a significant component of our cost of sales, changes in the price of natural gas will also significantly affect the amount of cash available for distribution. Holding all other cost and revenue variables constant, and excluding the impact of our current hedges, we expect a $0.50 change per MMBtu in the price of natural gas would change our estimated cash available for distribution by $3.1 million for the twelve months ending December 31, 2006.

*Natural Gas Hedging Policy*

In order to manage our exposure to natural gas prices, we enter into derivative contracts. Our policy is generally to enter into natural gas swap contracts during the summer months for approximately 50% of our anticipated natural gas requirements for the upcoming winter months.

*Crack Spread Volatility*

The amount of cash we have available to distribute to you is also significantly impacted by the crack spreads we experience. Crack spreads represent the difference between the prices we are able to realize for our fuel products and the cost of the crude oil we must purchase to produce those products. Holding all other variables constant, and excluding the impact of our current hedges, we expect a $0.50 change in the Gulf Coast 2/ 1 /1 crack spread per barrel would change our estimated cash available for distribution by $4.6 million for the twelve months ending December 31, 2006.

*Crack Spread Hedging Policy*

In order to manage our exposure to crack spreads, we enter into fuels product margin swap and collar contracts. We began to implement this policy in October 2004. Our historical policy has been to enter into crack spread hedging contracts for a period of no greater than two years and for no more than 75% of anticipated fuels production. Our policy going forward will be to enter into crack spread derivative hedging contracts for a period of no greater than five years and for no more than 75% of anticipated fuels production. In addition, in connection with our new credit facilities, our lenders have required us to obtain and maintain crack spread hedges for our fuels segment for a rolling two-year period for at least 40%, and no more than 80%, of our anticipated fuels production.

Although the sensitivity analysis set forth above for crude oil and natural gas prices and crack spreads calculates the impact of individual commodity price changes within each variable without changing any other, our experience has been that changes in crude oil costs, crack spreads and natural gas costs do not occur in isolation. As crude oil prices have increased over the past twelve months, we have experienced an increase in our realized crack spread and also increased the prices we charge our customers for specialty products at levels in excess of the increasing crude oil costs we are experiencing, each of which has mitigated the negative impact to cash available for distribution from higher crude oil costs. In general, our cash available for distribution is positively impacted by decreasing crude oil prices, increasing crack spreads, increasing specialty product prices and decreasing natural gas prices. Conversely, our cash available for distribution is generally negatively impacted by increasing crude oil prices, decreasing crack spreads, decreasing specialty product prices and increasing natural gas prices.

While we believe that our assumptions supporting our estimated cash available for distribution for the twelve months ending December 31, 2006 are reasonable in light of management s current beliefs concerning future events, the assumptions are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those we anticipate. If our assumptions are not realized, the actual cash available for distribution that we could generate could be substantially less than that currently expected and could, therefore, be insufficient to permit us to make the full minimum quarterly distribution on all units, in which event the market price of the common units may decline materially. When reading this section, it is important that you keep in mind the risk factors and other cautionary statements under the heading Risk Factors, many of which discuss factors that may cause our assumptions not to be realized. We do not undertake any obligation to release publicly the results of any future revisions we may make to the foregoing or to update the foregoing to reflect events or circumstances after the date of this prospectus. Therefore, you are cautioned not to place undue reliance on this information.

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# HOW WE MAKE CASH DISTRIBUTIONS

## Distributions of Available Cash

***General.*** Within 45 days after the end of each quarter, beginning with the quarter ending March 31, 2006, we will distribute our available cash to unitholders of record on the applicable record date. We will adjust the minimum quarterly distribution for the period from the closing of the offering through March 31, 2006 based on the actual length of the period.

