

Delek Logistics Partners, LP  
Form 10-K  
February 26, 2015

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

Form 10-K  
(Mark One)

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

For the Fiscal Year Ended December 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-35721

DELEK LOGISTICS PARTNERS, LP  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

45-5379027  
(I.R.S. Employer Identification No.)

7102 Commerce Way  
Brentwood, Tennessee  
(Address of principal executive offices)

37027  
(Zip Code)

(615) 771-6701  
(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units Representing Limited Partner Interests	New York Stock Exchange

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

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

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments of this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common limited partner units held by non-affiliates as of June 30, 2014 was approximately \$324,422,161, based upon the closing price of its common units on the New York Stock Exchange on that date.

At February 20, 2015, there were 12,216,447 common limited partner units, 11,999,258 subordinated limited partner units and 494,197 general partner units outstanding.

Documents incorporated by reference: None

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TABLE OF CONTENTS

PART I

<u>Item 1.</u>	<u>Business</u>	<u>3</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>19</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>41</u>
<u>Item 2.</u>	<u>Properties</u>	<u>41</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>51</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>51</u>

PART II

<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>51</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>56</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>58</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>83</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>83</u>
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>83</u>
<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>83</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>84</u>

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>85</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>90</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>95</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>98</u>
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	<u>101</u>

PART IV

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	<u>102</u>
	<u>Signatures</u>	
	<u>Exhibit Index</u>	

Unless otherwise indicated or the context requires otherwise, the terms "Delek Logistics Partners, LP," the "Partnership," "we," "us," or "our" may refer to Delek Logistics Partners, LP, one or more of its consolidated subsidiaries or all of them taken as a whole.

Statements in this Annual Report on Form 10-K, other than purely historical information, including statements regarding our plans, strategies, objectives, beliefs, expectations and intentions are forward-looking statements. These forward-looking statements generally are identified by the words "may," "will," "should," "could," "would," "predicts," "intends," "believes," "expects," "plans," "scheduled," "goal," "anticipates," "estimates" and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, including those discussed below and in Item 1A, Risk Factors, which may cause actual results to differ materially from the forward-looking statements. See also "Forward-Looking Statements" included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 1, Business, of this Annual Report on Form 10-K.

## PART I

### ITEM 1. BUSINESS

#### General

Delek Logistics Partners, LP (the "Partnership") is a Delaware limited partnership formed in April 2012 by Delek US Holdings, Inc. ("Delek") and its indirect subsidiary, Delek Logistics GP, LLC, which is our general partner ("GP" or "general partner"). Unless otherwise indicated or the context requires, "Delek" and "Sponsor" refer collectively to Delek and any of its subsidiaries, other than the Partnership, its subsidiaries and its general partner. In November 2012, the Partnership completed its initial public offering (the "Offering").

The Partnership's business primarily consists of the assets, liabilities and results of operations of certain crude oil and refined product pipelines and transportation, storage, wholesale marketing and terminalling assets which were previously owned, operated or held by Delek and certain of its present subsidiaries, including Delek Refining, Ltd. ("Delek Refining"), Delek Marketing & Supply, LLC ("Delek Marketing") and Lion Oil Company ("Lion Oil") and former subsidiaries, including Paline Pipeline Company, LLC ("Paline"), which is now a subsidiary of the Partnership. The Partnership also owns and/or operates assets that it acquired from unrelated third parties. However, Delek is our primary or sole customer for a substantial majority of our assets.

For accounting purposes, only the assets, liabilities, and results of operations of the assets mentioned above that were owned by these related parties prior to the completion of the Offering and contributed to the Partnership as part of the Offering are attributed to Delek Logistics Partners, LP Predecessor (the "DKL Predecessor").

#### Overview

The Partnership primarily owns and operates logistics and marketing assets for crude oil and intermediate and refined products. We generate revenue and contribution margin, which we define as net sales less cost of goods sold and operating expenses, by charging fees for gathering, transporting and storing crude oil, for storing intermediate products and feed stocks, and for marketing, distributing, transporting and storing refined products. A substantial majority of our existing assets are both integral to and dependent on the success of Delek's refining operations and most of our assets are contracted exclusively to Delek in support of Delek's refineries in Tyler, Texas (the "Tyler Refinery") and El Dorado, Arkansas (the "El Dorado Refinery"). See "—Commercial Agreements" for a description of certain of such agreements. In addition to the services we provide to Delek, we also provide and generate substantial revenue and contribution margin from crude oil, intermediate and refined products transportation services for, and

terminalling and marketing services to, third parties primarily in Texas, Tennessee and Arkansas. Certain of these services are provided pursuant to contractual agreements with such third parties. See "—Commercial Agreements—Other Agreements with Third Parties."

We are not a taxable entity for federal income tax purposes or the income taxes of those states that follow the federal income tax treatment of partnerships. Instead, for purposes of these income taxes, each partner of the Partnership is required to take into account its share of items of income, gain, loss and deduction in computing its federal and state income tax

liabilities, regardless of whether cash distributions are made to such partner by the Partnership. The taxable income reportable to each partner takes into account differences between the tax basis and the fair market value of our assets and financial reporting bases of assets and liabilities, the acquisition price of their units and the taxable income allocation requirements under our partnership agreement.

## Recent Developments

### Paline Pipeline Capacity Reservation

Prior to the Partnership's acquisition of Paline, Paline had entered into a contract with an unrelated third party for such company to exclusively use 100% of the southbound capacity of our Paline Pipeline. This agreement expired by its terms on December 31, 2014. Effective January 1, 2015, we entered into two new agreements with unrelated third parties for use of capacity of the Paline Pipeline. Pursuant to the terms of the new agreements, these parties will each pay a fixed monthly fee allowing them the exclusive right to use their respective leased capacities on the pipeline, which account for a combined 35,000 bpd. The initial term of these agreements is for 18 months from January 1, 2015.

### 2014 Developments

#### Acquisitions

**Trucking Assets Acquisition.** On December 17, 2014, we completed the purchase of substantially all of the operating assets of Frank Thompson Transport, Inc. ("FTT"), a company that primarily hauled crude oil and other products by transport truck. The assets purchased from FTT primarily consisted of approximately 120 trucks and 200 trailers (the "FTT Assets"). The aggregate purchase price of the FTT Assets was approximately \$11.5 million.

**Terminal and Pipeline Acquisition.** On October 1, 2014, we completed the purchase from an affiliate of Magellan Midstream Partners, L.P. of (i) a light products terminal in Mount Pleasant, Texas (the "Mount Pleasant Terminal"), (ii) a light products storage facility in Greenville, Texas (the "Greenville Storage Facility"), and (iii) a 76-mile pipeline connecting the locations (the "Greenville-Mount Pleasant Pipeline"). The Mount Pleasant Terminal, the Greenville Storage Facility and the Greenville-Mount Pleasant Pipeline are hereinafter collectively referred to as the "Greenville-Mount Pleasant Assets." The Mount Pleasant Terminal consists of approximately 200,000 barrels of light product storage capacity, three truck loading lanes and ethanol blending capability. The Greenville Storage Facility has approximately 325,000 barrels of storage capacity and is connected to the Explorer Pipeline System, which is a common carrier pipeline owned by a third party. The aggregate purchase price of the Greenville-Mount Pleasant Assets was approximately \$11.1 million, including approximately \$1.1 million in finished product inventory.

**El Dorado Terminal and Tankage Acquisition.** On February 10, 2014, the Partnership, through our subsidiary, Delek Logistics Operating, LLC ("OpCo"), completed a transaction with Lion Oil, pursuant to which OpCo acquired a refined products terminal, storage tanks and ancillary assets on and adjacent to the El Dorado Refinery from Lion Oil (the "El Dorado Acquisition"). The purchase price paid for the assets acquired was \$95.9 million in cash. The assets acquired consist of the following:

The refined products terminal located at the El Dorado Refinery (the "El Dorado Terminal"), which consisted of a truck loading rack with three loading bays supplied by pipelines from storage tanks located at the El Dorado Refinery, along with certain ancillary assets. Total throughput capacity for the El Dorado Terminal is approximately 26,700 barrels per day ("bpd").

One hundred fifty-eight (158) storage tanks and certain ancillary assets (such as pumps and piping) located at and adjacent to the El Dorado Refinery with an aggregate shell capacity of approximately 2.5 million barrels (such storage tanks and certain ancillary assets, the "El Dorado Storage Tanks"). The El Dorado Storage Tanks, together with the El

Dorado Terminal, are sometimes hereinafter collectively referred to as the "El Dorado Terminal and Tank Assets." Delek retained any current assets and current liabilities related to the El Dorado Terminal and Tank Assets as of the date of the El Dorado Acquisition. The only historical balance sheet items that transferred to the Partnership in the El Dorado Acquisition were property, plant and equipment assets, tank inspection liabilities and asset retirement obligations, which were recorded by us at historical cost.

In connection with the El Dorado Acquisition, the Partnership and Delek entered into (i) an asset purchase agreement, (ii) the Second Omnibus Amendment (as defined below), (iii) a throughput and tankage agreement with respect to the El Dorado Terminal and Tank Assets, (iv) a lease and access agreement, and (v) a site services agreement.

Second Omnibus Amendment. In connection with the Offering, the Partnership entered into an omnibus agreement with Delek, our general partner, OpCo, Lion Oil and certain of the Partnership's and Delek's other subsidiaries on November 7, 2012 (the "Omnibus Agreement"). On July 26, 2013, in connection with the acquisition from Delek of the refined products terminal and 96 storage tanks and ancillary assets adjacent to the Tyler Refinery, the Partnership and the other parties entered into an amendment and restatement of the Omnibus Agreement (the "First Omnibus Amendment"), which was amended and restated on February 10, 2014, in connection with the El Dorado Acquisition (the "Second Omnibus Amendment").

#### Other Developments

Second Amended and Restated Credit Facility. We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 (the "Amended and Restated Credit Agreement") and was most recently amended and restated on December 30, 2014 (the "Second Amended and Restated Credit Agreement"). Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments were increased from \$400.0 million to \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. While the majority of the terms of the Second Amended and Restated Credit Agreement are substantially unchanged from the predecessor facility, among other things, changes were made to certain negative covenants, the financial covenants and the interest rate pricing grid. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings. Borrowings denominated in U.S. dollars bear interest at either a U.S. dollar prime rate, plus an applicable margin, or the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, at the election of the borrowers. Borrowings denominated in Canadian dollars bear interest at either a Canadian dollar prime rate, plus an applicable margin, or the Canadian Dealer Offered Rate ("CDOR"), plus an applicable margin, at the election of the borrowers. The applicable margin in each case varies based upon the Partnership's most recent leverage ratio calculation delivered to the lenders, as called for and defined under the terms of the credit facility. The Second Amended and Restated Credit Agreement matures on December 30, 2019.

#### Information About Our Segments

We prepare segment information on the same basis that we review financial information for operational decision-making purposes. Currently, our business consists of two operating segments: (i) our pipelines and transportation segment and (ii) our wholesale marketing and terminalling segment. Additional segment and financial information is contained in our segment results included in Item 6, Selected Financial Data; Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations; and Note 13, Segment Data, of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

#### Pipelines and Transportation Segment

Our pipelines and transportation segment consists of assets, including pipelines and trucks and ancillary assets, that provide crude oil gathering and crude oil, intermediate and finished products transportation and storage services primarily in support of the Tyler and El Dorado Refineries. Additionally, this segment provides crude oil and other products transportation services to certain unrelated third parties. In providing these services, we do not take ownership of the products or crude oil that we transport or store; and, therefore, we are not directly exposed to changes in commodity prices.



The tables below show the operating results for each of our operating systems. For the years ended December 31, 2014, 2013 and 2012, we present the results of both the Partnership and our Predecessors, as delineated in any notes accompanying the tables.

Lion Pipeline System. Our Lion Pipeline System is a system of common carrier pipelines that transport crude oil to, and refined products from, Delek's El Dorado Refinery. The pipelines in this system also have injection points where crude oil gathered from the SALA Gathering System is injected and then transported to the El Dorado Refinery. We do not charge an additional tariff for the transportation of these gathered crude oils over the Lion Pipeline System if a tariff has been charged for transportation on the SALA Gathering System. In addition, a pipeline within the Lion Pipeline System transports minimal crude oil for third parties pursuant to a common carrier tariff. We own substantially all of these pipelines but do

lease from an unrelated third party, capacity on a portion of the Lion Pipeline System which runs from El Dorado, Arkansas to our terminal in Memphis, Tennessee. The Lion Pipeline System has crude oil storage tanks and facilities ancillary to the operation of the pipeline system. The Lion Pipeline System is capable of transporting crude oil offloaded from rail cars at or near the El Dorado Refinery. The following table details certain operating data for our Lion Pipeline System.

	Average Daily Throughput (bpd)		
	Year Ended		
	December 31,		
	2014	2013	2012 <sup>(1)</sup>
Lion Pipeline System:			
Crude Oil Pipelines (Non-gathered) <sup>(2)</sup>	47,906	46,515	46,027
Refined Products Pipelines to Enterprise System	53,461	49,694	45,220

Throughputs for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from January <sup>(1)</sup> 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.

<sup>(2)</sup> Excludes crude oil gathered on our SALA Gathering System and injected into our Lion Pipeline System. SALA Gathering System. The SALA Gathering System is a system of common carrier pipelines that primarily gathers and transports crude oil and condensate that is purchased by Delek or a third party to whom Delek has assigned its rights, from various crude oil producers in Arkansas, Texas and Louisiana. In addition, the gathering system transports small volumes of crude oil that are received from other sources and condensate that is purchased from a third party in east Texas. All such crude oil and other products are ultimately transported to the El Dorado Refinery for processing. In addition, a pipeline within the SALA Gathering System transports minimal crude oil for third party shippers pursuant to a common carrier tariff. The table below sets forth historical throughput information for the SALA Gathering System.

	Average Daily Throughput (bpd)		
	Year Ended		
	December 31,		
	2014	2013	2012 <sup>(1)</sup>
SALA Gathering System:			
Throughput (average bpd):	22,656	22,152	20,747

Throughputs for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from January <sup>(1)</sup> 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.

Paline Pipeline System. Our Paline Pipeline System runs from Longview, Texas to Nederland, Texas and was initially a northbound crude oil pipeline prior to the reversal of the pipeline in 2012. Prior to the Partnership's acquisition of Paline, Paline entered into a contract with an unrelated third party for such company to exclusively use 100% of the southbound capacity of our Paline Pipeline. This agreement expired by its terms on December 31, 2014. Effective January 1, 2015, we entered into two new agreements with unrelated third parties with respect to the pipeline. For a more thorough discussion of these agreements, please see "—Commercial Agreements—Other Agreements with Third Parties—Paline Pipeline System Capacity Reservation" of this Annual Report on Form 10-K. A three-mile portion of the Paline Pipeline System still runs northbound from Kilgore, Texas to Longview and transports crude oil for third parties pursuant to a common carrier tariff.

East Texas Crude Logistics System. Our East Texas Crude Logistics System is comprised of the Nettleton and McMurrey Pipelines and their related tank farms. The Nettleton Pipeline is used to transport crude oil from our tank farms in and around Longview, Texas to the Bullard Junction at the Tyler Refinery. The McMurrey Pipeline also begins at our tank farms in and around Longview, Texas and runs roughly parallel to the Nettleton Pipeline. The table below sets forth historical average daily throughput for the East Texas Crude Logistics System.



	Average Daily Throughput (bpd)			
	Year Ended			
	2014	December 31,		
		2013	2012 <sup>(1)</sup>	
East Texas Crude Logistics System (average bpd)	7,361	19,896	55,068	
% of Tyler Refinery Crude Throughput	12.5	% 34.1	% 97.6	%

Throughputs for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from January <sup>(1)</sup> 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.

We have a pipelines and tankage agreement with Delek to provide throughput on the East Texas Crude Logistics System. However, in April 2013, a reconfigured pipeline system that is owned and operated by third parties began transporting crude oil to the Tyler Refinery from west Texas. Delek has a 10-year agreement, expiring in 2023, with such third parties to transport a substantial majority of the Tyler Refinery's crude oil requirements on this reconfigured pipeline system. As a result of the third parties' ability to transport crude oil on its reconfigured pipeline system directly to the Tyler Refinery, the crude oil supplied through the Nettleton and McMurrey Pipelines fell below the minimum aggregate throughput requirements of our pipelines and tankage agreement with Delek during the second quarter of 2013 and has remained below the minimum aggregate throughput requirements since that time. We expect crude oil volumes transported on our East Texas Crude Logistics System to continue to be below the minimum throughput requirement of 35,000 bpd for the foreseeable future. However, until November 2017, Delek is required under its commercial agreement with us, to pay us throughput fees in an amount equal to the fees it would pay were we to throughput 35,000 bpd, based on the per barrel fees in our agreement. In 2013, to provide flexibility for our assets, we reconfigured a portion of the East Texas Crude Logistics System to be bi-directional, which enables it to transport crude oil from the west to Longview.

**Tyler-Big Sandy Pipeline.** The Tyler-Big Sandy Pipeline is essentially one pipeline link between the Tyler Refinery and the Partnership's terminal at Big Sandy, Texas that consists of the following two pipelines, which effectively connect at the Hopewell Station: (i) the Hopewell Pipeline, which originates at the Tyler Refinery and terminates at the Hopewell Station, and (ii) the Big Sandy Pipeline, which originates at the Hopewell Station and terminates at the Big Sandy Terminal.

**Tyler Tank Assets.** The Tyler Tank Assets consist of 96 storage tanks and certain ancillary assets (such as pumps and piping) located at and adjacent to the Tyler Refinery with an aggregate shell capacity of approximately 2.0 million barrels. On July 26, 2013, in connection with the Tyler Acquisition, we and Delek entered into an eight-year throughput and tankage agreement with respect to the Tyler Terminal and Tank Assets. Under the agreement, Delek is subject to a \$855,041 per month storage fee for the right to use the active shell capacity of the Tyler Storage Tanks, which fee is adjusted for inflation in July of each year. See "Commercial Agreements—Commercial Agreements in Connection with the Tyler Acquisition" for additional detail.

**El Dorado Tank Assets.** The El Dorado Tank Assets consist of 158 storage tanks and certain ancillary assets (such as pumps and piping) located at and adjacent to the El Dorado Refinery with an aggregate shell capacity of approximately 2.5 million barrels. On February 10, 2014, in connection with the El Dorado Acquisition, we and Delek entered into an eight-year throughput and tankage agreement with respect to the El Dorado Terminal and Tank Assets. Under the agreement, Delek is subject to a \$1,319,641 per month storage fee for the right to use the active shell capacity of the El Dorado Storage Tanks, which fee is adjusted for inflation in July of each year. See "Commercial Agreements—Commercial Agreements in Connection with the El Dorado Acquisition" for additional detail.

**Greenville-Mount Pleasant Pipeline and Greenville Storage Facility.** The Greenville-Mount Pleasant Pipeline connects the Greenville Storage Facility and the Mount Pleasant Terminal. The Greenville Storage Facility has a total storage capacity of approximately 325,000 barrels and is connected to the Explorer Pipeline System.

**FTT Trucking Assets.** We own approximately 120 trucks and 200 trailers used to haul primarily crude oil and other products both for Delek and its affiliates and for third parties.



## Wholesale Marketing and Terminalling Segment

Our wholesale marketing and terminalling segment provides wholesale marketing and terminalling services to Delek's refining operations and to independent third parties from whom we receive fees for marketing, transporting, storing and terminalling refined products. As of December 31, 2014, we generated revenue in our wholesale marketing and terminalling segment by (i) providing marketing services for the refined products output of the Tyler Refinery, (ii) engaging in wholesale activity at our Abilene and San Angelo, Texas terminals, as well as at terminals owned by third parties, whereby we purchase light products for sale and exchange to third parties, and (iii) providing terminalling services to independent third parties and Delek. See "Commercial Agreements—Commercial Agreements Entered Into in Connection with the Offering—Terminalling" and "Commercial Agreements—Other Agreements with Third Parties." The tables below show the operating results for the wholesale marketing and terminalling segment. For the years ended December 31, 2014, 2013 and 2012, we present the results of both the Partnership and our Predecessors, as delineated in any notes accompanying the tables.

## Wholesale Marketing

East Texas. Pursuant to a marketing agreement with Delek, we market 100% of the refined products output of the Tyler Refinery, other than jet fuel and petroleum coke. See "Commercial Agreements—Commercial Agreements Entered Into in Connection with the Offering—East Texas." The following table sets forth the historical sales volumes under this marketing agreement.

	Year Ended December 31,		
	2014	2013	2012 <sup>(1)</sup>
Sales volumes (average bpd):	61,368	58,773	57,574

Sales volumes for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from <sup>(1)</sup> January 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.

West Texas. In our west Texas marketing operations, we generate revenue by purchasing refined products from independent third-party suppliers for sale and exchange to third parties at our San Angelo and Abilene, Texas terminals and at third-party terminals located elsewhere in Texas. Substantially all of our product sales in west Texas are on a wholesale basis.

The majority of the petroleum products we sell in west Texas are purchased from Noble Petro, Inc. ("Noble Petro"). Under the terms of a supply contract with Noble Petro, we have the right to purchase up to 20,350 bpd of petroleum products for sale at our San Angelo and Abilene, Texas terminals, which we lease to Noble Petro. See "Commercial Agreements—Other Agreements with Third Parties—West Texas."

The following table details the average aggregate daily number of barrels of refined products, and the margins associated with such products, that we sold in our west Texas wholesale operations for the periods indicated.

	Year Ended December 31,		
	2014	2013	2012 <sup>(1)</sup>
Throughput (average bpd) <sup>(2)</sup>	16,707	18,156	16,523
Bulk Biofuels <sup>(3)</sup>	—	—	5,577
Gross margin (in thousands) <sup>(2)</sup>	\$28,174	\$12,420	\$15,512
Gross margin per barrel <sup>(2)</sup>	\$4.67	\$2.12	\$2.56

Throughputs for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from January <sup>(1)</sup> 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.



(2) Excludes bulk ethanol and biodiesel.

Prior to November 7, 2012, the DKL Predecessor also marketed bulk ethanol and biodiesel, beginning in the fourth quarter of 2011. Subsequent to November 7, 2012, we have not marketed bulk ethanol and biodiesel. Accordingly, these amounts are presented for the time period during which the DKL Predecessor marketed bulk biofuels.

#### Terminalling

We provide terminalling services for products to independent third parties and Delek through light products terminals in Nashville, Tennessee and Mount Pleasant, Texas and to Delek through our light products terminals in Memphis, Tennessee, Tyler, Texas, Big Sandy, Texas, El Dorado, Arkansas and North Little Rock, Arkansas. Delek has an agreement to use our Memphis, El Dorado, Tyler, Big Sandy and North Little Rock terminals. See “—Commercial Agreements—Commercial Agreements Entered Into in Connection with the Offering—Terminalling,” “—Commercial Agreements—Commercial Agreements in Connection with the El Dorado Acquisition,” “—Commercial Agreements—Commercial Agreements in Connection with the Tyler Acquisition” and “—Commercial Agreements—Other Agreements with Delek.” The table below sets forth historical average daily throughput for each of our terminals.

	Year Ended		
	December 31,		
	2014	2013	2012 <sup>(1)</sup>
Throughput (average bpd):			
Big Sandy, TX <sup>(2)</sup>	1,760	—	—
Memphis, TN	9,616	9,575	10,334
Nashville, TN	6,376	6,270	5,086
Tyler, TX <sup>(3)</sup>	61,501	55,686	—
El Dorado, AR <sup>(4)</sup>	9,807	—	—
North Little Rock, AR <sup>(5)</sup>	7,324	3,907	—
Mount Pleasant, TX <sup>(6)</sup>	417	—	—
Total (average bpd)	96,801	75,438	15,420

Throughputs for the year ended December 31, 2012 include the throughputs of the DKL Predecessor from January 1, 2012 through November 6, 2012 and those of the Partnership for the period beginning November 7, 2012 through December 31, 2012.

(2) The Big Sandy Terminal was acquired by Delek Marketing-Big Sandy, LLC on February 7, 2012. The terminal was idle during the year ended December 31, 2012 and for the majority of the year ended December 31, 2013.

(3) Throughputs for the year ended December 31, 2013 are for the 159 days the Partnership owned the Tyler Terminal in 2013.

(4) Throughputs for the year ended December 31, 2014 are for the 324 days the Partnership owned the El Dorado Terminal in 2014.

(5) Throughputs for the year ended December 31, 2013 are for the 69 days the Partnership owned the North Little Rock Terminal in 2013.

(6) Throughputs for the year ended December 31, 2014 are for the 92 days the Partnership operated the Mount Pleasant Terminal in 2014.



## Commercial Agreements

### Commercial Agreements Entered Into in Connection with the Offering

The Partnership entered into various long-term, fee-based commercial agreements with Delek at the completion of the Offering. Except where noted, each of these agreements, described below, became effective on November 7, 2012, concurrent with the completion of the Offering. Each of these agreements includes minimum quarterly volume or throughput commitments. Fees under each agreement are payable to us monthly by Delek or certain third parties to whom Delek has assigned certain of its rights. For a discussion of a third party's involvement in certain agreements, see "Delek's Crude Oil and Refined Products Supply and Offtake Arrangement." The tariffs, throughput fees and the storage fees under our agreements with Delek are subject to increase or decrease on July 1 of each year, by the amount of any change in the Federal Energy Regulatory Commission ("FERC") oil pipeline index or, in the case of the east Texas marketing agreement, to the consumer price index and, in the case of the El Dorado Terminal and Tank Assets and the Tyler Terminal and Tank Assets, to other inflation-based indices; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement. In most circumstances, if Delek or the applicable third party assignee fails to meet or exceed the minimum volume or throughput commitment during any calendar quarter, Delek, and not any third party assignee, will be required to make a quarterly shortfall payment to us equal to the volume of the shortfall multiplied by the applicable fee. Carry-over of any volumes in excess of such commitment to any subsequent quarter is not permitted. Exceptions to this requirement that Delek make minimum payments under a given agreement can exist if (i) there is an event of force majeure affecting our asset, or (ii) after the first three years of the applicable commercial agreement's term (a) there is an event of force majeure affecting the applicable Delek asset or (b) if Delek shuts down the applicable refinery upon giving 12 months' notice, which such notice may only be given after the first two years of the applicable commercial agreement's term. In addition, Delek may terminate any of these agreements under certain circumstances.

Under each of these agreements, we are required to maintain the capabilities of our pipelines, storage facilities and terminals such that Delek or its assignee may throughput and/or store, as the case may be, specified volumes of crude oil and refined products. To the extent that Delek or its assignee is prevented by our failure to maintain such capacities from throughputting or storing such specified volumes for more than 30 days per year, Delek's minimum throughput commitment will be reduced proportionately and prorated for the portion of the quarter during which the specified throughput capacity was unavailable, and/or the storage fee will be reduced, prorated for the portion of the month during which the specified storage capacity was unavailable. Such reduction would occur even if actual throughput or storage amounts were below the minimum volume commitment levels.

Each of the Partnership's commercial agreements with Delek entered into at the completion of the Offering, other than the marketing agreement described under "—East Texas," has an initial term of five years, which may be extended at the option of Delek for up to two additional five-year terms. The marketing agreement has an initial term of ten years and may be renewed annually thereafter.

**Lion Pipeline and SALA Gathering Systems.** We entered into a pipelines and storage facilities agreement with Delek under which we provide transportation and storage services to the El Dorado Refinery for crude oil and finished products. Under this pipelines and storage facilities agreement, Delek is obligated to meet certain minimum aggregate throughput volumes on the pipelines of our Lion Pipeline System and our SALA Gathering System as follows:

**Lion Pipeline System.** The minimum throughput commitment on the Lion Pipeline System crude oil pipelines is an aggregate of 46,000 bpd (on a quarterly average basis) of crude oil shipped on the El Dorado, Magnolia and rail connection pipelines, other than crude oil volumes gathered on our SALA Gathering System, at a current tariff rate of \$0.92 per barrel. For the Lion Pipeline System refined products pipelines, the minimum throughput commitment is an aggregate of 40,000 bpd (on a quarterly average basis) of diesel or gasoline shipped on these pipelines at a current tariff rate of \$0.109 per barrel.

**SALA Gathering System.** The minimum throughput commitment is an aggregate of 14,000 bpd (on a quarterly average basis) of crude oil transported on the SALA Gathering System at a current tariff rate of \$2.44 per barrel. Volumes initially gathered on the SALA Gathering System before injection into the Lion Pipeline System are not subject to an additional fee for transportation on our Lion Pipeline System to the El Dorado Refinery.

For a discussion of a third party's involvement in this agreement, see "—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement."

East Texas Crude Logistics System. We entered into a pipelines and tankage agreement with Delek pursuant to which we provide crude oil transportation and storage services for the Tyler Refinery. This agreement replaced the pipelines and

10

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tankage agreement between Delek and the DKL Predecessor. Under the current pipelines and tankage agreement, Delek is obligated to meet minimum aggregate throughput volumes of crude oil of at least 35,000 bpd, calculated on a quarterly average basis, on our East Texas Crude Logistics System for a current transportation fee of \$0.43 per barrel. For any volumes in excess of 50,000 bpd, calculated on a quarterly average basis, Delek is required to pay an additional fee currently at \$0.21 per barrel. In addition, Delek pays a current storage fee of \$271,640 per month for the use of our crude oil storage tanks along our East Texas Crude Logistics system.

East Texas. We entered into a marketing agreement with Delek pursuant to which we market 100% of the output of the Tyler Refinery, other than jet fuel and petroleum coke. This agreement replaced the marketing agreement between Delek and the DKL Predecessor and has a ten-year initial term and automatically renews annually thereafter unless notice is given by either party ten months prior to the end of the then current term. Under the marketing agreement, Delek is obligated to make available to us for marketing and sale at our Tyler Terminal and/or our Big Sandy Terminal an aggregate amount of refined products of at least 50,000 bpd, calculated on a quarterly average basis. In exchange for our marketing services, Delek pays us a current base fee of \$0.62 per barrel of products it sells. In addition, Delek has agreed to pay us 50% of the margin, if any, above an agreed base level generated on the sale as an incentive fee, provided that the incentive fee shall not be less than \$175,000 nor greater than \$500,000 per quarter.

Terminalling. We entered into two, five-year terminalling services agreements pursuant to which Delek pays us fees for providing terminalling and other services to Delek at our Memphis and Big Sandy terminals, as well as for storing product at our Big Sandy Terminal. The minimum throughput commitments under these agreements are 10,000 bpd (on a quarterly average basis) for the Memphis terminal, representing approximately 75% of maximum loading capacity, and 5,000 bpd (on a quarterly average basis) for the Big Sandy Terminal, representing approximately 55% of maximum loading capacity, in each case currently at a fee of \$0.54 per barrel. Delek is also subject to a current fee of \$54,280 per month for the right to store product at our Big Sandy Terminal. For a discussion of a third party's involvement in the terminalling agreement relative to our Memphis terminal, see "—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement."

Amended and Restated Services Agreement (Big Sandy Terminal and Pipeline). In connection with the acquisition of the Hopewell Pipeline on July 25, 2013, we entered into the Amended and Restated Services Agreement (Big Sandy Terminal and Pipeline) with Delek, which amended and restated the Terminalling Services Agreement (Big Sandy Terminal) dated November 7, 2012 to include, among other things, a minimum throughput commitment and a per-barrel throughput fee that Delek must pay us for throughput along the Tyler-Big Sandy Pipeline. Pursuant to the Amended and Restated Services Agreement (Big Sandy Terminal and Pipeline), Delek is obligated to throughput a minimum aggregate volume of at least 5,000 bpd through the Tyler-Big Sandy Pipeline, calculated on a quarterly average basis, and to pay a current transportation fee of \$0.54 per barrel for volumes shipped on the pipeline in addition to its terminal throughput obligations, regardless of the fact that the Tyler-Big Sandy Pipeline was not operational until the fourth quarter of 2013. The term of the Amended and Restated Services Agreement (Big Sandy Terminal and Pipeline) expires on November 6, 2017.

#### Commercial Agreements in Connection with the El Dorado Acquisition

El Dorado Throughput and Tankage Agreement. On February 10, 2014, in connection with the El Dorado Acquisition, Lion Oil, OpCo and, for limited purposes, J. Aron & Company ("J. Aron"), entered into the El Dorado Throughput and Tankage Agreement. Under the El Dorado Throughput and Tankage Agreement, OpCo provides Lion Oil with throughput and storage services in return for payment of throughput and storage fees. During each calendar quarter, Delek is obligated to throughput an aggregate amount of at least 11,000 bpd of certain refined products through the El Dorado Terminal at a current throughput fee of \$0.51 per barrel (the "El Dorado Throughput Fee"). Delek is also subject to a current fee of \$1,319,641 per month for the right to use the active shell capacity of the El Dorado Storage Tanks. The throughput and storage fees under this agreement with Delek are subject to increase or decrease on July 1 of each year, by the amount of any change in the producer price index; provided, however, that in no event will the

fees be adjusted below the amount initially set forth in the applicable agreement. The initial term of the El Dorado Throughput and Tankage Agreement is eight years, and Lion Oil, at its sole option, may extend the term for up to two renewal terms of four years each. If Delek does not throughput the aggregate amounts equal to the minimum throughput commitments described above during any calendar quarter, Delek must pay us a shortfall payment equal to the shortfall volume multiplied by the El Dorado Throughput Fee. Effective February 10, 2014, Lion Oil assigned to J. Aron its rights to use and transport materials through the El Dorado Terminal and Tank Assets until the expiration of Lion Oil's amended and restated supply and offtake agreement with J.

Aron, which is discussed more fully below. Despite the assignment, Lion Oil still retains certain rights and obligations under the El Dorado Throughput and Tankage Agreement.

**El Dorado Lease and Access Agreement.** In connection with the El Dorado Acquisition, Lion Oil and OpCo entered into the El Dorado Lease and Access Agreement (the "El Dorado Lease"). Under the El Dorado Lease, OpCo leases from Lion Oil the real property on which the El Dorado Terminal and Tank Assets are located. The El Dorado Lease has an initial term of 50 years with automatic renewal for up to four successive 10-year periods thereafter.

**El Dorado Site Services Agreement.** In connection with the El Dorado Acquisition, Lion Oil and OpCo also entered into the El Dorado Site Services Agreement. Under the El Dorado Site Services Agreement, Lion Oil provides OpCo with shared use of certain services, materials and facilities that are necessary to operate and maintain the El Dorado Terminal and Tank Assets as currently operated and maintained. The term of the El Dorado Site Services Agreement is co-terminous with the El Dorado Lease discussed above.

#### Commercial Agreements in Connection with the Tyler Acquisition

**Tyler Throughput and Tankage Agreement.** On July 26, 2013, in connection with the Tyler Acquisition, we and Delek entered into the Tyler Throughput and Tankage Agreement. Under the Tyler Throughput and Tankage Agreement, we provide Delek with throughput and storage services in return for payment of throughput and storage fees. During each calendar quarter, Delek is obligated to throughput an aggregate amount of at least 50,000 bpd of certain refined products through the Tyler Terminal at a current throughput fee of \$0.36 per barrel (the "Tyler Throughput Fee"). Delek is also subject to a current fee of \$855,041 per month for the right to use the active shell capacity of the Tyler Storage Tanks. The throughput and storage fees under this agreement with Delek are subject to increase or decrease on July 1 of each year, by the amount of any change in the producer price index; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement. The initial term of the Tyler Throughput and Tankage Agreement is eight years and Delek, at its sole option, may extend the term for up to two renewal terms of four years each. If Delek does not throughput the aggregate amounts equal to the minimum throughput commitments described above during any calendar quarter, Delek must pay us a shortfall payment equal to the shortfall volume multiplied by the Tyler Throughput Fee.

As set forth in the agreement, we are obligated to maintain certain throughput and storage capacities. Failure to meet such obligations may result in a reduction of fees payable by Delek to us under the agreement.

**Tyler Lease and Access Agreement.** In connection with the Tyler Acquisition, we and Delek entered into the Tyler Lease and Access Agreement (the "Tyler Lease"). Under the Tyler Lease, we lease from Delek the real property on which the Tyler Terminal and Tank Assets are located. The lease has an initial term of 50 years with automatic renewal for up to four successive 10-year periods thereafter.

**Tyler Site Services Agreement.** In connection with the Tyler Acquisition, we and Delek also entered into the Tyler Site Services Agreement. Under the Tyler Site Services Agreement, Delek provides us with shared use of certain services, materials and facilities that are necessary to operate and maintain the Tyler Terminal and Tank Assets as currently operated and maintained. The term of the Tyler Site Services Agreement is co-terminous with the Tyler Lease discussed above.

#### Other Agreements with Delek

In addition to the commercial agreements described above, the Partnership has entered into the following agreements with Delek:

**Second Amended and Restated Omnibus Agreement.** On July 26, 2013, in connection with the Tyler Acquisition, the Partnership and the other parties entered into the First Omnibus Amendment, which was then amended and restated by the Second Omnibus Amendment on February 10, 2014, in connection with the El Dorado Acquisition.

The Second Omnibus Amendment includes, among other things, (i) modifications in the reimbursement by Delek and certain of its subsidiaries under the Omnibus Agreement for certain operating expenses and capital expenditures incurred by the Partnership or its subsidiaries, (ii) modifications of the indemnification provisions under the Omnibus

Agreement in favor of the Partnership with respect to certain environmental matters, and (iii) an increase in the annual administrative fee payable by us to Delek under the Omnibus Agreement from \$3.0 million to \$3.3 million as of the date of the Second Omnibus Amendment for general corporate and administrative services. For more information regarding the Second Omnibus Amendment, see “Recent Developments—El Dorado Terminal and Tankage Acquisition.”

Under the Second Omnibus Amendment, Delek has agreed to reimburse us for (i) certain expenses that we incur for inspections, maintenance and repairs to any storage tanks we acquired in the El Dorado Acquisition to cause such storage tanks to comply with applicable regulatory and/or industry standards, (ii) certain expenses that we incur for inspections, maintenance and repairs to most of the storage tanks contributed to us by Delek (subject to a deductible of \$0.5 million per year) that are necessary to comply with the DOT pipeline integrity rules and certain American Petroleum Institute storage tank standards for a period of five years, and (iii) certain non-discretionary maintenance capital expenditures with respect to certain of our assets in excess of specified amounts.

**North Little Rock Terminalling Agreement.** On October 24, 2013, we purchased the North Little Rock Terminal from Enterprise Refined Products Company LLC. On the same date, we entered into an eight-year terminalling services agreement, pursuant to which Delek pays us fees for providing terminalling and other services at the North Little Rock Terminal, and for storing product at the terminal. The minimum throughput commitments under this agreement are currently 8,100 bpd (on a quarterly average basis) at a fee of \$0.235 per barrel and a storage fee of \$64,001 per month. Pursuant to the agreement, we may, but are not required to, complete certain capital projects in two phases in order to support and enhance blending activities and increase throughput capacity at the terminal. Upon completion of both phases of the capital projects, the minimum throughput fee will decrease to \$0.22 per barrel, while the storage fee will increase to \$99,000 per month and Delek's minimum throughput commitment will increase to 15,500 bpd (on a quarterly average basis). For a discussion of a third party's involvement in this agreement, see "—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement."

**Memphis Pipeline Agreement.** We lease from an unrelated third party capacity on a portion of the Lion Pipeline System, which runs from El Dorado, Arkansas to our terminal in Memphis, Tennessee. We entered into a throughput agreement with Delek under which we provide transportation services from the El Dorado Refinery to the Memphis terminal for finished products. The minimum throughput commitments under this agreement are an aggregate of 10,959 bpd (on a quarterly average basis) of finished products shipped on the pipeline, at a current tariff rate of \$1.32 per barrel.