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

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

***Intent to Distribute the Minimum Quarterly Distribution.*** We will distribute to the holders of common units and subordinated units on a quarterly basis at least the minimum quarterly distribution of $0.45 per unit, or $1.80 per year, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner. However, there is no guarantee that we will pay the minimum quarterly distribution on the units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. We will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is existing, under our credit agreements. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Debt and Credit Facilities New Credit Facilities for a discussion of the restrictions to be included in our credit agreement that may restrict our ability to make distributions.

***General Partner Interest and Incentive Distribution Rights.*** As of the date of this offering, our general partner will be entitled to 2% of all quarterly distributions since inception that we make prior to our liquidation. This general partner interest will be represented by 515,857 general partner units. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner s initial 2% interest in these distributions may be reduced if we issue additional units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 2% general partner interest. Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 50%, of the cash we distribute from operating surplus (as defined below) in excess of $0.45 per unit. The maximum distribution of 50% includes distributions paid to our general partner on its 2% general partner interest, and assumes that our general partner maintains its general partner interest at 2%. The maximum distribution of 50% does not include any distributions that our general partner may receive on units that it owns. Please read Incentive Distribution Rights for additional information.

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## Operating Surplus and Capital Surplus

***General.*** All cash distributed to unitholders will be characterized as either operating surplus or capital surplus. Our partnership agreement requires that we distribute available cash from operating surplus differently than available cash from capital surplus.

***Operating Surplus.*** Operating surplus generally consists of:

- our cash balance on the closing date of this offering; plus

- $10.0 million (as described below); plus

- all of our cash receipts after the closing of this offering, excluding cash from (1) borrowings that are not working capital borrowings, (2) sales of equity and debt securities and (3) sales or other dispositions of assets outside the ordinary course of business; plus

- working capital borrowings made after the end of a quarter but before the date of determination of operating surplus for the quarter; less

- all of our operating expenditures after the closing of this offering (including the repayment of working capital borrowings, but not the repayment of other borrowings) and maintenance capital expenditures; less

- the amount of cash reserves established by our general partner for future operating expenditures.

Please read Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Maintenance capital expenditures represent capital expenditures made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets and to extend their useful lives, or other capital expenditures that are incurred in maintaining existing system volumes and related cash flows. Expansion capital expenditures represent capital expenditures made to expand the existing operating capacity of our assets or to expand the operating capacity or revenues of existing or new assets, whether through construction or acquisition. Costs for repairs and minor renewals to maintain facilities in operating condition and that do not extend the useful life of existing assets will be treated as operations and maintenance expenses as we incur them. Our partnership agreement provides that our general partner determines how to allocate a capital expenditure for the acquisition or expansion of our assets between maintenance capital expenditures and expansion capital expenditures.

***Capital Surplus.*** Capital surplus consists of:

- borrowings other than working capital borrowings;

- sales of our equity and debt securities; and

- sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets sold in the ordinary course of business or as part of normal retirement or replacement of assets.

***Characterization of Cash Distributions.*** We will treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since we began operations equals the operating surplus as of the most recent date of determination of available cash. We will treat any amount distributed in excess of operating surplus, regardless of its source, as capital surplus. As reflected above, operating surplus includes $10.0 million. This amount does not reflect actual cash on hand that is available for distribution to our unitholders. Rather, it is a provision that will enable us, if we choose, to distribute as operating surplus up to this amount of cash we receive in the future from non-operating sources, such as asset sales, issuances of

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securities and borrowings, that would otherwise be distributed as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

**Subordination Period**

***General.*** Our partnership agreement provides that, during the subordination period (which we define below and in Appendix B), the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.45 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed subordinated because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received the minimum quarterly distribution plus any arrearages from prior quarters. Furthermore, no arrearages will be paid on the subordinated units. The practical effect of the existence of the subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed on the common units. As of the closing of the offering, all of the outstanding subordinated units will be owned by affiliates of our general partner. Please read Security Ownership of Certain Beneficial Owners and Management.