#### Other Agreements with Third Parties

**Paline Pipeline System Capacity Reservation.** Prior to the Partnership's acquisition of Paline, Paline entered into a contract with an unrelated third party for such company to exclusively use 100% of the southbound capacity of our Paline Pipeline. This agreement expired by its terms on December 31, 2014. Effective January 1, 2015, we entered into two new agreements with unrelated third parties for use of capacity of the Paline Pipeline. Pursuant to the terms of the new agreements, these third parties will each pay a fixed monthly fee allowing them the exclusive right to use their respective leased capacities on the pipeline, which account for a combined 35,000 bpd. The initial term of these agreements is 18 months from January 1, 2015.

**West Texas.** In our west Texas marketing operations, we generate revenue by purchasing refined products from independent third-party suppliers for sale and exchange to third parties at our San Angelo and Abilene, Texas terminals and at third-party terminals located elsewhere in Texas. Substantially all of our product sales in west Texas are on a wholesale basis. The majority of the petroleum products we sell in west Texas are purchased from Noble Petro. Under the terms of the Abilene Contract with Noble Petro, we have the right to purchase up to 20,350 bpd of petroleum products. Under this contract, we purchase petroleum products based on monthly average prices from Noble Petro immediately prior to our resale of such products to customers at our San Angelo and Abilene, Texas terminals, which we lease to Noble Petro. Under this arrangement, we have limited direct exposure to risks associated with fluctuating prices for these refined products due to the short period of time between the purchase and resale of these refined products. The Abilene Contract expires in December 2017 and does not have a renewal option.

#### Delek's Crude Oil and Refined Products Supply and Offtake Arrangement

Pursuant to an arrangement with Delek and Lion Oil, to which we are not a party, J. Aron acquires and holds title to substantially all crude oil and refined products transported on our Lion Pipeline System and SALA Gathering System. J. Aron is therefore considered the shipper for the liquid it owns on the Lion Pipeline System and the SALA Gathering System. J. Aron also has title to the refined products stored at our Memphis, North Little Rock and El Dorado

terminals and in the El Dorado Storage Tanks. Under (i) our pipelines and storage agreement with Lion Oil relating to the Lion Pipeline System and the SALA Gathering System, (ii) our terminalling agreements with Lion Oil relating to the Memphis and North Little Rock terminals, and (iii) our throughput and tankage agreement relating to the El Dorado Terminal and Tank Assets. Lion Oil has assigned to J. Aron certain of its rights under these agreements, including the right to have J. Aron's crude oil and intermediate and refined products stored in or transported on or through these systems, the Memphis and North Little Rock



terminals and the El Dorado Terminal and Tank Assets, with Lion Oil acting as J. Aron's agent for scheduling purposes. Accordingly, even though this is effectively a financing arrangement for Delek whereby J. Aron sells the product back to Delek, J. Aron is technically our primary customer under each of these agreements. J. Aron will retain these storage and transportation rights for the term of its arrangement with Delek and Lion Oil, which currently runs through April 30, 2017, and J. Aron will pay us for the transportation, throughput and storage services we provide to it. The rights assigned to J. Aron will not alter Lion Oil's obligations to meet certain throughput minimum volumes under our agreements with respect to the transportation, throughput and storage of crude oil and refined products through our facilities, but J. Aron's throughput will be credited toward Lion Oil's minimum throughput commitments. Accordingly, Lion Oil will be responsible for making any shortfall payments incurred under the pipelines and storage agreement or the terminalling agreement which may result from minimum throughputs or volumes not being met.

#### Customers

We are dependent upon Delek as our primary customer and the loss of Delek as a customer would have a material adverse effect on both of our operating segments. We derive a substantial majority of our gross margin, which is defined as net sales less cost of goods sold, from fee-based commercial agreements with Delek or as a direct result of its operations. See "—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement." For more information pertaining to these agreements, please see "—Commercial Agreements." We also have other customers, including major oil companies, independent refiners and marketers, jobbers, distributors, utility and transportation companies, and independent retail fuel operators.

#### Major Customers

Sunoco LP accounted for 23.3%, 17.7% and 17.5% of our total revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Delek accounted for 13.6%, 8.6% and 23.1% of our total revenues for the years ended December 31, 2014, 2013 and 2012, respectively. However, we believe that gross margin is a better measure of performance of our business than revenue, particularly in our wholesale marketing and terminalling segment, as total revenue varies with the price of the underlying product, such as a gallon of finished product. Accordingly, we believe that, for the purpose of evaluating our business on a customer-specific basis, gross margin is a more accurate indicator to reflect the importance of certain customers to our operations. Delek, directly or indirectly, accounted for 76.6%, 79.5%, and 71.1% of our gross margin for the years ended December 31, 2014, 2013 and 2012, respectively.

#### Competition

#### Pipelines and Transportation

Our business in this segment primarily consists of gathering, transporting and storing crude oil, intermediate and finished products for Delek and third parties, especially other refiners. This business is very competitive. We face competition for the transportation and storage of crude oil from other pipeline owners whose pipelines or storage facilities (i) may have a location advantage over our pipelines or storage facilities, (ii) may be able to transport or store more desirable crude oil to Delek or to third parties, (iii) may be able to transport or store crude oil or finished product at a lower rate, or (iv) may be able to store more crude oil or finished product than we can. In addition, Delek's or any of our third-party customers' wholesale customers could reduce their purchases of refined products due to the increased availability of more competitively priced product from other refiners or suppliers or for other reasons. Any or all such factors could cause Delek or our third-party customers to reduce throughput at their respective facilities, reduce throughput to a level that is below the minimum throughput commitments established in any contracts we may have with them, or determine not to renew such contracts when the term expires.

As a result of our physical integration with Delek's El Dorado Refinery and our contractual relationships with Delek relative to the El Dorado Refinery, we do not believe that we will face significant competition for the transportation of crude oil or refined products to or from the El Dorado Refinery, particularly during the term of our Lion Pipeline System and SALA Gathering System agreements with Delek. See "—Commercial Agreements—Commercial Agreements

Entered Into in Connection with the Offering—Lion Pipeline and SALA Gathering Systems."

Wholesale Marketing and Terminalling

The wholesale marketing and terminalling business is generally very competitive. Our owned refined product terminals, as well as the other third-party terminals we use to sell refined product, compete with other independent terminal operators

as well as integrated oil companies on the basis of terminal location, price, versatility and services provided. The costs associated with transporting products from a loading terminal to end users usually limit the geographic size of the market that can be served economically by any terminal. Two key markets in west Texas that we serve from our owned facilities are Abilene and San Angelo, Texas. We have direct competition from an independent refinery that markets through another terminal in the Abilene market. However, there are no competitive fuel loading terminals within approximately 90 miles of our San Angelo terminal. Our Nashville terminal competes with a significant number of other terminals located in the greater Nashville area. With respect to terminalling services we provide to Delek at our Memphis and North Little Rock terminals, as a result of our exclusive terminalling agreements, we do not believe we will face significant competition from third parties for these services.

With respect to the marketing services we provide to Delek's Tyler Refinery, as a result of our exclusive 10-year agreement with Delek to market 100% of the refined products output of the Tyler Refinery (other than jet fuel and petroleum coke), we do not believe that we will face significant competition for these services from third parties. In addition, as a result of our physical integration with the Tyler Refinery and our contractual relationships with Delek relative to the Tyler Refinery, we do not believe that we will face significant competition for the storage or throughput of intermediate or refined products at the Tyler Refinery, particularly during the term of our agreements with Delek. See "—Commercial Agreements—Commercial Agreements in Connection with the Tyler Acquisition." Should Delek's wholesale customers, however, reduce their purchases of refined products due to the increased availability of more competitively priced products from other suppliers or for other reasons, the volumes we sell under the aforementioned agreement could decrease below the minimum volume commitment under the contract. Delek's Tyler Refinery is the only full-range product supplier within 100 miles; therefore, we believe its location gives the Tyler Refinery a natural advantage over more distant competitors.

#### Governmental Regulation and Environmental Matters Rate Regulation of Petroleum Pipelines

The rates and terms and conditions of service on certain of our pipelines are subject to regulation by the FERC under the Interstate Commerce Act ("ICA") and by the state regulatory commissions in the states in which we transport crude oil and refined products, including the Railroad Commission of Texas, the Louisiana Public Service Commission, and the Arkansas Public Service Commission. Certain of our pipeline systems are subject to such regulation and have filed tariffs with the appropriate entities. We also comply with the reporting requirements for these pipelines. Other of our pipelines have received a waiver from the application of FERC's tariff requirements but comply with other applicable regulatory requirements.

The FERC regulates interstate transportation under the ICA, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil pipelines, including pipelines that transport crude oil and refined products in interstate commerce (collectively referred to as "petroleum pipelines"), be just and reasonable and non-discriminatory and that such rates and terms and conditions of service be filed with the FERC. Under the ICA, shippers may challenge new or existing rates or services. The FERC is authorized to suspend the effectiveness of a challenged rate for up to seven months, though rates are typically not suspended for the maximum allowable period. Tariff rates are typically contractually subject to increase or decrease on July 1 of each year, by the amount of any change in the FERC oil pipeline index; provided, however, that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement.

While the FERC regulates rates for shipments of crude oil or refined products in interstate commerce, state agencies may regulate rates and service for shipments in intrastate commerce. We own pipeline assets in Texas, Arkansas and Louisiana; accordingly, such assets may be subject to additional regulation by the applicable governmental authorities. In particular, and without limitation, the Greenville-Mount Pleasant Pipeline currently operates as a common carrier subject to regulation by the Railroad Commission of Texas.

Whether a pipeline provides service in interstate commerce or intrastate commerce is highly fact-dependent and determined on a case-by-case basis. We cannot provide assurance that the FERC will not at some point assert that some or all of the transportation service we provide, for which we do not have a tariff on file at FERC, is within its jurisdiction. If the FERC were successful with any such assertion, the FERC's ratemaking methodologies may subject us to potentially burdensome and expensive operational, reporting and other requirements. Currently, we own pipeline assets in Texas, Arkansas and Louisiana. In Texas, a pipeline, with some exceptions, is required to operate as a common carrier by publishing

tariffs and providing transportation without discrimination. Arkansas provides that all intrastate oil pipelines are common carriers. In Louisiana, all pipelines conveying petroleum from a point of origin within the state to a destination within the state are declared common carriers. The Louisiana Public Service Commission is empowered with the authority to establish reasonable rates and regulations for the transport of petroleum by a common carrier, mandating public tariffs and providing of transportation without discrimination. State commissions have generally not been aggressive in regulating common carrier pipelines, have generally not investigated the rates or practices of petroleum pipelines in the absence of shipper complaints, and generally resolve shipper complaints informally.

#### Department of Transportation

The Pipeline and Hazardous Materials Safety Administration ("PHMSA") of the United States Department of Transportation ("DOT") regulates the design, construction, testing, operation, maintenance and emergency response of crude oil, petroleum products and other hazardous liquids pipelines and certain tank facilities. These requirements are complex, subject to change and, in certain cases, can be costly to comply with. We believe our operations are in substantial compliance with these regulations but cannot assure you that future requirements will not require substantial expenditures on our part to remain in compliance. Moreover, certain of these rules are difficult to insure adequately and we cannot assure you that we will have adequate insurance to address damages from any noncompliance.

The United States Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (or Pipeline Safety Act) was enacted on January 3, 2012, pursuant to which the maximum civil penalties for certain violations were increased from \$100,000 to \$200,000 per violation per day, and from a total cap of \$1 million to \$2 million. A number of the provisions of the Pipeline Safety Act have the potential to cause owners and operators of pipeline facilities to incur significant capital expenditures and/or operating costs. We believe any additional requirements resulting from these directives will not impact us differently than our competitors. We intend to work closely with our industry associations to participate with and monitor DOT-PHMSA's efforts.

The DOT has issued guidelines with respect to securing regulated facilities against terrorist attack. We have instituted security measures and procedures in accordance with such guidelines to enhance the protection of certain of our facilities. We cannot provide any assurance that these security measures would fully protect our facilities from an attack.

#### Environmental Health and Safety

We are subject to various federal, state and local environmental and safety laws enforced by a number of regulatory agencies, including the United States Environmental Protection Agency ("EPA"), the United States Department of Transportation / Pipeline and Hazardous Materials Safety Administration, the United States Department of Labor / Occupational Safety and Health Administration, the Texas Commission on Environmental Quality, the Texas Railroad Commission, the Arkansas Department of Environmental Quality, the Louisiana Oil Spill Coordinating Office, the Louisiana Department of Environmental Quality, the Louisiana Department of Wildlife and Fisheries and the Tennessee Department of Environment and Conservation as well as other state and federal agencies. Numerous permits or other authorizations are required under these laws for the operation of our terminals, pipelines, storage tanks and related operations, and may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters, which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances we manufactured, handled, used, released or disposed of, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted or may result in changes to operating procedures and in capital expenditures. We also may become subject to environmental and safety exposure related to assets we may acquire from time to time as part of our ongoing growth strategy. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and

changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements as well as evolving interpretations and more strict enforcement of existing laws and regulations.

#### Employees

We have no employees. Rather, all of the employees that conduct our business are employed by our general partner and its non-Partnership affiliates, and we believe that our general partner and its non-Partnership affiliates have a satisfactory relationship with those employees.

#### Seasonality and Customer Maintenance Programs

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic, while demand for asphalt products, which is a substantial product of Delek's El Dorado Refinery, is lower in the winter months. In addition, our refining customers, such as Delek, occasionally reduce or suspend operations to perform planned maintenance, which is more typically scheduled during the winter, when demand for their products is lower. Accordingly, these factors affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods, and our operating results will generally be lower during the first and fourth quarters of the year. We, believe, however, that many of the potential effects of seasonality on our revenues and contribution margin will be substantially mitigated due to our commercial agreements with Delek that include minimum volume and throughput commitments.

Available Information

Our internet website address is [www.DelekLogistics.com](http://www.DelekLogistics.com). Information contained on our website is not part of this Annual Report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed with (or furnished to) the Securities and Exchange Commission (“SEC”) are available on our internet website (in the “Investor Relations” section) free of charge, as soon as reasonably practicable after we file or furnish such material to the SEC. We also post our corporate governance guidelines, code of business conduct and ethics and the charter of the audit committee of the board of directors of our general partner in the same website location. Our governance documents are available in print to any unitholder that makes a written request to Secretary, Delek Logistics Partners, LP, 7102 Commerce Way, Brentwood, TN 37027.



## ITEM 1A. RISK FACTORS

Limited partner interests are inherently different from shares of 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 similar businesses. If any of the following risks were to occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, we might not be able to pay the minimum quarterly distribution on our common units or the trading price of our common units could decline.

### Risks Relating to Our Business

Delek, directly or indirectly, accounts for a substantial majority of our margins. Therefore, we are indirectly subject to the business risks of Delek. If Delek changes their business strategy, fails to satisfy their obligations under our commercial agreements for any reason or significantly reduces the volumes transported through our pipelines or handled at our terminals or its use of our marketing services, our revenues, and, consequently, our margins would decline and our financial condition, results of operations, cash flows and ability to make distributions to our unitholders would be adversely affected.

Delek, directly or indirectly, accounted for 76.6%, 79.5% and 71.1% of our gross margin for the years ended December 31, 2014, 2013 and 2012, respectively. Delek is, effectively, through its supply and offtake agreement with its assignee, J. Aron, the principal customer for our Lion Pipeline System, our SALA Gathering System and our Memphis and North Little Rock terminals. Delek is the only customer for our Tyler Terminal and Tank Assets, our East Texas Crude Logistics System, our Big Sandy Terminal and our Tyler-Big Sandy Pipeline and effectively, through its supply and offtake agreement with J. Aron, is our only customer for our El Dorado Terminal and Tank Assets. See "Item 1—Business—Commercial Agreements—Commercial Agreements Entered Into in Connection with the Offering," "—Commercial Agreements—Commercial Agreements in Connection with the Tyler Acquisition" and "—Commercial Agreements—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement." Delek is also a primary customer of our trucking business. As we expect to continue to derive the substantial majority of our margins from Delek, either directly or indirectly, for the foreseeable future, we are subject to the risk of nonpayment, nonperformance or underperformance by Delek under our commercial agreements. In addition, we are subject to the risk of nonpayment, nonperformance or underperformance by Delek's assignees, including without limitation, J. Aron. If Delek were to significantly decrease, or cause the significant decrease of, the throughput transported on our pipelines or the volumes of refined products handled at our terminals, whether because of business or operational difficulties or strategic decisions by Delek's management, it is unlikely that we would be able to utilize any additional capacity on our pipelines or terminal facilities to service third-party customers without substantial capital outlays and delays, if at all, which could materially and adversely affect our results of operations, financial condition and cash flows. Additionally, any event, whether in our areas of operation or otherwise, that materially and adversely affects Delek's or its assignees' financial condition, results of operations or cash flows may adversely affect us and our business and, therefore, our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of Delek and its assignees, including, but not limited to, the following:

- the risk of contract cancellation, non-renewal or failure to perform by Delek's customers, and Delek's inability to replace such contracts, customers and/or revenues;
- disruptions due to equipment interruption or failure at Delek's facilities, or at third-party facilities on which Delek's business is dependent;
- the timing and extent of changes in commodity prices and the resulting demand for Delek's refined products, and the availability and costs of crude oil and other refinery feedstocks;
- the effects of economic downturns on Delek's business and the business of its suppliers, customers, business partners and lenders;
- Delek's ability to remain in compliance with its supply and offtake arrangement with J. Aron;
- Delek's ability to remain in compliance with the terms of its outstanding and any future indebtedness;
- changes in the cost or availability of third-party pipelines, terminals and other means of delivering and transporting crude oil, feedstocks and refined products;

state and federal environmental, economic, health and safety, energy and other policies and regulations, and any changes in those policies and regulations;

environmental incidents and violations and related remediation costs, fines and other liabilities; and

changes in crude oil and refined product inventory levels and carrying costs.

Additionally, Delek continually considers opportunities presented by third parties with respect to its refinery assets.

These opportunities may include offers to purchase certain assets and joint venture propositions. Delek may also change its refineries' operations by constructing new facilities, suspending or reducing certain operations, or modifying or closing facilities. Changes may be considered to meet market demands, to satisfy regulatory requirements or environmental and safety objectives, to

improve operational efficiency or for other reasons. Delek actively manages its assets and operations, and, therefore, changes of some nature, possibly material to its business relationship with us, could occur in the future.

Furthermore, conflicts of interest may arise between Delek and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. We have no control over Delek or our general partner, and Delek may elect to pursue a business strategy or make other decisions that do not favor us or our business. Please see “—Risks Relating to Our Partnership Structure—Our general partner and its affiliates, including Delek, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders.”

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner and its affiliates, to enable us to pay the minimum quarterly distribution to holders of our common and subordinated units.

In order to pay the minimum quarterly distribution of \$0.375 per unit, or \$1.50 per unit on an annualized basis, we will require available cash of approximately \$9.5 million per quarter, or \$37.8 million per year, based on the number of common, subordinated and general partner units that were outstanding at December 31, 2014 and the phantom units with distribution equivalent rights that have been awarded to the independent directors of our general partner and certain key employees of our affiliates pursuant to our long-term incentive plan. We may not have sufficient available cash each quarter to enable us to pay the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the volume of crude oil and refined products we handle;
- our entitlement to payments associated with minimum volume commitments;
- the rates and terminalling and storage fees we charge for the volumes we handle;
- the margins generated on the refined products we market or sell;
- timely payments by our customers;
- the level of our operating, maintenance and general and administrative expenses, including the administrative fee under the Second Omnibus Amendment and reimbursements to Delek for services provided to us; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, including:

- the level and timing of capital expenditures we make and the timely reimbursement by Delek for any such expenditures for which it is required to reimburse us under the Second Omnibus Amendment;
- the cost of consummating or attempting to consummate acquisitions, if any;
- successful integration of any acquisitions;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- our ability to borrow funds and access capital markets;
- restrictions on distributions contained in our debt agreements;
- the amount of cash reserves established by our general partner; and
- other business risks affecting our cash levels.

The amount of cash we have available for distribution to our unitholders depends primarily on our cash flow rather than our profitability. As a result, we may make cash distributions during periods when we record net losses, and we may not make cash distributions during periods when we record net income.

Our logistics and marketing operations and Delek’s refining operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our or Delek’s facilities and liability for damages. If a significant accident or event occurs that results in a business interruption or shutdown, our operations and financial results could be adversely affected.

Our logistics and marketing operations are subject to all of the risks and operational hazards inherent in gathering, transporting and storing crude oil and intermediate and refined and other products, including:

- mechanical or structural failures with respect to our assets, at our facilities or with respect to third-party assets or facilities on which our operations are dependent, including Delek’s assets or facilities;

• damages to pipelines and facilities, related equipment and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism;

• the inability of third-party facilities on which our operations are dependent, including Delek's facilities, to complete capital projects and to restart timely refining operations following a shutdown;

• curtailments of operations as a result of severe seasonal weather;

20

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inadvertent damage to pipelines from construction, farm and utility equipment;  
constrained pipeline and storage infrastructure; and  
other hazards.

These risks 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, as well as business interruptions or shutdowns of our facilities. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition and results of operations. In addition, Delek's refining operations, on which our operations are substantially dependent and over which we have no control, are subject to similar operational hazards and risks inherent in refining crude oil. A significant accident at our facilities or at Delek's facilities could expose us to significant liability and could affect Delek's ability and/or obligation to satisfy the minimum volume commitments under our commercial agreements with Delek.

Our assets and operations are subject to federal, state, and local laws and regulations relating to environmental protection, pipeline integrity and safety that could require us to make substantial expenditures.

Our assets and operations involve the transportation and storage of crude oil and products, which is subject to increasingly stringent federal, state, and local laws and regulations related to protection of the environment and pipeline integrity that require us to comply with various safety requirements regarding the design, installation, testing, construction, and operational management of our pipeline systems and storage facilities. These regulations have raised operating costs for the crude oil and products industry and compliance with such laws and regulations may cause us and Delek to incur potentially material capital expenditures associated with the construction, maintenance, and upgrading of equipment and facilities. Environmental laws and regulations, in particular, are subject to frequent change, and many of them have become and will continue to become more stringent.

Transportation and storage of crude oil and products involves inherent risks of spills and releases from our facilities, and can subject us to various federal and state laws governing spills and releases, including reporting and remediation obligations. We have experienced several releases and spills from our facilities since the Offering and are subject to ongoing remediation and/or monitoring projects. The costs associated with such obligations can be substantial, as can costs associated with related enforcement matters, including possible fines and penalties. Transportation of such products over water or proximate to navigable bodies of water involves inherent risks (including risks of spills) and could subject us to the provisions of the Oil Pollution Act of 1990 (the "Oil Pollution Act") and similar state environmental laws should a spill occur from our pipelines. Among other things, the Oil Pollution Act requires us to prepare a facility response plan identifying the personnel and equipment necessary to remove to the maximum extent practicable a "worst case discharge." While our plans are designed to mitigate environmental impacts, such plans may not protect us from all liability associated with the discharge of crude oil or products into navigable waters.

With respect to the releases that have occurred, or for an event that occurs or is discovered in the future, whether in connection with any of our pipelines or storage facilities, or any other facility to which we send or have sent waste or by-products for treatment or disposal, or a facility or assets that we may acquire from time to time as part of our ongoing growth strategy, we could be liable for all costs and penalties associated with the remediation of such facilities under federal, state and local environmental laws or common law. We may also be liable for personal injury or property damage claims from third parties alleging contamination from spills or releases from our facilities or operations. In addition, we will be subject to an aggregate deductible of \$250,000, to the extent we are entitled to indemnification for environmental liabilities, before we are entitled to indemnification from Delek for certain environmental liabilities under the Second Omnibus Amendment. Even if we are insured or indemnified against such risks, we may be responsible for costs or penalties to the extent our insurers or indemnitors do not fulfill their obligations to us. We could incur potentially significant additional expenses should we determine that any of our assets are not in compliance. Our failure to comply with these or any other environmental, pipeline integrity or safety-related regulations could result in the assessment of administrative, civil, or criminal penalties, the imposition of investigatory and remedial liabilities, and the issuance of injunctions that may subject us to additional operational constraints. Any such penalties or liability could have a material adverse effect on our business, financial condition or results of operations.

Significant portions of our pipeline systems and storage facilities have been in service for several decades. There could be service interruptions due to failures, unknown events or other conditions or increased maintenance or repair expenses and downtime associated with our pipelines and storage facilities that could have a material adverse effect on our business and results of operations.

Significant portions of our pipeline systems and storage and terminalling facilities and our SALA Gathering System have been in service for several decades, which could lead to service interruptions from failures or other events. The age and condition of our systems could also result in increased maintenance or repair expenditures, and any downtime associated with increased maintenance and repair activities could materially reduce our revenue. Any significant increase in maintenance and repair expenditures or loss of revenue due to the age or condition of our systems could adversely affect our business and results of operations and our ability to make cash distributions to our unitholders.

Our contract counterparties may suspend, reduce or terminate their obligations under our various commercial agreements in certain circumstances, including events of force majeure, which could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

Our commercial agreements with Delek and third parties provide that the counterparty may suspend, reduce or terminate its obligations to us under the applicable agreement, including the requirement to pay the fees associated with the applicable minimum volume commitments, in the event of (i) a material breach of the agreement by us, (ii) in the case of Delek, Delek deciding to permanently or indefinitely suspend refining operations at one or more of its refineries, or (iii) the occurrence of certain force majeure events that would prevent us or the third party from performing our or its obligations under the applicable agreement. As defined in our commercial agreements, force majeure events may include any acts or occurrences that prevent services from being performed either by us or such third party under the applicable agreement, such as:

- acts of God;
- strikes, lockouts or other industrial disturbances;
- acts of the public enemy, wars, blockades, insurrections, riots or civil disturbances;
- storms, floods or washouts;
- arrests or the order of any court or governmental authority having jurisdiction while the same is in force and effect;
- explosions, breakage, or accident to machinery, storage tanks or lines of pipe;
- any inability to obtain or unavoidable delay in obtaining material or equipment;
- any inability to deliver crude oil or refined products because of a failure of third-party pipelines; and
- any other causes not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

Our counterparties have the discretion in certain circumstances to decide to suspend, reduce or terminate their obligations under our commercial agreements notwithstanding the fact that their decisions may significantly and adversely affect us.

Accordingly, there exists a broad range of events that could result in our no longer being able to utilize our pipelines or terminals and Delek or its assignee no longer having an obligation to meet its minimum volume commitments or pay the amounts otherwise owing under the applicable agreement. Furthermore, a single event relating to one of Delek's refineries could have such an impact on multiple of our commercial agreements with Delek or its assignee. Any reduction, suspension or termination of any of our commercial agreements could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

If Delek satisfies only its minimum obligations under, or if we are unable to renew or extend, the various commercial agreements we have with it, our ability to make distributions to our unitholders may be impaired.

Delek is not obligated to use, or to pay us with respect to our services for volumes of crude oil or refined products in excess of the minimum volume commitments under the various commercial agreements with us. During refinery turnarounds, which typically last 30 to 60 days and are performed every three to five years, and during other planned or unplanned maintenance periods, Delek may only satisfy its minimum volume commitments during such periods with respect to our assets that serve the refinery. In addition, the initial terms of Delek's obligations under those agreements range from five to ten years unless earlier terminated as described above, with Delek having the option to renew. Some of these agreements expire in November 2017. If Delek fails to use our services for volumes of crude oil or refined products in excess of the minimum volume commitments or fails to use our facilities and services after expiration of those agreements, or if Delek terminates those agreements prior to their expiration, and we are unable to generate additional revenues from third parties, our ability to make cash distributions to unitholders may be impaired. A material decrease in the refining margins at either of Delek's refineries could materially reduce the volumes of crude oil or refined products that we handle, which could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

The volumes of crude oil and refined products that we transport and refined products that we market depend substantially on Delek's refining margins. Refining margins are dependent mostly upon the price of crude oil or other refinery feedstocks and the price of refined products. These prices are affected by numerous factors beyond our or Delek's control, including the dynamics of global supply and demand for crude oil, gasoline and other refined

products. The impact of low refined product demand may be further compounded by excess global refining capacity and high inventory levels.

If the demand for refined products, particularly in Delek's primary market areas, decreases significantly, or if there were a material increase in the price of crude oil supplied to Delek's refineries without an increase in the value of the refined products produced by those refineries, either temporary or permanent, which caused Delek to reduce production of refined products at its refineries, there would likely be a reduction in the volumes of crude oil and refined products we handle for Delek. Any such reduction could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.



In addition to our indirect exposure to Delek's refining margins, we are directly impacted by the wholesale margins of the Tyler Refinery relative to U.S. Gulf Coast prices, where our marketing agreement with Delek provides that we share a portion of Delek's margin, if any, above an agreed base level generated on the sale of refined products, other than jet fuel and petroleum coke. Accordingly, any decline in Delek's margins at the Tyler Refinery would negatively impact the revenues we generate under our marketing agreement and could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

A material decrease in the supply of attractively priced crude oil could materially reduce the volumes of crude oil and refined products that we transport and store, which could materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

The volumes of crude oil and refined products that we may transport on our pipelines in excess of Delek's minimum volume commitments will depend on the volumes of crude oil processed and refined products produced at Delek's refineries. The volumes of crude oil processed and refined products produced depend, in part, on the availability of attractively priced crude oil.

In order to maintain or increase production levels at Delek's refineries, Delek must continually contract for new crude oil supplies or consider connecting to alternative sources of crude oil. Adverse developments in major oil producing regions around the world could have a significant impact on our financial condition, results of operations and cash flows because of our lack of industry and geographic diversity and substantial reliance on Delek as a customer.

Accordingly, in addition to risks related to accessing, transporting and storing crude oil and refined products, we are disproportionately exposed to risks inherent in the broader oil and gas industry, including:

- the volatility and uncertainty of regional pricing differentials for crude oil and refined products;

- the ability of the members of the Organization of the Petroleum Exporting Countries, or OPEC, to agree to and maintain production controls;

- the nature and extent of governmental regulation and taxation; and

- the anticipated future prices of crude oil and refined products in markets served by Delek's refineries.

If, as a result of any of these or other factors, the volumes of attractively priced crude oil available to Delek's refineries are materially reduced for a prolonged period of time, the volumes of crude oil and refined products that we transport and store, and the related fees for those services, could be materially reduced, which could materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Our substantial dependence on Delek's Tyler and El Dorado Refineries as well as the lack of diversification of our assets and geographic locations could adversely affect our ability to make distributions to our common unitholders.

We believe that a substantial majority of our contribution margin for the foreseeable future will be derived from the operation of our pipelines, gathering systems and terminal and storage facilities that support the Tyler and El Dorado Refineries and are primarily located in Arkansas and Texas and, to a lesser degree, Tennessee. Any event that renders either Delek refinery temporarily or permanently unavailable would likely have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. Due to our lack of diversification in assets and geographic location, an adverse development in our businesses or areas of operations, including adverse developments due to catastrophic events, weather, regulatory action and decreases in demand for crude oil and refined products, could have a significantly greater impact on our results of operations and cash available for distribution to our common unitholders than if we maintained more diverse assets and locations.

Such events may constitute force majeure events under our commercial agreements, potentially resulting in the suspension, reduction or termination of multiple commercial agreements in the affected geographic area. In addition, during planned maintenance periods or a refinery turnaround, we expect that Delek or its assignee may only satisfy its minimum volume commitments with respect to our assets that serve such refinery. Please see "—Our contract counterparties may suspend, reduce or terminate their obligations under our various commercial agreements in certain circumstances, including events of force majeure, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders" and "—If Delek satisfies only its minimum obligations under, or if we are unable to renew or extend, the various commercial agreements we have with Delek, our ability to make distributions to our unitholders may be impaired."

Our ability to expand may be limited if Delek's business does not grow as expected.

Part of our growth strategy depends on the growth of Delek's business. For example, in our terminals and storage business, we believe our growth will be driven in part by identifying and executing organic expansion or new construction projects that will result in increased or new throughput volumes from Delek, its assignees and third parties. Our organic growth opportunities will be limited if Delek is unable to acquire new assets for which our execution of organic projects is needed. Additionally, if Delek focuses on other growth areas that our business does not serve or does not make capital expenditures to fund the organic growth of its operations, we may not be able to fully execute our growth strategy.

We may not be able to significantly increase or retain our third-party revenue due to competition and other factors, which could limit our ability to grow and may increase our dependence on Delek.

Our ability to increase our third-party revenue is subject to numerous factors beyond our control, including competition from third parties and the extent to which we have available capacity when third-party shippers require it. Under our commercial agreements with Delek, we may not provide service to third parties (other than to certain permitted assignees) on our Lion Pipeline System, SALA Gathering System or East Texas Crude Logistics System, or at our Memphis, Tyler, El Dorado, North Little Rock or Big Sandy terminals, without Delek's consent, subject to limited exceptions. Furthermore, to the extent that we have capacity at our refined products terminals available for third-party volumes, competition from other existing or future refined products terminals owned by our competitors may limit our ability to utilize this available capacity.

We can provide no assurance that we will be able to retain or attract material third-party revenues. For example, we may not be able to extend or replace agreements we recently entered into with our customers with respect to the Paline Pipeline, which agreements only have an initial term of 18 months from January 1, 2015. Our efforts to establish our reputation and attract new unaffiliated customers may be adversely affected by our relationship with Delek and our desire to provide services pursuant to fee-based contracts. Our potential third-party customers may prefer to obtain services under contracts through which we could be required to assume direct commodity exposure.

The costs, scope, timelines and benefits of any construction projects we undertake may deviate significantly from our original plans and estimates.

One of our business strategies is to evaluate and make capital investments to expand our existing asset base through the development and construction of new or expanded logistics assets. At the same time, we also will need to devote significant resources to maintaining our asset base. However, in developing or maintaining such assets, we may experience unanticipated increases in the cost, scope and completion time for our construction or maintenance and repair projects. Equipment that we require to complete these projects may be unavailable to us at expected costs or within expected time periods. Additionally, labor expense may exceed our expectations. Due to these or other factors beyond our control, we may be unable to complete these projects within anticipated cost parameters and timelines. In addition, the benefits we realize from completed projects may take longer to realize and/or be less than we anticipated. Our inability to complete and/or realize the benefits of construction and/or maintenance projects in a cost-efficient and timely manner could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions.

If we are unable to obtain needed capital or financing on satisfactory terms to fund expansions of our asset base, our ability to make quarterly cash distributions may be diminished or our financial leverage could increase.

In order to expand our asset base, we will need to make expansion capital expenditures. If we do not make sufficient or effective expansion capital expenditures, we will be unable to expand our business operations and may be unable to maintain or raise the level of our quarterly cash distributions. We will be required to use cash from our operations or incur borrowings or sell additional limited partner units or interests in order to fund our expansion capital expenditures. Using cash from operations will reduce cash available for distribution to our common unitholders. Our ability to obtain financing or to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering as well as the covenants in our debt agreements, general economic conditions and contingencies and uncertainties that are beyond our control. Even if we are successful in obtaining funds for expansion capital expenditures through equity or debt financings, the terms thereof could limit our ability to pay distributions to our common unitholders. Moreover, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional limited partner interests may result in significant common unitholder dilution and increase the aggregate amount of cash required to maintain the then-current distribution rate, which could materially decrease our ability to pay distributions at the then-current distribution rate.

Our insurance policies do not cover all losses, costs or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums.

We are insured under the property, liability and business interruption insurance policies of Delek, subject to the deductibles and limits under those policies. To the extent Delek experiences losses under the insurance policies, the

limits of our coverage may be decreased. In addition, we are not insured against all potential losses, costs or liabilities. For example, our insurance carrier is contesting payment in connection with a release from one of our pipelines. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. In addition, because Delek's business interruption policy does not cover losses for the first 21, 30, 45 or 60 days of the interruption, depending on the facility covered, a significant part or all of a business interruption loss could be uninsured. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

The energy industry is highly capital intensive, and the entire or partial loss of individual facilities or multiple facilities can result in significant costs to both energy industry companies, such as us, and their insurance carriers. In recent years, several large energy industry claims have resulted in significant increases in the level of premium costs and deductible periods

for participants in the energy industry. As a result of large energy industry claims, insurance companies that have historically participated in underwriting energy-related facilities may discontinue that practice, may reduce the insurance coverage they are willing to offer or demand significantly higher premiums or deductible periods to cover these facilities. If significant changes occur in the number or financial solvency of insurance underwriters for the energy industry, or if other adverse conditions over which we have no control prevail in the insurance market, we may be unable to obtain and maintain adequate insurance at a reasonable cost.

In addition, we have recently experienced releases on several of our pipelines. As a result of these releases and for other reasons, we cannot be assured that our insurers will renew our insurance coverage on acceptable terms, if at all, or that we will be able to arrange for adequate alternative coverage in the event of non-renewal. The unavailability of full insurance coverage to cover events in which we suffer significant losses could have a material adverse effect on our business, financial condition and results of operations.

If third-party pipelines, terminals or other facilities interconnected to our pipeline systems or terminals become partially or fully unavailable, or if we are unable to fulfill our contractual obligations, our financial condition, results of operations, cash flows and ability to make distributions to our unitholders could be adversely affected.

Our pipelines and terminals connect to other pipelines, terminals and facilities owned and operated by unaffiliated third parties, including ExxonMobil Corporation, Phillips 66, Enterprise Products Partners L.P. and others. The continuing operation of such third-party pipelines, terminals and other facilities is not within our control. For example: a substantial majority of the El Dorado Refinery's finished product output is shipped on our Lion Pipeline System directly to the Enterprise TE Products Pipeline and its related terminal; and all of the southbound volumes to be shipped on our Paline Pipeline System are delivered through a third-party terminal.

These pipelines, terminals and other facilities may become unavailable because of testing, turnarounds, line repair, reduced operating pressure, lack of operating capacity, regulatory requirements, curtailments of receipt or deliveries due to insufficient capacity, corporate business decisions or because of damage from hurricanes or other operational hazards. In addition, we do not have interconnect agreements with all of these pipelines, terminals and other facilities and the interconnect agreements we do have may be terminated in certain circumstances, including circumstances beyond our control, and on short notice. If any of these pipelines, terminals or other facilities becomes unable to receive or transport crude oil or refined products, we may be unable to perform our obligations under our commercial agreements with Delek and third parties, and our financial condition, results of operations, cash flows and ability to make distributions to our unitholders could be adversely affected.

Similarly, if additional shippers begin transporting volumes of refined products or crude oil over interconnecting pipelines, the allocations to us and other existing shippers on these interconnecting pipelines could be reduced, which could also reduce volumes distributed through our terminals or transported through our crude oil pipelines. Allocation reductions of this nature are not infrequent and are beyond our control. Any significant reduction in volumes would adversely affect our revenues and cash flow and our ability to make distributions to our unitholders.

An interruption or termination of supply and delivery of refined products to our wholesale marketing business could result in a decline in our sales and profitability.

In our west Texas wholesale marketing business, we sell refined products produced by refineries owned by unaffiliated third parties. We receive a majority of our supply in west Texas under one contract and the remainder of the barrels are spot purchased from various suppliers. We could experience an interruption or termination of supply or delivery of refined products if our suppliers partially or completely ceased operations, temporarily or permanently, or ceased to supply us with refined products for any reason. The ability of these refineries and our suppliers to supply refined products to us could be disrupted by anticipated events such as scheduled upgrades or maintenance, as well as events beyond their control, such as unscheduled maintenance, fires, floods, storms, explosions, power outages, accidents, acts of terrorism or other catastrophic events, labor difficulties and work stoppages, governmental or private party litigation, or legislation or regulation that adversely impacts refinery operations. A reduction in the volume of refined products supplied to our wholesale business would likely adversely affect our sales and profitability.

We are exposed to the credit risks and certain other risks of our key customers, including Delek and its assignees, and any material nonpayment or nonperformance by our key customers could reduce our ability to make distributions to

our unitholders.

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. Any material nonpayment or nonperformance by our key customers, including Delek or its assignees, could reduce our ability to make distributions to our unitholders.

If any of our key customers default on their obligations to us, our financial results could be adversely affected.

Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks.

Any loss of our key customers, including Delek, could reduce our ability to make distributions to our unitholders.

25

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Restrictions in our revolving credit facility could adversely affect our business, financial condition, results of operations and ability to make quarterly cash distributions to our unitholders.

Our revolving credit facility limits our ability to, among other things:

- incur or guarantee additional debt;
- incur certain liens on assets;
- dispose of assets;
- make certain cash distributions or redeem or repurchase units;
- change the nature of our business;
- engage in certain mergers or acquisitions;
- make certain investments (including joint ventures) and acquisitions; and
- enter into non arms-length transactions with affiliates.

Our credit facility contains covenants requiring us to maintain certain financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and we cannot assure you that we will meet those ratios. In addition, our credit facility contains events of default customary for agreements of this nature, including the occurrence of a change of control (which will occur if, among other things, (i) Delek ceases to own and control legally and beneficially at least 51% of the equity interests of our general partner, (ii) Delek Logistics GP, LLC ceases to be our sole general partner or (iii) we fail to own and control legally and beneficially 100% of the equity interests of any other borrower under our credit facility, unless otherwise permitted thereunder).

The provisions of our credit facility may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our credit facility could result in a default or an event of default that could enable our lenders to declare the outstanding principal of that debt, together with accrued and unpaid interest and other outstanding amounts, to be immediately due and payable. Such event of default would also permit our lenders to foreclose on our assets serving as collateral for our obligations under the credit facility. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full, and our unitholders could experience a partial or total loss of their investment. The credit facility also has cross-default provisions that will apply to any other material indebtedness we may have.

Our debt levels may limit our flexibility to obtain financing and to pursue other business opportunities.

As of December 31, 2014, we had approximately \$251.8 million in debt outstanding. We have the ability to incur additional debt; however, such ability is subject to limitations under our revolving credit facility. Our level of debt 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;
- our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flow required to make payments on our debt and any interest thereon;
- we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt 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, which is within our control, or such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital, which actions we may not be able to effect on satisfactory terms or at all.

Delek's level of indebtedness, the terms of its borrowings and any potential future credit ratings could adversely affect our ability to grow our business, our ability to make cash distributions to our unitholders and our credit profile. Our ability to obtain credit in the future and our potential future credit rating may also be affected by Delek's level of indebtedness and creditworthiness.

Delek must devote a substantial portion of its cash flows from operations to service its debt and lease obligations, thereby reducing the availability of its cash flows to fund its growth strategy, including capital expenditures, acquisitions and other business opportunities that would expand its needs for logistics operations. Furthermore, a higher level of indebtedness at Delek increases the risk that it may default on its obligations, including under its commercial agreements with us. The covenants contained in the agreements governing Delek's outstanding and future indebtedness may limit its ability to borrow additional funds for development and make certain investments and may directly or indirectly impact our operations in a similar manner. For example, Delek's indebtedness requires that any transactions it enters into with us must be on terms no less favorable to Delek than those that could have been obtained with an unrelated person. There is also the risk that if Delek were to default under certain of its debt obligations, Delek's creditors would attempt to assert claims against our assets during the litigation of their claims against Delek. The defense of any such claims could be costly and could materially impact our financial condition, even absent any adverse determination. In the event these claims were successful, our ability to meet our obligations to our creditors, make distributions and finance our operations could be materially and adversely affected.

Although we are not contractually bound by and are not liable for Delek's debt under its credit arrangements, we are indirectly affected by certain prohibitions and limitations contained therein. Specifically, under the terms of certain of its credit arrangements, we expect that Delek will be in default if we incur any indebtedness for borrowed money in excess of \$300.0 million at any time outstanding, which amount is subject to increase for (i) certain acquisitions of additional or newly constructed assets and for growth capital expenditures, in each case, net of asset sales, and (ii) certain types of debt, such as debt obligations owed under hedge agreements, intercompany debt of the Partnership and our subsidiaries and debt under certain types of contingent obligations. Please see "Item 7— Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Agreements Governing Certain Indebtedness of Delek." Due to its ownership and control of our general partner, Delek has the ability to prevent us from taking actions that would cause Delek to violate any covenants in its credit arrangements, or otherwise to be in default under any of its credit arrangements. In deciding whether to prevent us from taking any such action, Delek will have no fiduciary duty to us or our unitholders. Delek's compliance with the covenants in its credit arrangements may restrict our ability to undertake certain actions that might otherwise be considered beneficial, including borrowing under our credit facility.

Any debt instruments that Delek or any of its affiliates enter into in the future, including any amendments to existing credit facilities, may include additional or more restrictive limitations on Delek that may impact our ability to conduct our business. These additional restrictions could adversely affect our ability to finance our future operations or capital needs or engage in, expand or pursue our business activities.

None of our or Delek's debt is presently rated by any credit rating agencies. If we were to seek a credit rating in the future, our credit rating may be adversely affected by the leverage or any future credit rating of Delek, as credit rating agencies such as Standard & Poor's Ratings Services and Moody's Investors Service, Inc. may consider the leverage and credit profile of Delek and its affiliates because of their ownership interest in and control of us and because Delek accounts for a substantial majority of our contribution margin. Any adverse effect on our potential credit rating would likely increase our cost of borrowing or hinder our ability to raise financing in the capital markets, which could impair our ability to grow our business and make cash distributions to our unitholders.

Increases in interest rates could adversely impact the price of our common units, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels.

Floating interest rates on our existing credit facility, to the extent not hedged, and interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. As with other yield-oriented securities, our unit price is impacted by the level of our cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the



yield requirements of investors who invest in our common units, and a rising interest rate environment could have an adverse impact on the price of our common units, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels.

Our right of first offer to acquire certain of Delek's existing logistics assets and certain assets that it may acquire or construct in the future is subject to risks and uncertainty, and ultimately we may not acquire any of those assets.

The Second Omnibus Amendment provides us with a right of first offer on certain of Delek's existing logistics assets and certain assets that it may acquire or construct in the future, subject to certain exceptions and time limitations. The consummation and timing of any future acquisitions pursuant to this right will depend on, among other things, Delek's willingness to offer

such assets for sale and obtain any necessary consents, our ability to negotiate acceptable purchase agreements and commercial agreements with respect to such assets and our ability to obtain financing on acceptable terms. We can offer no assurance that we will be able to successfully consummate any future acquisitions pursuant to our right of first offer, and Delek is under no obligation to accept any offer that we may choose to make. In addition, we may decide not to exercise our right of first offer if and when any assets are offered for sale, and our decision will not be subject to unitholder approval. In addition, our right of first offer may be terminated by Delek at any time in the event that it no longer controls our general partner.

If we are unable to make acquisitions on economically acceptable terms from Delek or third parties, our future growth could be limited, and any acquisitions we may make may reduce, rather than increase, our cash flows and ability to make distributions to unitholders.

A portion of our strategy to grow our business and increase distributions to unitholders is dependent on our ability to make acquisitions that result in an increase in cash flow. If we are unable to make acquisitions from Delek or third parties, because we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, we are unable to obtain financing for these acquisitions on economically acceptable terms, we are outbid by competitors or we or the seller are unable to obtain any necessary consents, our future growth and ability to increase distributions to unitholders may be limited. Furthermore, even if we do consummate acquisitions that we believe will be accretive, they may in fact result in a decrease in cash flow. Any acquisition involves potential risks, including, among other things:

- mistaken assumptions about revenues and costs, including synergies;
- the assumption of known or unknown liabilities;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt;
- the diversion of management's attention from other business concerns;
- ineffective or poor integration of such acquisitions;
- unforeseen difficulties operating multi-customer and product assets in new product areas or new markets; 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 unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

We may be unsuccessful in integrating the operations of the assets we have acquired or of any future acquisitions with our existing operations, and in realizing all or any part of the anticipated benefits of any such acquisitions.

From time to time, we evaluate and acquire assets and businesses that we believe complement our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. Our capitalization and results of operations may change significantly as a result of future acquisitions. Acquisitions and business expansions involve numerous risks, including difficulties in the assimilation of the assets and operations of the acquired businesses, inefficiencies and difficulties that arise because of improper assumptions regarding the new assets, unfamiliarity with new assets and the businesses associated with them and new geographic areas and the diversion of management's attention from other business concerns. Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition, if at all. Also, following an acquisition, we may discover previously unknown liabilities associated with the acquired business or assets for which we have no recourse under applicable indemnification provisions.

We may incur significant costs and liabilities as a result of pipeline integrity management programs or safety standards and related repairs.

Certain of our pipeline facilities are subject to the pipeline safety regulations of the Pipeline and Hazardous Materials Safety Administration ("PHMSA") at the United States Department of Transportation (the "DOT"). PHMSA regulates the design, construction, testing, operation, maintenance and emergency response of crude oil, petroleum products and other hazardous liquid pipeline facilities.

PHMSA has adopted regulations requiring pipeline operators to develop integrity management programs for hazardous liquids pipelines located where a leak or rupture could affect “high consequence areas” that are populated or environmentally sensitive areas. PHMSA has also issued regulations that subject certain rural low-stress hazardous liquids pipelines to the integrity management requirements. The integrity management regulations require operators, including us, to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a high consequence area;

- maintain processes for data collection, integration and analysis;
- repair and remediate pipelines as necessary; and
- implement preventive and mitigating actions.

PHMSA also carries out the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which reauthorized funding for federal pipeline safety programs through 2015, increased penalties for safety violations, established additional safety requirements for newly constructed pipelines, imposed new emergency response and incident notification requirements and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines.

We may incur significant costs and liabilities associated with compliance with pipeline safety regulations and any corresponding repair, remediation, preventive or mitigation measures required for our non-exempt pipeline facilities, including lost cash flows resulting from shutting down our pipelines during the pendency of such repairs. Moreover, changes to pipeline safety laws and regulations that result in more stringent or costly pipeline integrity management or safety standards could have a material adverse effect on us and similarly situated operators.

Our expansion of existing assets and construction of new assets may not result in revenue increases and will be subject to regulatory, environmental, political, legal and economic risks, which could adversely affect our results of operations and financial condition.

A portion of our strategy to grow and increase distributions to unitholders is dependent on our ability to expand existing assets and to construct additional assets. The construction of a new pipeline or terminal or the expansion of an existing pipeline or terminal involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. If we undertake these types of projects, they may not be completed on schedule or at all or at the budgeted cost. Moreover, we may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects. Even if we receive such commitments, we may not realize an increase in revenue for an extended period of time. For instance, if we build, or participate as a joint venture in the building of, a new pipeline, the construction will occur over an extended period of time, and we will not receive any material increases in revenues until after completion of the project, if at all. In addition, we may construct facilities to capture anticipated future growth in production in a region or gain access to crude supplies at lower costs and such growth or access may not materialize. As a result, new facilities may not be able to attract enough throughput to achieve our expected return on investment, which could adversely affect our results of operations and financial condition and our ability to make distributions to our unitholders.

We do not own all of the land on which most of our pipelines and several of our facilities are located, which could result in disruptions to our operations.

We do not own all of the land on which most of our pipelines, tank farms, and terminal facilities are located, and we are therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights-of-way or leases, if such rights-of-way or leases lapse or terminate or if our facilities are not properly located within the boundaries of such leases or rights-of-way. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies and some of those agreements may grant us those rights for only a specific period of time. Our loss of such rights, through our inability to renew any rights-of-way contracts, could have a material adverse effect on our business, financial condition, results of operations and cash flows and our ability to make distributions to our unitholders.

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

Our operations require numerous permits and authorizations under various laws and regulations. These authorizations and permits are subject to revocation, renewal or modification and can require operational changes to limit impacts or potential impacts on the environment and/or health and safety. A violation of authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions, and/or facility shutdowns. In addition, material modifications of our operations could require modifications to our existing permits or upgrades to our existing pollution control equipment. Any or all of these matters could have a negative effect on our business, results of operations and cash flows.

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

In December 2009, the EPA published its findings that emissions of greenhouse gases, or GHGs, present a danger to public health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the Earth's atmosphere and other climatic conditions. Based on these findings, the EPA adopted two sets of regulations that restrict emissions of GHGs under existing provisions of the federal Clean Air Act, including one that requires a reduction in emissions of GHGs from motor vehicles and another that regulates GHG emissions from certain large stationary sources under

the Clean Air Act Prevention of Significant Deterioration (“PSD”) and Title V permitting programs. In addition, the EPA expanded its existing GHG emissions reporting rule to include onshore oil and natural gas processing, transmission, storage, and distribution activities, beginning in 2012 for emissions occurring in 2011. Congress has also from time to time considered legislation to reduce emissions of GHGs. Although it is not possible to predict the requirements of any GHG legislation that may be enacted, any laws or regulations that may be adopted to restrict or reduce GHG emissions may require us to incur increased operating costs. If we are unable to maintain sales of our refined products at a price that reflects such increased costs, there could be a material adverse effect on our business, financial condition and results of operations. Further, any increase in the prices of refined products resulting from such increased costs could have a material adverse effect on our business, financial condition or results of operations. Moreover, GHG regulation could also impact the consumption of refined products, thereby affecting the demand for our services.

In 2010, the EPA and the National Highway Transportation Safety Administration (NHTSA) finalized new standards, raising the required Corporate Average Fuel Economy, or CAFE, standard of the nation’s passenger fleet by 40% to approximately 35 miles per gallon by 2016 and imposing the first ever federal GHG emissions standards on cars and light trucks. In September 2011, the EPA and the Department of Transportation finalized first-time standards for fuel economy of medium and heavy duty trucks. On August 28, 2012, the EPA and NHTSA announced final regulations that mandated further decreases in passenger vehicle GHG emissions and increases in fuel economy beginning with 2017 model year vehicles and increasing to the equivalent of 54.5 miles per gallon by 2025. Such increases in fuel economy standards and potential electrification of the vehicle fleet, along with mandated increases in use of renewable fuels discussed above, could result in decreasing demand for petroleum fuels. Decreasing demand for petroleum fuels could materially affect profitability at Delek’s refineries and convenience stores, which could adversely impact our business, results of operations and cash flows.

Our operations are subject to federal and state laws and regulations relating to product quality specifications, and 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 products we distribute to meet certain quality specifications.

Various federal and state agencies prescribe specific product quality specifications for refined products, including vapor pressure, sulfur content, ethanol content and biodiesel content. Changes in product quality specifications or blending requirements could reduce our throughput volume, require us to incur additional handling costs or require capital expenditures. For example, mandated increases in use of renewable fuels could require the construction of additional storage and blending equipment. If we are unable to recover these costs through increased revenues, our cash flows and ability to pay cash distributions to our unitholders could be adversely affected. Violations of product quality laws attributable to our operations could subject us to significant fines and penalties as well as negative publicity. In addition, changes in the product quality of the products we receive on our pipeline system could reduce or eliminate our ability to blend products.

A terrorist attack on our assets, or threats of war or actual war, may hinder or prevent us from conducting our business.

Terrorist attacks in the United States, as well as events occurring in response or similar to or in connection with such attacks, including political instability in various Middle Eastern countries, may harm our business. Energy-related assets (which could include pipelines and terminals such as ours) may be at greater risk of future terrorist attacks than other possible targets in the United States. In addition, the State of Israel, where Delek Group, the former parent company of Delek, is based, has suffered armed conflicts and political instability in recent years. We may be more susceptible to terrorist attack as a result of our connection to Israel. In the future, certain of the directors of our general partner may reside in Israel.

A direct attack on our assets, Delek’s assets or the assets of others used by us could have a material adverse effect on our business, financial condition and results of operations. In addition, any terrorist attack or continued political instability in the Middle East could have an adverse impact on energy prices, including prices for the crude oil and other feedstocks we transport and refined petroleum products, and an adverse impact on the margins from our operations. Disruption or significant increases in energy prices could also result in government-imposed price controls.

Further, changes in the insurance markets attributable to terrorist attacks could make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital, including our ability to repay or refinance debt.

Our customers' operating results are seasonal and generally lower in the first and fourth quarters of the year. Our customers depend on favorable weather conditions in the spring and summer months.

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuate during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic, while demand for asphalt products, which is a substantial product of Delek's El Dorado Refinery, is lower in the winter months. In addition, our refining customers, such as Delek, occasionally slow or shut down operations to

perform planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors can affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods, and could adversely affect our customers' business, financial condition and results of operations, which may adversely affect our business, financial condition and results of operations.

Our exposure to direct commodity price risk and interest rate risk may increase in the future. We may incur losses as a result of our forward contract activities and derivative transactions.

Although we intend to enter into fixed-fee contracts with new transportation and terminalling customers in the future, our efforts to obtain such contractual terms may not be successful. In addition, we may acquire or develop additional midstream assets in the future that do not provide services primarily based on capacity reservation charges or other fixed-fee arrangements and therefore have a greater exposure to fluctuations in commodity price risk than our current operations. We are also exposed to market risks related to the volatility of refined product prices in our west Texas operations, which depend on many factors, including demand for refined products in the west Texas market, the timing of refined product deliveries and downtime at refineries in the surrounding area. Increased future exposure to the volatility of commodity prices could have a material adverse effect on our business, financial condition, results of operations and ability to make quarterly cash distributions to our unitholders.

To partially mitigate the risk of various financial exposures inherent in our business, including commodity price risk and interest rate risk, we selectively use derivative financial instruments, such as fuel-related derivative transactions, interest rate swaps and interest rate cap agreements. In connection with such derivative transactions, we may be required to make payments to maintain margin accounts and to settle the contracts at their value upon termination. The maintenance of required margin accounts and the settlement of derivative contracts at termination could cause us to suffer losses or limited gains. In particular, derivative transactions could expose us to the risk of financial loss upon unexpected or unusual variations in the sales price of wholesale gasoline. We cannot assure you that the strategies underlying these transactions will be successful. If any of the instruments we utilize to manage our exposure to various types of risk is not effective, we may incur losses.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We are heavily dependent on technology infrastructure and rely upon certain critical information systems for the effective operation of our business. These information systems include data network and telecommunications, internet access and our websites, and various computer hardware equipment and software applications, including those that are critical to the safe operation of our pipelines and terminals. These information systems are subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks and other events to the extent that these information systems are under our or Delek's control. Delek has implemented measures, such as virus protection software, intrusion detection systems and emergency recovery processes to address the outlined risks. However, security measures for information systems cannot be guaranteed to be failsafe. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities, which could adversely affect our results of operations. Finally, federal legislation relating to cyber-security threats could impose additional requirements on our operations.

Transportation on certain of our pipelines is subject to federal or state rate and service regulation, and the imposition and/or cost of compliance with such regulation could adversely affect our operations and cash flows available for distribution to our unitholders.

Certain of our pipelines provide services that may be subject to regulation by the FERC, under the ICA, the Energy Policy Act of 1992 and/or state regulators. The FERC uses prescribed rate methodologies for developing regulated tariff rates for interstate oil and product pipelines. The FERC's primary rate-making authority is currently price-indexing; if the methodology changes, the new methodology may result in tariffs that generate lower revenues and cash flows. The indexing method allows a pipeline to increase its rates based on a percentage change in the producer price index for finished goods and is not based on pipeline-specific costs. If the index falls, we will be required to reduce our rates that are based on the FERC's price indexing methodology if they exceed the new maximum available rate. In addition, changes in the index might not be large enough to fully reflect actual increases in



our costs. The FERC's rate-making methodologies may limit our ability to set rates based on our true costs or may delay the use of rates that reflect increased costs. Any of the foregoing could adversely affect our revenues and cash flows.

Shippers may protest, and the FERC may investigate, the lawfulness of new or changed tariff rates. The FERC can suspend those tariff rates for up to seven months. It can also require refunds of amounts collected based on rates that are ultimately found to be unlawful and prescribe new rates prospectively. The FERC and interested parties can also challenge tariff rates that have become final and effective.

The FERC can order new rates to take effect prospectively and order reparations for past rates that exceed the just and reasonable level for time periods up to two years prior to the date of a complaint. Due to the complexity of rate making, the

lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues. The FERC also regulates the terms and conditions of service, including access rights, for interstate transportation on common carrier pipelines subject to its jurisdiction.

While the FERC regulates rates and terms and conditions of service for transportation of crude oil or refined products in interstate commerce by pipeline, state agencies may regulate rates and terms and conditions of service for petroleum pipeline transportation in intrastate commerce. Whether a pipeline provides service in interstate commerce or intrastate commerce is highly fact-dependent and determined on a case-by-case basis. We cannot provide assurance that the FERC will not at some point assert that some or all of the transportation service we provide is within its jurisdiction. If the FERC were successful with any such assertion, its rate-making methodologies may limit our ability to set rates based on our actual costs, delay the use of rates that reflect increased costs and subject us to potentially burdensome and expensive operational, reporting and other requirements. We own pipeline assets in Texas, Arkansas and Louisiana. In Texas, a pipeline, with some exceptions, is required to operate as a common carrier and provide transportation without discrimination. Arkansas provides that all intrastate oil pipelines are common carriers, but it exercises light-handed regulation over petroleum pipelines. In Louisiana, all pipelines conveying petroleum from a point of origin within the state to a destination within the state are declared common carriers. The Louisiana Public Service Commission is empowered with the authority to establish reasonable rates and regulations for the transport of petroleum by a common carrier, mandating public tariffs and providing of transportation without discrimination. State commissions have generally not been aggressive in regulating common carrier pipelines, have generally not investigated the rates or practices of petroleum pipelines in the absence of shipper complaints, and generally resolve complaints informally. If the regulatory commissions in the states in which we operate change their policies and aggressively regulate the rates or terms of service of pipelines operating in those states, it could adversely affect our business, financial condition and results of operations.

#### Risks Relating to Our Partnership Structure

Our general partner and its affiliates, including Delek, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders. Delek controls our general partner and appoints all of the officers and directors of our general partner. In addition, three members of the board of directors of our general partner, each of whom also serve as executive officers of Delek, own a small percentage of our general partner. All of the officers and three of the directors of our general partner are also officers and/or directors of Delek. Although our general partner has a contractual obligation to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to Delek. Conflicts of interest will arise between Delek and our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of Delek over our interests and the interests of our unitholders. These conflicts include the following situations, among others:

Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limits our general partner's liabilities and restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty.

Neither our partnership agreement nor any other agreement requires Delek to pursue a business strategy that favors us or utilizes our assets, including whether to increase or decrease refinery production, whether to shut down or reconfigure a refinery or what markets to pursue or grow. The directors and officers of Delek have a fiduciary duty to make these decisions in the best interests of the stockholders of Delek, which may be contrary to our interests. Delek may choose to shift the focus of its investment and growth to areas not served by our assets.

Delek, as our primary customer, has an economic incentive to cause us not to seek higher service fees, even if such higher fees could be obtained in arm's-length, third-party transactions. Furthermore, under our commercial agreements, Delek's consent is required before we may enter into an agreement with any third party with respect to our assets that serve the El Dorado and Tyler Refineries, and Delek has an incentive to cause us not to pursue such third-party contracts in certain circumstances.

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Our general partner is allowed to take into account the interests of parties other than us, such as Delek, in resolving conflicts of interest.

All of the officers and three of the directors of our general partner are also officers and/or directors of Delek and will owe fiduciary duties to Delek. These officers will also devote significant time to the business of Delek and will be compensated by Delek accordingly.

Delek may be constrained by the terms of its debt instruments from taking actions, or refraining from taking actions, that may be in our best interests.

Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval.

Disputes may arise under our commercial agreements with Delek.

Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuances of additional partnership units and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash available for distribution to our unitholders.

Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion or investment capital expenditure, which does not reduce operating surplus. 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. In addition, the inability of Delek to suspend or reduce its obligations under its commercial agreements with us or to claim a force majeure event in certain circumstances increases the likelihood of the conversion of the subordinated units.

Our general partner determines which costs incurred by it are reimbursable by us.

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.

Our partnership agreement permits us to classify up to \$25.0 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions on our subordinated or general partner units or to our general partner in respect of the incentive distribution rights.

Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.

Our general partner intends to limit its liability regarding our contractual and other obligations.

- Our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if they own more than 80% of the common units.
- Our general partner controls the enforcement of the obligations that it and its affiliates owe to us, including Delek's obligations under the Second Omnibus Amendment and its commercial agreements with us.

Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

Our general partner may transfer its incentive distribution rights without unitholder approval.

Our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our incentive distribution rights without the approval of the conflicts committee of the board of directors of our general partner or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

Our partnership agreement replaces our general partner's fiduciary duties to holders of our common limited partner units with contractual standards governing its duties.

Our partnership agreement contains provisions that eliminate the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law and replaces those duties with several different contractual standards. 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, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the partners where the language in the partnership agreement does not provide for a clear course of action. This provision entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include:

- how to allocate corporate opportunities among us and its other affiliates;
- whether to exercise its limited call right;
- whether to seek approval of the resolution of a conflict of interest by the conflicts committee of the board of directors of our general partner;
- how to exercise its voting rights with respect to the units it owns;
- whether to exercise its registration rights;
- whether to elect to reset target distribution levels;

- whether to transfer the incentive distribution rights to a third party; and
- whether or not to consent to any merger or consolidation of the Partnership or amendment to the partnership agreement.

Delek may compete with us.

Delek may compete with us. Under the Second Omnibus Amendment, Delek and its affiliates have agreed not to engage in, whether by acquisition or otherwise, the business of owning or operating crude oil or refined products pipelines, terminals or storage facilities in the United States that are not within, directly connected to, substantially dedicated to, or otherwise an integral part of, any refinery owned, acquired or constructed by Delek. This restriction, however, does not apply to:

- any assets that were owned by Delek upon the completion of the Offering (including replacements or expansions of those assets);
- any asset or business that Delek acquires or constructs that has a fair market value of less than \$5.0 million; and
- any asset or business that Delek acquires or constructs that has a fair market value of \$5.0 million or more if we have been offered the opportunity to purchase the asset or business for fair market value not later than six months after completion of such acquisition or construction, and we decline to do so.

As a result, Delek has the ability to construct assets which directly compete with our assets. The limitations on the ability of Delek to compete with us are terminable by either party if Delek ceases to control our general partner. Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers and directors and Delek. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our common unitholders.

If unitholders are not eligible holders, their common limited partner units may be subject to redemption.

We have adopted certain requirements regarding those investors who may own our common and subordinated units. Eligible holders are limited partners whose (i) federal income tax status is not reasonably likely to have a material adverse effect on the rates that can be charged by us on assets that are subject to regulation by FERC or an analogous regulatory body and (ii) nationality, citizenship or other related status would not create a substantial risk of cancellation or forfeiture of any property in which we have an interest, in each case as determined by our general partner with the advice of counsel. If you are not an Eligible Holder, in certain circumstances as set forth in our partnership agreement, your units may be redeemed by us at the then-current market price. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner.

Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.

We expect that we will distribute all of our available cash quarterly to our unitholders and, to the extent not otherwise reserved for, will rely primarily upon cash flows from operations, borrowings under the Amended and Restated Credit Agreement and potential future issuances of debt and equity securities, to fund our acquisitions and 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, because we intend to distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per-unit distribution level. There are no limitations in our partnership agreement, and we do not anticipate there being limitations in any of our credit facilities, on our ability to issue additional units, including units ranking senior to the common limited partner units. The incurrence of additional borrowings or other debt to finance our growth strategy would result in increased interest expense, which in turn may impact the available cash that we have to distribute to our unitholders.

Our partnership agreement restricts the remedies available to holders of our common limited partner units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement provides that:

whenever our general partner, the board of directors of our general partner or any committee thereof (including the conflicts committee) makes a determination or takes, or declines to take, any other action in their respective capacities, our general partner, the board of directors of our general partner and any committee thereof (including the conflicts committee), as applicable, is required to make such determination, or take or decline to take such other

action, in good faith, meaning that it subjectively believed that the decision was in the best interests of our Partnership, and, except as specifically provided by our partnership agreement, will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;

- 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 such decisions are made in good faith;

our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and

- our general partner will not be in breach of its obligations under the partnership agreement (including any duties to us or our unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is: approved by the Conflicts Committee of the Board of Directors of our general partner, although our general partner is not obligated to seek such approval; approved by the vote of a majority of the outstanding common limited partner units, excluding any common units owned by our general partner and its affiliates; determined by the Board of Directors of our general partner to be on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or determined by the Board of Directors of our general partner to be fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner or its Conflicts Committee must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the Conflicts Committee and the Board of Directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth subbullets above, then it will be presumed that, in making its decision, the Board of Directors of our general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the Partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. The general partner may still take action with respect to any affiliate transactions or the resolution of a conflict of interest without satisfying any of the subbullets above. In such case, it is not entitled to the presumption of good faith discussed above.

The administrative services fee and reimbursements due to our general partner and its affiliates for services provided to us or on our behalf will reduce our cash available for distribution to our common unitholders. The amount and timing of such reimbursements will be determined by our general partner.

Prior to making any distribution on our common limited partner units, we will reimburse our general partner and its affiliates, including Delek, for costs and expenses they incur and payments they make on our behalf. Under the First Omnibus Amendment, we will pay Delek an annual fee and reimburse Delek and its subsidiaries for Delek's provision of various centralized corporate services. Additionally, we will reimburse Delek for direct or allocated costs and expenses incurred on our behalf, including administrative costs, such as compensation expense for those persons who provide services necessary to run our business, and insurance expenses. We also expect to incur incremental annual general and administrative expense as a result of being a publicly traded partnership. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates will reduce the amount of available cash to pay cash distributions to our common unitholders.



Holders of our common limited partner units 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 will have no right on an annual or ongoing basis to elect our general partner or its Board of Directors. Rather, the Board of Directors of our general partner will be appointed by Delek. Furthermore, if the unitholders are 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 limited partner units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. 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.

Even if holders of our common limited partner units are dissatisfied, they cannot remove our general partner without its consent.

Unitholders are unable to remove our general partner without its consent because our general partner and its affiliates, including Delek, own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 2/3% of all outstanding common and subordinated limited partner units voting together as a single class is required to remove our general partner. As of December 31, 2014, Delek owned 61.1% of our outstanding common and subordinated limited partner 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 limited partner units and any existing arrearages on our common limited partner units will be extinguished. A removal of our general partner under these circumstances would adversely affect our common limited partner units by prematurely eliminating their distribution and liquidation preference over our subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Cause is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable to us or any limited partner 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 because of unitholder dissatisfaction with the performance of our general partner in managing the Partnership will most likely result in the termination of the subordination period and conversion of all subordinated units to common limited partner units.

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

Unitholders' voting rights are further restricted by a provision of our partnership agreement 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 general partner's interest in us and the control of our general partner may be transferred to a third party without unitholder consent.

Our partnership agreement does not restrict the ability of Delek to transfer all or a portion of its general partner interest or its ownership interest in our general partner to a third party. Our general partner, or the new owner of our general partner, would then be in a position to replace the board of directors and officers of our general partner with its own designees and thereby exert significant control over the decisions made by the board of directors and officers of our general partner.

The incentive distribution rights of our general partner may be transferred to a third party without unitholder consent. Our general partner may transfer its incentive distribution rights to a third party at any time without the consent of our unitholders. If our general partner transfers its incentive distribution rights to a third party but retains its general partner interest, our general partner may not have the same incentive to grow our partnership and increase quarterly distributions to unitholders over time as it would if it had retained ownership of its incentive distribution rights. For example, a transfer of incentive distribution rights by our general partner could reduce the likelihood of Delek selling or contributing additional assets to us, as Delek would have less of an economic incentive to grow our business, which

in turn would impact our ability to grow our asset base.

We may issue additional units without unitholder approval, which would dilute unitholder interests.

Our partnership agreement does not limit the number of additional limited partner interests, including limited partner interests that rank senior to the common limited partner units, that we may issue at any time without the approval of our unitholders. The issuance by us of additional common limited partner units or other equity securities of equal or senior rank will have the following effects:

36

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- our existing unitholders' proportionate ownership interest in us will 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;
- because the amount payable to holders of incentive distribution rights is based on a percentage of the total cash available for distribution, the distributions to holders of incentive distribution rights will increase even if the per-unit distribution on common limited partner units remains the same;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common limited partner units may decline.

Delek may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common limited partner units.

Delek holds 2,799,258 common limited partner units and 11,999,258 subordinated limited partner units. All of the subordinated limited partner units will convert into common units at the end of the subordination period and may convert earlier under certain circumstances. In addition, we have agreed to provide Delek with certain registration rights. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Our general partner intends to limit its liability regarding our obligations.

Our general partner intends to limit its liability under contractual arrangements so that the counterparties to such arrangements have recourse only against our assets and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner.

Our partnership agreement permits our general partner to limit its liability, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution to our unitholders.

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

If at any time our general partner and its affiliates own more than 80% of our common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then-current market price, as calculated pursuant to the terms of our partnership agreement. As a result, our unitholders may be required to sell their common units at an undesirable time or price and may not receive any positive return on their investment.

Our unitholders may also incur a tax liability upon any such sale of their units to Delek. At December 31, 2014, Delek owned approximately 2,799,258 common limited partner units, or 22.9% of our total outstanding common limited partner units. At the end of the subordination period, assuming no additional issuances of common units (other than upon the conversion of the subordinated units), Delek will indirectly own approximately 61.1% of our outstanding common limited partner units.

Our general partner, or any transferee holding a majority of the incentive distribution rights, may elect to cause us to issue common limited partner units to it in connection with a resetting of the minimum quarterly distribution and the target distribution levels related to the incentive distribution rights, without the approval of the conflicts committee of our general partner or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

The holder or holders of a majority of the incentive distribution rights, which is currently our general partner, have the right, at any time when there are no subordinated units outstanding and such holders have received incentive distributions at the highest level to which they are entitled (48.0%) for each of the prior four consecutive fiscal quarters (and the amount of each such distribution did not exceed adjusted operating surplus for each such quarter), to reset the minimum quarterly distribution and the initial target distribution levels at higher levels based on our cash distribution at the time of the exercise of the reset election. Following a reset election, the minimum quarterly distribution will be reset to an amount equal to the average cash distribution per unit for the two fiscal quarters

immediately preceding the reset election (such amount is referred to as the “reset minimum quarterly distribution”), and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution. Our general partner has the right to transfer the incentive distribution rights at any time, in whole or in part, and any transferee holding a majority of the incentive distribution rights shall have the same rights as our general partner with respect to resetting target distributions.

In the event of a reset of the minimum quarterly distribution and the target distribution levels, the holders of the incentive distribution rights will be entitled to receive, in the aggregate, the number of common limited partner units equal to that number of common limited partner units which would have entitled the holders to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions on the incentive distribution rights in the prior two quarters. Our general partner will also be issued the number of general partner units necessary to maintain its general partner interest in us that existed immediately prior to the reset election. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not otherwise be sufficiently accretive to cash distributions per common unit. It is possible, however, that our general partner or a transferee could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may therefore desire to be issued common limited partner units rather than retain the right to receive incentive distribution payments based on target distribution levels that are less certain to be achieved in the then-current business environment. This risk could be elevated if our incentive distribution rights have been transferred to a third party. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had we not issued common limited partner units to our general partner in connection with resetting the target distribution levels.

Our unitholders' 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. The 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. Our unitholders could be held liable for any and all of our obligations as if they were general partners if a court or government agency were to determine that:

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

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

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of an 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. Transferees of common limited partner units are liable both for the obligations of the transferor to make contributions to the Partnership that were known to the transferee at the time of transfer and for those obligations that were unknown if the liabilities could have been determined from the Partnership agreement. Neither liabilities to partners on account of their partnership interest nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted.

The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements.

Our common limited partner units are listed on the New York Stock Exchange ("NYSE"). Because we are a publicly traded limited partnership, the NYSE does not require us to have, and we do not intend to have, a majority of independent directors on our general partner's board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders will not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements.

#### Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes. If the IRS were to treat us as a corporation for federal income tax purposes, which would subject us to entity-level taxation, then our cash available for distribution to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common limited partner 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 Internal Revenue Service, or IRS, on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35.0%, and would likely pay state and local income tax at varying rates. Distributions to our unitholders would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions or credits would flow through to such unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution would be substantially reduced. Therefore, if we were treated as a corporation for federal income tax purposes, there would be material reductions in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common limited partner units.

Our 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 amounts may be adjusted to reflect the impact of that law on us.

If we were subjected to a material amount of additional entity-level taxation by individual states, it would reduce our cash available for distribution to our unitholders.

Changes in current state law may subject us to additional entity-level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. Imposition of such additional tax on us by a state will reduce the cash available for distribution to our unitholders. Our partnership agreement provides that, if a law is enacted or an existing law is modified or interpreted in a manner that subjects us to entity-level taxation, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

The tax treatment of publicly traded partnerships or an investment in our common limited partner units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common limited partner units may be modified by administrative, legislative or judicial interpretation at any time. From time to time members of the U.S. Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. We are unable to predict whether any proposals will ultimately be enacted, but it is possible that a change in law could affect us and may, if enacted, be applied retroactively. Any such changes could negatively impact the value of an investment in our common limited partner units.

Our unitholders' share of our income will be taxable to them for U.S. federal income tax purposes even if they do not receive any cash distributions from us.

Because a unitholder will be treated as a partner to whom we will allocate taxable income which could be different in amount than the cash we distribute, a unitholder's allocable share of our taxable income will be taxable to it, which may require the payment of federal income taxes and, in some cases, state and local income taxes on such unitholder's share of our taxable income even if it receives no cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

If the IRS contests the federal income tax positions we take, the market for our common limited partner units may be adversely impacted and the cost of any IRS contest would likely reduce our cash available for distribution to 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 herein or from the positions we take, and the IRS's positions may ultimately be sustained. 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 and such positions may not ultimately be sustained. A court may not agree with some or all of our counsel's conclusions or the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a materially adverse effect on the market for our common limited partner units and the price at which they trade. In addition, our costs of any contest with the IRS would be borne indirectly by our unitholders and our general partner because the costs would likely reduce our cash available for distribution.

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

If any of our unitholders sells their common limited partner units, such unitholders must recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and such unitholder's tax basis in those common limited partner units. Because distributions in excess of such unitholder's allocable share of our net taxable income decrease such unitholder's tax basis in such unitholder's common limited partner units, the amount, if any, of such prior excess distributions with respect to the common limited partner units such unitholder sells will, in effect, become taxable income if such unitholder



sells such common limited partner units at a price greater than its tax basis in those common limited partner units, even if the price such unitholder receives is less than its original cost. Furthermore, a substantial portion of the amount realized on any sale or other disposition of such unitholder's common limited partner units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if a unitholder sells their common limited partner units, they may incur a tax liability in excess of the amount of cash they receive from the sale.

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

Investment in our common limited partner units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), 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 IRAs 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 U.S. federal income tax returns and pay tax on their share of our taxable income. If you are a tax-exempt entity or a non-U.S. person, you should consult a tax advisor before investing in our common limited partner units.

We treat each holder of common limited partner units as having the same tax benefits without regard to the actual common limited partner units held. The IRS may challenge this treatment, which could adversely affect the value of the common limited partner units.

Because we cannot match transferors and transferees of common limited partner units and because of other reasons, we will adopt 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 our unitholders. It also could affect the timing of these tax benefits or the amount of gain from a unitholder's sale of common limited partner units and could have a negative impact on the value of our common limited partner units or result in audit adjustments to such unitholder's tax returns.

We prorate our items of income, gain, loss and deduction for U.S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We will prorate our items of income, gain, loss and deduction for U.S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The use of this proration method may not be permitted under existing Treasury Regulations. Recently, however, the U.S. Treasury Department issued proposed Treasury Regulations that provide a safe harbor pursuant to which publicly traded partnerships may use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders. Nonetheless, the proposed regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge this method or new Treasury regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders. Our counsel has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations.

A unitholder whose common limited partner units are loaned to a "short seller" to cover a short sale of common limited partner units may be considered as having disposed of those common limited partner units. If so, such unitholder would no longer be treated for federal income tax purposes as a partner with respect to those common limited partner units during the period of the loan and may recognize gain or loss from the disposition.

Because a unitholder whose common limited partner units are loaned to a "short seller" to cover a short sale of common limited partner units may be considered as having disposed of the loaned common limited partner units, such unitholder may no longer be treated for federal income tax purposes as a partner with respect to those common limited partner units during the period of the loan to the short seller and may recognize gain or loss from such disposition.

Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to

those common limited partner units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common limited partner units could be fully taxable as ordinary income. Therefore, our unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from loaning their common limited partner units.

40

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We will adopt certain valuation methodologies and monthly conventions for U.S. federal income tax purposes that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common limited partner units.

When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common limited partner units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of taxable income, gain, loss and deduction between our general partner and certain of our unitholders.

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

The sale or exchange of 50% or more of our capital and profits interests during any 12-month period will result in the termination of our Partnership for federal income tax purposes.

We will be considered to have technically terminated our Partnership 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 12-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once.

Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if relief was not available, as described below) for one fiscal year and could result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than 12 months of our taxable income or loss being includable in such unitholder's taxable income for the year of termination. Our termination currently would not affect our classification as a partnership for federal income tax purposes, but instead we would be treated as a new partnership for tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. The IRS has announced a publicly traded partnership technical termination relief procedure whereby, if a publicly traded partnership that technically terminated requests publicly traded partnership technical termination relief and such relief is granted by the IRS, among other things, the Partnership will only have to provide one Schedule K-1 to unitholders for the year notwithstanding two partnership tax years.

As a result of investing in our common limited partner units, our unitholders may be subject to state and local taxes and return filing requirements in jurisdictions where we operate or own or acquire properties.

In addition to federal income taxes, our unitholders may be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if they do not live in any of those jurisdictions. Our unitholders may be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We currently own property and conduct business in Arkansas, Louisiana, Oklahoma, Tennessee and Texas. Many of these states impose a personal income tax on individuals, and each state imposes an income or similar tax on corporations and certain other entities. As we make acquisitions or expand our business, we may own property or conduct business in additional states that impose a personal income tax.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax laws and regulations, including federal, state and foreign income taxes and transactional taxes such as excise, sales/use, payroll, franchise and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted that could result in increased tax

expenditures in the future. Many of these tax liabilities are subject to audits by the respective taxing authority. These audits may result in additional taxes as well as interest and penalties.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

41

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## ITEM 2. PROPERTIES

### Our Asset Portfolio

Our principal assets, as of December 31, 2014, are described below under the segment that uses such assets. We believe that our assets are adequate for our operations and adequately maintained.

### Pipelines and Transportation Segment

Our pipelines and transportation segment consists of approximately 400 miles of operable crude oil transportation pipelines, 124 miles of refined product pipelines and approximately 600 miles of crude oil gathering and trunk lines. Associated with and currently used in connection with the operation of these lines are crude oil and refined products storage tanks with an aggregate of approximately 6.9 million barrels of active shell capacity. We also own approximately 120 trucks and 200 trailers used to haul primarily crude oil and other hydrocarbon products for unrelated and related third parties.

**Lion Pipeline System.** Our Lion Pipeline System primarily consists of (i) the Magnolia Pipeline system, (ii) the Magnolia Station located west of the El Dorado Refinery, (iii) the El Dorado Pipeline system, (iv) two refined product pipelines, (v) three small crude oil pipelines used by Delek and an unrelated third party, (vi) multiple short crude oil pipelines that are located on the El Dorado Refinery and the Sandhill Station owned by Delek adjacent to the El Dorado Refinery and which transport all crude oil from the incoming pipelines in the Lion Pipeline System and the SALA Gathering System to and from a 150,000 barrel capacity storage tank, known as Tank 192, (vii) Tank 192 and (viii) a refined product pipeline leased from an unrelated third party that runs from the El Dorado Refinery to our Memphis terminal.

The Magnolia Pipeline is a 77-mile crude oil pipeline, with a capacity of 68,500 bpd, that runs from a connection with ExxonMobil's North Line pipeline near Shreveport, Louisiana to our Magnolia Station, where the crude oil is then stored and transferred to our El Dorado Pipeline. In addition, a new third-party pipeline links an existing third-party pipeline to the Magnolia Pipeline near Haynesville, Louisiana, which allows for the receipt of crude oil transported from Longview, Texas. The Magnolia Pipeline is regulated by the FERC.

The Magnolia Station has approximately 135,000 barrels of active shell capacity.

The El Dorado Pipeline is a 28-mile, 12-inch crude oil pipeline, with a capacity of approximately 22,000 bpd, that transports crude oil from our Magnolia Station to the Sandhill Station owned by Delek, which is adjacent to the El Dorado Refinery. The El Dorado Pipeline is regulated by the FERC. Upon reaching the Sandhill Station, the crude oil from the El Dorado Pipeline is transported, via multiple short crude oil pipelines owned by us, to Tank 192. At present, substantially all crude oil that enters the El Dorado Refinery, including the crude oil gathered on the SALA Gathering System, is routed through these short pipelines to Tank 192. Tank 192 is located at Delek's Sandhill Station. Through our SALA subsidiary, we own Tank 192 and lease the underlying ground from Lion Oil under a long-term ground lease.

We also own two refined product pipelines that transport gasoline and diesel from the El Dorado Refinery to the nearby Enterprise TE Products Pipeline El Dorado Station (the "Refined Products Pipelines"). Pursuant to a capacity lease with Enterprise TE Products Pipeline Company, LLC dated October 24, 2013, we also lease capacity of approximately 11,000 bpd on the Enterprise Products Pipeline from Enterprise's El Dorado Station to OpCo's refined products terminal in Memphis, TN. The Refined Products Pipelines along with the leased capacity are collectively referred to as the "Refined Products Pipeline System." The diesel line is 12 inches in diameter while the gasoline line is 10 inches in diameter. These two lines commence at the El Dorado Refinery. We own the portion of these lines that commence at the Sandhill Station at the location of the pump for each line and runs approximately eight miles to the Enterprise TE Products Pipeline El Dorado Station. From this point, service continues on the capacity leased from Enterprise TE Products Pipeline Company LLC to the OpCo terminal in Memphis, TN. The Refined Products Pipeline System is regulated by the FERC.

We also own three other short crude oil pipelines. One of these lines is a common carrier pipeline and is regulated by the FERC. The other two pipelines transport crude oil for Delek, which is delivered to the El Dorado Refinery via railcars.



Magnolia Pipeline System

43

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El Dorado Pipeline System

44

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SALA Gathering System. The SALA Gathering System includes approximately 600 miles of two- to eight-inch crude oil gathering and transportation lines in southern Arkansas and northern Louisiana located primarily within a 60-mile radius of the El Dorado Refinery. The SALA Gathering System primarily gathers crude oil production from multiple fields in southern Arkansas and northern Louisiana for delivery to the El Dorado Refinery both directly and through the El Dorado Pipeline System.

#### SALA Gathering System

The SALA Gathering System includes 54 crude oil storage tanks and breakout tanks with a total combined active shell capacity of approximately 0.8 million barrels (including Tank 192 and the 122,000 barrels of capacity discussed below), 14 truck receipt locations, approximately 500 pipeline gathering and receiving stations and 17 relay stations to deliver crude oil to the El Dorado Pipeline System or directly to the El Dorado Refinery. We also have 0.5 million barrels of combined shell capacity that is currently not in service. In addition, we own 122,000 barrels of shell capacity that we allow a third party to utilize pursuant to a 10-year agreement.

Paline Pipeline System. The Paline Pipeline System is primarily a 195-mile, 10-inch crude oil pipeline, with a capacity of approximately 36,000 bpd, running from Longview, Texas to the Phillips 66-operated Beaumont terminal in Nederland, Texas. It includes a three-mile section that runs north from Kilgore, Texas. The three-mile section of pipeline is a common carrier pipeline and is regulated by the FERC.

Paline Pipeline System

East Texas Crude Logistics System. Our East Texas Crude Logistics System includes two owned and operated crude oil pipeline systems serving the Tyler Refinery: (i) the Nettleton pipeline, a 36-mile pipeline, with a capacity of 38,000 bpd, that transports crude oil from Nettleton Station to the Tyler Refinery and (ii) the McMurrey Pipeline System, a 65-mile pipeline system, with a capacity of 28,000 bpd, that transports crude oil from inputs between our La Gloria Station and the Tyler Refinery.

East Texas Logistics Assets

Our East Texas Crude Logistics System also includes the following owned or leased crude oil storage terminals at which we store crude oil owned by Delek for the Tyler Refinery.

Terminal	Number of Tanks	Active Aggregate Shell Storage Capacity (bbls)
La Gloria Station	2	450,000
Nettleton Station <sup>(1) (2)</sup>	5	222,000
Bradford Station <sup>(1)</sup>	2	65,000
Arp Station	2	110,000
Big Sandy Station	7	248,000
Total	18	1,038,000

- (1) Located on property that we lease from a third party as described in more detail below under “—Facilities.”
- (2) In addition, we have 55,000 barrels of shell capacity that is currently not in service and would require additional costs to return to service.

**Hopewell Pipeline.** The Hopewell Pipeline is an approximately 13-mile pipeline, with a capacity of 26,000 bpd, that originates at the Tyler Refinery and terminates at the Hopewell Station in Smith County, Texas where it effectively connects to the Big Sandy Pipeline.

**Big Sandy Pipeline and Tanks.** The Big Sandy Pipeline is a 19-mile pipeline, with a capacity of 26,000 bpd, that originates at the Hopewell Station and terminates at the Big Sandy Station in Big Sandy, Texas. The Big Sandy terminal has 13 tanks with an aggregate shell capacity of 177,000 barrels.

The Hopewell Pipeline and the Big Sandy Pipeline form essentially one pipeline link between the Tyler Refinery and our light petroleum products terminal located in Big Sandy, Texas (the "Tyler-Big Sandy Pipeline").

**Greenville-Mount Pleasant Pipeline.** The Greenville-Mount Pleasant Pipeline is a 76-mile pipeline connecting the Greenville Storage Facility and the Mount Pleasant Terminal. The Greenville-Mount Pleasant Pipeline is regulated by the Texas Railroad Commission.

**Greenville Storage Facility.** Our Greenville Storage Facility has four tanks with an aggregate shell capacity of approximately 330,000 barrels of storage capacity and is connected to the Explorer Pipeline System.

#### Other Tank Assets

**North Little Rock Tanks.** Our North Little Rock terminal has five tanks with an aggregate shell capacity of 180,000 barrels.

**Tyler Tank Assets.** Our tanks located adjacent to the Tyler Refinery consist of 94 storage tanks and certain ancillary assets (such as tank pumps and piping) with an aggregate shell capacity of approximately 2.0 million barrels.

**El Dorado Tank Assets.** Our tanks located at and adjacent to the El Dorado Refinery consist of 158 storage tanks and certain ancillary assets (such as tank pumps and piping) with an aggregate shell capacity of approximately 2.5 million barrels.

### Wholesale Marketing and Terminalling Segment

#### Wholesale Marketing

We own approximately 104 miles of product pipelines in west Texas that connect our San Angelo and Abilene, Texas terminals to the Magellan Orion Pipeline. These pipelines include the following:

- a 13.2-mile, eight-inch pipeline from a Magellan Pipeline custody transfer point at Magellan's Tye Station to the Abilene terminal;
- a 13.5-mile, four-inch pipeline from the Abilene terminal to the Delek pipeline tie-in;
- a 76.5-mile, six-inch pipeline system from Delek's Tye Station to the San Angelo terminal; and
- a 1.0-mile, 20-inch pipeline from Magellan's Tye Station to Delek's Tye Station.

**Abilene Terminal.** We own a terminal in Abilene, Texas that is leased to Noble Petro, Inc. ("Noble Petro") pursuant to a terminal and pipeline lease and operating agreement for nominal consideration.

**San Angelo Terminal.** We also own a terminal in San Angelo, Texas that is leased to Noble Petro under the same agreement as our Abilene terminal.

The following table provides the location of the Abilene and San Angelo terminals associated with our marketing activities and their storage capacities, number of truck loading lanes, average truck loading volume and maximum daily available truck loading capacity for the years ended December 31, 2014 and 2013.

Terminal Location	Number of Tanks	Active Shell Capacity (bbls)	Number of Truck Loading Lanes	Maximum Daily Available Truck Loading Capacity (bpd)
Abilene, TX <sup>(1)</sup>	9	368,000	2	17,700
San Angelo, TX	5	93,000	2	8,400
Total	14	461,000	4	26,100

<sup>(1)</sup> Excludes approximately 79,930 barrels of shell capacity that is temporarily out of service and approximately 465,600 barrels of out of service shell capacity requiring extensive repair.

#### Abilene Area Terminals and Product Pipelines

##### Terminalling

We provide terminalling services for products through light products terminals we own in Nashville, Tennessee, Memphis, Tennessee, North Little Rock, Arkansas, Tyler, Texas, El Dorado, Arkansas and Mount Pleasant, Texas. See "Item 1—Business—Commercial Agreements—Delek's Crude Oil and Refined Products Supply and Offtake Arrangement" for a description of our agreement with J. Aron. We also own a light products terminal in Big Sandy, Texas, which is capable of providing terminalling and storage services to Delek's Tyler Refinery.

The following table provides the locations of our refined product terminals associated with our terminalling activities and their storage capacities, number of truck loading lanes, average truck loading volume and maximum daily available truck loading capacity for the year ended December 31, 2014.

Terminal Location	Number of Tanks	Active Aggregate Shell Capacity (bbls)	Number of Truck Loading Lanes	Maximum Daily Available Truck Loading Capacity (bpd)
Big Sandy, TX			3	25,000
Memphis, TN	12	126,000	3	13,000
Nashville, TN <sup>(1)</sup>	10	128,000	2	8,900
Tyler, TX <sup>(2)</sup>			9	54,000
North Little Rock, AR			2	8,400
El Dorado, AR <sup>(3)</sup>			3	25,000
Mount Pleasant, TX	7	175,000	3	
Total	29	429,000	25	134,300

(1) In addition, we have approximately 10,000 barrels of shell capacity that is currently not in service.

(2) See "—Our Asset Portfolio—Pipelines and Transportation Segment—Tyler Tank Assets" above for a discussion of the storage tanks associated with this terminal.

(3) See "—Our Asset Portfolio—Pipelines and Transportation Segment—El Dorado Tank Assets" above for a discussion of the storage tanks associated with this terminal.

#### Title to Properties and Permits

While we own the physical improvements consisting of our pipelines, substantially all of these pipelines are constructed on rights-of-way granted by the apparent record owners of the property and in some instances these rights-of-way are revocable at the election of the grantor. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. We have obtained permits from public authorities to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets, and state highways and, in some instances, these permits are revocable at the election of the grantor. We have also obtained permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some states and under some circumstances, we have the right of eminent domain to acquire rights-of-way and lands necessary for our common carrier pipelines.

We believe that we are the owner of valid easement rights and rights-of-way or fee ownership or leasehold interests to the lands on which the above assets are located. Under the Second Omnibus Amendment, Delek has agreed to indemnify us for certain title defects and for failures to obtain certain consents and permits necessary to conduct our business, in each case, that are identified prior to the relevant date in the Second Omnibus Amendment, subject to a \$250,000 aggregate annual deductible. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens that can be imposed in some jurisdictions for government-initiated action to clean up environmental contamination, liens for current taxes and other burdens, and easements, restrictions, and other encumbrances to which the underlying properties were subject at the time of acquisition by our predecessor or us, we believe that none of these burdens should materially detract from the value of these properties or from our interest in these properties or should materially interfere with their use in the operation of our business.

#### Facilities

Our Nettleton Station and our Bradford Station are located on properties that are owned by Chevron and by a local family, respectively, in which we have leasehold interests. Our North Little Rock Terminal, our El Dorado Terminal and tank farm and our Tyler Terminal and tank farm are located on property that is owned by Delek in which we have a leasehold interest.

#### Liens and Encumbrances

The majority of the assets described above are pledged under and encumbered by our credit agreement. See Note 9 of the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further information.

#### Corporate Headquarters

Delek leases its corporate headquarters at 7102 Commerce Way, Brentwood, Tennessee. The lease is for 54,000 square feet and expires in April 2022. We pay Delek a proportionate share of the costs to operate the building pursuant to the Second Omnibus Amendment. Please read "Item 1—Business—Commercial Agreements—Other Agreements with Delek—Omnibus Agreement."

#### ITEM 3. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims, whether regulatory or other, arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that will have a material adverse impact on our financial condition, results of operations or cash flows. We are not currently aware of any significant legal or governmental proceedings against us, or contemplated to be brought against us.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

## Unit Price and Cash Distributions

Our common units represent limited partner interests in us that entitle the holders to the rights and privileges specified in our partnership agreement. Our common units began trading on the NYSE under the symbol "DKL" on November 2, 2012. Prior to that time, there was no public market for our common units. There were three holders of record of our common units held by the public as of February 20, 2015, which includes common units held in street name. In addition, as of February 20, 2015, Delek and its affiliates owned 2,799,258 of our common units, 11,999,258 of our subordinated units and 494,197 of our general partner units (the 2% general partner interest), which together constitute a 59.9% ownership interest in us.

The following table sets forth the range of the daily high and low sales prices per common unit for each quarterly period and the cash distributions to common unitholders with respect to each quarterly period during the years ended December 31, 2014 and December 31, 2013.

Quarter Ended	High Sales Price	Low Sales Price	Quarterly Cash Distribution per Limited Partner Unit <sup>(1)</sup>	Distribution Date	Record Date
December 31, 2014	\$43.51	\$30.16	\$0.510	February 13, 2015	February 6, 2015
September 30, 2014	\$45.00	\$32.52	\$0.490	November 14, 2014	November 6, 2014
June 30, 2014	\$36.20	\$30.69	\$0.475	August 14, 2014	August 7, 2014
March 31, 2014	\$35.24	\$31.26	\$0.425	May 14, 2014	May 6, 2014
December 31, 2013	\$33.49	\$29.51	\$0.415	February 13, 2014	February 4, 2014
September 30, 2013	\$33.7	\$28.70	\$0.405	November 14, 2013	November 7, 2013
June 30, 2013	\$35.96	\$28.11	\$0.395	August 13, 2013	August 6, 2013
March 31, 2013	\$31.19	\$22.76	\$0.385	May 15, 2013	May 7, 2013

(1) Represents cash distributions attributable to the quarter and declared and paid within 45 days of quarter end in accordance with our partnership agreement.

## Distributions of Available Cash

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date.

## Definition of Available Cash

Available cash generally means, for any quarter, all cash and cash equivalents on hand at the end of that quarter: less the amount of cash reserves established by our general partner to:

provide for the proper conduct of our business (including cash reserves for our future capital expenditures and anticipated future debt service requirements and refunds of collected rates reasonably likely to be refunded as a result of a settlement or hearing related to FERC rate proceedings or rate proceedings under applicable law subsequent to that quarter);

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 (provided that our general partner may not establish cash reserves for distributions if the effect

of the establishment of such reserves will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter); plus, if our general partner so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter. Under our partnership agreement, working capital borrowings are generally borrowings that are made under a credit facility, commercial paper facility or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to partners, and with the intent of the borrower to repay such borrowings within 12 months with funds other than from additional working capital borrowings.

#### Intent to Distribute the Minimum Quarterly Distribution

We intend to pay a quarterly distribution of at least \$0.375 per unit per quarter, or \$1.50 per unit on an annualized basis, which equals approximately \$9.3 million per quarter, or approximately \$37.1 million per year, based on the number of common, subordinated and general partner units outstanding as of December 31, 2014. We do not have a legal obligation to pay this distribution.

#### General Partner Interest and Incentive Distribution Rights

Our general partner is currently entitled to 2.0% of all quarterly distributions that we make prior to our liquidation. This general partner interest is represented by 494,197 general partner units. Our general partner has the right, but not the obligation, to contribute up to a proportionate amount of capital to us to maintain its current general partner interest. The general partner's 2.0% 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 2.0% general partner interest.

Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 48.0%, of the cash we distribute from operating surplus (as defined in our partnership agreement) in excess of \$0.43125 per unit per quarter. The maximum distribution of 48.0% does not include any distributions that our general partner or its affiliates may receive on common, subordinated or general partner units that it owns.

#### Percentage Allocations of Available Cash

The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our general partner based on the specified 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 per Unit Target Amount." The percentage interests shown for our unitholders and our 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 2.0% general partner interest and assume that our general partner has contributed any additional capital necessary to maintain its 2.0% general partner interest, our general partner has not transferred its incentive distribution rights and that there are no arrearages on common units.

	Total Quarterly Distribution per Unit Target Amount	Marginal Percentage Interest in Distributions		
		Unitholders	General Partner	
Minimum Quarterly Distribution	\$0.37500	98.0	% 2.0	%
First Target Distribution	above \$0.37500	98.0	% 2.0	%
Second Target Distribution	up to \$0.43125			
	above \$0.43125	85.0	% 15.0	%
Third Target Distribution	up to \$0.46875			
	above \$0.46875	75.0	% 25.0	%
Thereafter	up to \$0.56250			
	above \$0.56250	50.0	% 50.0	%

## Subordination Period

### General

Our partnership agreement provides that, during the subordination period (which we define below), our common units will have the right to receive distributions of available cash from operating surplus each quarter in an amount equal to \$0.375 per common unit, which amount is defined in our partnership agreement as the minimum quarterly distribution, 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 subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed on the common units.

### Subordination Period

Except as described below, the subordination period will extend until the first business day following the distribution of available cash in respect of any quarter beginning with the quarter ending December 31, 2015, 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 \$1.50 per unit (the annualized minimum quarterly distribution), for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date; the adjusted operating surplus (as defined in our partnership agreement) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of \$1.50 (the annualized minimum quarterly distribution) 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 the minimum quarterly distribution on the common units.

In addition to the tests outlined above, the subordination period will end only in the event that our conflicts committee, or the board of directors of our general partner based on the recommendation of our conflicts committee, reasonably expects to satisfy the tests set forth under the first and second bullet points above for the succeeding four-quarter period without treating as earned any shortfall payments that would be paid to us under our existing commercial agreements with Delek (or similar fees to be paid by Delek under future contracts) and which would be expected to be received during such period.

### Early Termination of Subordination Period

Notwithstanding the foregoing, and subject to the conditions outlined in the next paragraph, the subordination period will terminate on the first business day following the distribution of available cash in respect of any quarter beginning with the quarter ending December 31, 2013, 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 equal or exceed \$2.25 per unit (150% of the annualized minimum quarterly distribution), for the four-consecutive-quarter period immediately preceding that date; the adjusted operating surplus generated during the four-quarter period immediately preceding that date equal or exceed the sum of (i) \$2.25 per unit (150% of the annualized minimum quarterly distribution) on all of the outstanding common units, subordinated units and general partner units during that period on a fully diluted basis and (ii) the corresponding distributions on the incentive distribution rights; and there are no arrearages in payment of the minimum quarterly distributions on the common units.

In addition to the tests outlined above, the subordination period will end only in the event that our conflicts committee, or the board of directors of our general partner based on the recommendation of our conflicts committee, reasonably expects to satisfy the tests set forth under the first and second bullet points above for the succeeding four-quarter period without treating as earned any shortfall payments that would be paid to us under our existing commercial agreements with Delek (or similar fees to be paid by Delek under future contracts) and which would be expected to be received during such period.

### Expiration Upon Removal of the General Partner

In addition, if the unitholders remove our general partner other than for cause:

54

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the subordinated units held by any person will immediately and automatically convert into common units on a one-for-one basis, provided (i) neither such person nor any of its affiliates voted any of its units in favor of the removal and (ii) such person is not an affiliate of the successor general partner; if all of the subordinated units convert pursuant to the foregoing, all cumulative arrearages on the common units will be extinguished and the subordination period will end; and

- our 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.

#### Expiration of the Subordination Period

When the subordination period ends, each outstanding subordinated unit will convert into one common unit and will thereafter participate pro rata with the other common units in distributions of available cash.

#### Unregistered Sales of Equity Securities

Pursuant to the terms of our limited partnership agreement, our general partner has the right to maintain its proportionate 2% general partner interest in the Partnership. The following table provides information regarding the exercise of such right by our general partner. Each sale listed below was exempt from registration under Section 4(a)(2) of the Securities Act of 1933.

Date of Sale	Number of General Partner Units Sold	Price per General Partner Unit	Consideration Paid to the Partnership
June 13, 2014	640	\$34.64	\$22,168
December 31, 2014	664	\$34.48	\$22,895

#### ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth certain selected consolidated financial data as of and for each of the five years in the period ended December 31, 2014. The selected historical consolidated financial data for the years ended December 31, 2011 and 2010 are derived from audited consolidated financial statements of Delek Logistics Partners, LP Predecessor (the "DKL Predecessor"). The selected historical financial data for the 2012 period presented through November 6, 2012 is derived from consolidated financial results of the DKL Predecessor, and the period beginning November 7, 2012 is derived from consolidated financial results of Delek Logistics Partners, LP (the "Partnership"). The selected historical consolidated financial data for the years ended December 31, 2014 and 2013 is also derived from consolidated financial results of the Partnership.

On July 26, 2013, the Partnership, through its wholly owned subsidiary Delek Marketing & Supply, LP, acquired from Delek (i) the refined products terminal (the "Tyler Terminal") located at Delek's Tyler, Texas Refinery (the "Tyler Refinery") and (ii) ninety-six storage tanks and certain ancillary assets (the "Tyler Tank Assets" and together, with the Tyler Terminal, the "Tyler Terminal and Tank Assets") adjacent to the Tyler Refinery (such transaction, the "Tyler Acquisition").

On February 10, 2014, the Partnership, through its wholly owned subsidiary Delek Logistics Operating, LLC ("OpCo"), acquired from Delek (i) the refined products terminal (the "El Dorado Terminal") located at Delek's El Dorado, Arkansas refinery (the "El Dorado Refinery") and (ii) 158 storage tanks and certain ancillary assets (the "El Dorado Tank Assets" and together with the El Dorado Terminal, the "El Dorado Terminal and Tank Assets") at and adjacent to the El Dorado Refinery (such transaction, the "El Dorado Acquisition").

The El Dorado Acquisition and the Tyler Acquisition were accounted for as transfers between entities under common control. As entities under common control with Delek, we record the assets that Delek has contributed to us on our balance sheet at Delek's historical basis instead of fair value. Transfers between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retrospectively adjusted to furnish comparative information. Accordingly, the accompanying financial statements and related notes of the DKL Predecessor and the Partnership have been retrospectively adjusted to include (i) the historical results of the El Dorado Terminal and Tank Assets, as owned and operated by Delek, for all periods presented through February 10, 2014 (the "El Dorado Predecessor") and (ii) the historical results of the Tyler Terminal and Tank Assets, as owned and operated by Delek, for all periods presented through July 26, 2013 (the "Tyler Predecessor"). We refer to the historical results of the DKL Predecessor, El Dorado Predecessor and Tyler Predecessor collectively as our "Predecessors."

Our financial results may not be comparable as our Predecessors recorded revenues, general and administrative expenses and financed operations differently than the Partnership. See "Factors Affecting the Comparability of Our Financial Results" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 for additional information.

The following tables should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and our consolidated financial statements in Item 8.

	Year Ended December 31,				
	2014 <sup>(4)</sup>	2013 <sup>(3)</sup>	2012 <sup>(2)</sup>	2011 <sup>(1)(2)</sup>	2010 <sup>(2)</sup>
	Predecessors				
Statements of Income and Other Comprehensive Income Data:	(In thousands, except units and per unit data)				
Net sales	\$841,253	\$907,428	\$1,022,586	\$744,079	\$504,408
Operating costs and expenses	761,411	868,434	1,020,062	737,207	491,418
Operating income	79,842	38,994	2,524	6,872	12,990
Interest expense, net	8,656	4,570	2,682	2,011	2,564
Income (loss) before income tax (benefit) expense	71,186	34,424	(158 )	4,861	10,426
Income tax expense (benefit)	132	757	(14,024 )	5,363	5,102
Net income (loss)	\$71,054	\$33,667	\$13,866	\$(502 )	\$5,324
Less: (Loss) income attributable to Predecessors	(943 )	(14,163 )	5,456	(502 )	5,324
Net income (loss) attributable to partners	\$71,997	\$47,830	\$8,410	\$—	\$—
Less: General partners' interest in net income (2%)	\$(2,366 )	\$(957 )	\$(168 )		
Limited partners' interest in net income	\$69,631	\$46,873	\$8,242		
Net income per limited partner unit:					
Common - (basic)	\$2.88	\$1.95	\$0.34		
Common - (diluted)	\$2.85	\$1.93	\$0.34		
Subordinated - Delek (basic and diluted)	\$2.88	\$1.95	\$0.34		
Weighted average limited partner units outstanding:					
Common units - (basic)	12,171,548	12,025,249	11,999,258		
Common units - (diluted)	12,302,629	12,148,774	11,999,258		
Subordinated units - Delek (basic and diluted)	11,999,258	11,999,258	11,999,258		

Financial information and operating information (other than information relating to operations in east and west (1) Texas) for the year ended December 31, 2011 is for the 247 days and 12 days Delek operated the El Dorado Refinery and Paline Pipeline System, respectively, in 2011.

The information presented includes the results of operations of our Predecessors. Prior to the completion of the (2) Offering, the El Dorado Acquisition, and the Tyler Acquisition, our Predecessors did not record all revenues for intercompany gathering, pipeline transportation, terminalling and storage services.

(3) The information presented includes the results of operations of the El Dorado Predecessor and the Tyler Predecessor.

(4) The information presented includes the results of operations of the El Dorado Predecessor.





	Year Ended December 31,				
	2014	2013	2012	2011	2010
	Predecessors				
Balance Sheet Data:	(In thousands)				
Property, plant and equipment, net	\$240,533	\$224,506	\$215,635	\$178,756	\$46,262
Total assets	311,839	301,344	307,894	244,903	90,159
Total debt, including current maturities	251,750	164,800	90,000	30,300	29,000
Total liabilities	291,784	214,142	146,092	96,579	61,516
Total equity	20,055	87,202	161,802	148,324	28,643

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

Unless the context otherwise requires, references in this report to "Delek Logistics Partners, LP Predecessor," the "Predecessor," and "we," "our," "us," or like terms, when used in the context of periods prior to November 7, 2012, refer to Delek Logistics Partners, LP Predecessor, the Partnership's predecessor for accounting purposes. References to "Delek Logistics Partners, LP," the "Partnership," and "we," "our," "us," or like terms, when used in the present tense or in the context of periods on or after November 7, 2012, refer to Delek Logistics Partners, LP and its general partner and subsidiaries. Unless the context otherwise requires, references in this report to "Delek" refer collectively to Delek US Holdings, Inc. and any of its subsidiaries, other than Delek Logistics Partners, LP, its subsidiaries and its general partner. Those statements in this section that are not historical in nature should be deemed forward-looking statements that are inherently uncertain. See "Forward-Looking Statements" below for a discussion of the factors that could cause actual results to differ materially from those projected in these statements.

On July 26, 2013, the Partnership, through its wholly owned subsidiary Delek Marketing & Supply, LP, acquired from Delek (i) the refined products terminal (the "Tyler Terminal") located at Delek's Tyler, Texas Refinery (the "Tyler Refinery") and (ii) 96 storage tanks and certain ancillary assets (the "Tyler Tank Assets" and, together with the Tyler Terminal, the "Tyler Terminal and Tank Assets") adjacent to the Tyler Refinery (such transaction, the "Tyler Acquisition").

On February 10, 2014, the Partnership, through its wholly owned subsidiary Delek Logistics Operating, LLC ("OpCo"), acquired from Delek (i) the refined products terminal (the "El Dorado Terminal") located at Delek's El Dorado, Arkansas refinery (the "El Dorado Refinery") and (ii) 158 storage tanks and certain ancillary assets (the "El Dorado Tank Assets" and, together with the El Dorado Terminal, the "El Dorado Terminal and Tank Assets") at and adjacent to the El Dorado Refinery (such transaction, the "El Dorado Acquisition").

The El Dorado Acquisition and the Tyler Acquisition were accounted for as transfers between entities under common control. As entities under common control with Delek, we record the assets that Delek has contributed to us on our balance sheet at Delek's historical basis instead of fair value. Transfers between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years are retrospectively adjusted to furnish comparative information. Accordingly, the accompanying financial statements and related notes of the Partnership have been retrospectively adjusted to include (i) the historical results of the El Dorado Terminal and Tank Assets, as owned and operated by Delek, for all periods presented through February 10, 2014 (the "El Dorado Predecessor") and (ii) the historical results of the Tyler Terminal and Tank Assets, as owned and operated by Delek, for all periods presented through July 26, 2013 (the "Tyler Predecessor"). We refer to the historical results of the DKL Predecessor, El Dorado Predecessor and Tyler Predecessor collectively as our "Predecessors."

You should read the following discussion of our financial condition and results of operations in conjunction with our historical consolidated financial statements and notes thereto.

### Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

These



forward-looking statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, and statements of management's goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management's good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Important factors that, individually or in the aggregate, could cause such differences include, but are not limited to:

- our substantial dependence on Delek or its assignees and their respective ability to pay us under our commercial agreements;
- the age and condition of our assets and operating hazards and other risks incidental to transporting, storing and gathering crude oil, intermediate and refined products, including, but not limited to, spills, releases and tank failures;
- the timing and extent of changes in commodity prices and demand for Delek's refined products;
- the suspension, reduction or termination of Delek's or its assignees' or any third-party's obligations under our commercial agreements;
- disruptions due to acts of God, equipment interruption or failure at our facilities, Delek's facilities or third-party facilities on which our business is dependent;
- our reliance on information technology systems in our day-to-day operations;
- changes in general economic conditions;
- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the demand for crude oil, refined products and transportation and storage services;
- our ability to successfully implement our business plan;
- our ability to complete internal growth projects on time and on budget;
- Delek's inability to grow as expected;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- large customer defaults;
- changes in the availability and cost of capital of debt and equity financing;
- changes in tax status;
- the effects of existing and future laws and governmental regulations, including, but not limited to, the rules and regulations promulgated by the Federal Energy Regulatory Commission ("FERC");
- changes in insurance markets impacting costs and the level and types of coverage available;
- the effects of future litigation; and
- other factors discussed elsewhere in this report.

In light of these risks, uncertainties and assumptions, our actual results of operations and execution of our business strategy could differ materially from those expressed in, or implied by, the forward-looking statements, and you should not place undue reliance upon them. In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition. Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

#### Business Overview

The Partnership primarily owns and operates crude oil and intermediate and refined products logistics and marketing assets. We gather, transport and store crude oil and intermediate products and market, distribute, transport and store refined products primarily in select regions of the southeastern United States and Texas for Delek and third parties, primarily in support of Delek's Tyler and El Dorado Refineries. A substantial majority of our existing assets are both integral to and dependent upon the success of Delek's refining operations as many of our assets are contracted exclusively to Delek in support of its Tyler and El Dorado Refineries.

The Partnership is not a taxable entity for federal income tax purposes or the income taxes of those states that follow the federal income tax treatment of partnerships. Instead, for purposes of these income taxes, each partner of the Partnership is required to take into account its share of items of income, gain, loss and deduction in computing its federal and state income tax liabilities, regardless of whether cash distributions are made to the partner by the partnership. The taxable income reportable to each partner takes into account differences between the tax basis and the fair market value of our assets and financial reporting bases of assets and liabilities, the acquisition price of their units and the taxable income allocation requirements under the partnership agreement.

#### Recent Developments

##### Paline Pipeline Capacity Reservation

Prior to the Partnership's acquisition of Paline Pipeline Company, LLC ("Paline"), Paline had entered into a contract with an unrelated third party for such company to exclusively use 100% of the southbound capacity of the Paline Pipeline. This agreement expired by its terms on December 31, 2014. Effective January 1, 2015, we entered into two new agreements with unrelated third parties for use of capacity of the Paline Pipeline. Pursuant to the terms of the new agreements, these third parties will each pay a fixed monthly fee allowing them the exclusive right to use their respective leased capacities on the pipeline, which account for a combined 35,000 bpd. The initial term of these agreements is for 18 months from January 1, 2015.

#### 2014 Developments

##### Acquisitions

**Trucking Assets Acquisition.** On December 17, 2014, we completed the purchase of substantially all of the assets of Frank Thompson Transport, Inc. ("FTT"), a company that primarily hauled crude oil and asphalt products by transport truck. The assets purchased from FTT primarily consisted of approximately 120 trucks and 200 trailers (the "FTT Assets"). The aggregate purchase price of the FTT Assets was approximately \$11.5 million.

**Terminal and Pipeline Acquisition.** On October 1, 2014, we completed the purchase from an affiliate of Magellan Midstream Partners, LP. of (i) a light products terminal in Mount Pleasant, Texas (the "Mount Pleasant Terminal"), (ii) a light products storage facility in Greenville, Texas (the "Greenville Storage Facility"), and (iii) a 76-mile pipeline connecting the locations (the "Greenville-Mount Pleasant Pipeline"). The Mount Pleasant Terminal, the Greenville Storage Facility and the Greenville-Mount Pleasant Pipeline are hereinafter collectively referred to as the

"Greenville-Mount Pleasant Assets." The Mount Pleasant Terminal consists of approximately 200,000 barrels of light product storage capacity, three truck loading lanes and ethanol blending capability. The Greenville Storage Facility has approximately 325,000 barrels of storage capacity and is connected to the Explorer Pipeline System, which is a common carrier pipeline owned by a third

60

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party. The aggregate purchase price of the Greenville-Mount Pleasant Assets was approximately \$11.1 million, including approximately \$1.1 million in finished product inventory.

**El Dorado Terminal and Tankage Acquisition.** On February 10, 2014, the Partnership, through our subsidiary OpCo, completed a transaction with Lion Oil, pursuant to which OpCo acquired a refined products terminal, storage tanks and ancillary assets at and adjacent to the El Dorado Refinery from Lion Oil. The purchase price paid for the assets acquired was \$95.9 million in cash. The assets acquired consist of the following:

The refined products terminal located at the El Dorado Refinery (the "El Dorado Terminal"), which consisted of a truck loading rack with three loading bays supplied by pipelines from storage tanks located at the El Dorado Refinery, along with certain ancillary assets. Total throughput capacity for the El Dorado Terminal is approximately 26,700 barrels per day ("bpd").

One hundred fifty-eight (158) storage tanks and certain ancillary assets (such as pumps and piping) located at and adjacent to the El Dorado Refinery with an aggregate shell capacity of approximately 2.5 million barrels (such storage tanks and certain ancillary assets, the "El Dorado Storage Tanks"). The El Dorado Storage Tanks, together with the El Dorado Terminal, are sometimes hereinafter referred to as the "El Dorado Terminal and Tank Assets."

Delek retained any current assets and current liabilities related to the El Dorado Terminal and Tank Assets as of the date of the El Dorado Acquisition. The only historical balance sheet items that transferred to the Partnership in the El Dorado Acquisition were property, plant and equipment assets, tank inspection liabilities and asset retirement obligations, which were recorded by us at historical cost.

In connection with the El Dorado Acquisition, the Partnership and Delek entered into (i) an asset purchase agreement, (ii) the Second Omnibus Amendment (as defined below), (iii) a throughput and tankage agreement with respect to the El Dorado Terminal and Tank Assets, (iv) a lease and access agreement, and (v) a site services agreement.

**Second Omnibus Amendment.** The Partnership entered into an omnibus agreement with Delek, our general partner, OpCo, Lion Oil and certain of the Partnership's and Delek's other subsidiaries on November 7, 2012 (the "Omnibus Agreement"). On July 26, 2013, in connection with the acquisition from Delek of the refined products terminal and 96 storage tanks and ancillary assets adjacent to the Tyler Refinery, the