***Subordination Period.*** The subordination period will extend until the first day of any quarter beginning after December 31, 2010 that each of the following tests are met:

- distributions of available cash from operating surplus on each of the outstanding common units, subordinated units and general partner units equaled or exceeded the minimum quarterly distributions on such common units, subordinated units and general partner units for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

- the adjusted operating surplus (as defined below) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units, subordinated units and general partner units during those periods on a fully diluted basis; and

- there are no arrearages in payment of minimum quarterly distributions on the common units.

***Expiration of the Subordination Period.*** When the subordination period expires, each outstanding subordinated unit will convert into one common unit and will then participate pro rata with the other common units in distributions of available cash. In addition, if the unitholders remove our general partner other than for cause and units held by the general partner and its affiliates are not voted in favor of such removal:

- the subordination period will end and each subordinated unit will immediately convert into one common unit;

- any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished; and

- the general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

***Adjusted Operating Surplus.*** Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes net increases in working

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capital borrowings and net drawdowns of reserves of cash generated in prior periods. Adjusted operating surplus consists of:

- operating surplus generated with respect to that period; less
- any net increase in working capital borrowings with respect to that period; less
- any net decrease in cash reserves for operating expenditures with respect to that period not relating to an operating expenditure made with respect to that period; plus
- any net decrease in working capital borrowings with respect to that period; plus
- any net increase in cash reserves for operating expenditures with respect to that period required by any debt instrument for the repayment of principal, interest or premium.

**Distributions of Available Cash from Operating Surplus During the Subordination Period**

We will make distributions of available cash from operating surplus for any quarter during the subordination period in the following manner:

- *first*, 98% to the common unitholders, pro rata, and 2% to the general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
- *second*, 98% to the common unitholders, pro rata, and 2% to the general partner, until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period;
- *third*, 98% to the subordinated unitholders, pro rata, and 2% to the general partner, until we distribute for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and
- *thereafter*, in the manner described in Incentive Distribution Rights below.

The preceding discussion is based on the assumptions that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

**Distributions of Available Cash from Operating Surplus After the Subordination Period**

We will make distributions of available cash from operating surplus for any quarter after the subordination period in the following manner:

- *first,* 98% to all unitholders, pro rata, and 2% to the general partner, until we distribute for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter; and
- *thereafter,* in the manner described in Incentive Distribution Rights below.

The preceding discussion is based on the assumptions that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

**Incentive Distribution Rights**

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the partnership agreement.

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If for any quarter:

- we have distributed available cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

- we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, we will distribute any additional available cash from operating surplus for that quarter among the unitholders and the general partner in the following manner:

- *first,* 98% to all unitholders, pro rata, and 2% to the general partner, until each unitholder receives a total of $0.495 per unit for that quarter (the first target distribution );

- *second,* 85% to all unitholders, pro rata, and 15% to the general partner, until each unitholder receives a total of $0.563 per unit for that quarter (the second target distribution );

- *third,* 75% to all unitholders, pro rata, and 25% to the general partner, until each unitholder receives a total of $0.675 per unit for that quarter (the third target distribution ); and

- *thereafter,* 50% to all unitholders, pro rata, and 50% to the general partner.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unitholders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution. The preceding discussion is based on the assumptions that our general partner maintains its 2% general partner interest and that we do not issue additional classes of equity securities.

**Percentage Allocations of Available Cash from Operating Surplus**

The following table illustrates the percentage allocations of the additional available cash from operating surplus between the unitholders and our general partner up to the various target distribution levels. The amounts set forth under Marginal Percentage Interest in Distributions are the percentage interests of our general partner and the unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column Total Quarterly Distribution, until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders and the general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 2% general partner interest and assume our general partner has contributed any additional capital to maintain its 2% general partner interest and has not transferred its incentive distribution rights.

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

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### Distributions from Capital Surplus

***How Distributions from Capital Surplus Will Be Made.*** Our partnership agreement requires that we make distributions of available cash from capital surplus, if any, in the following manner: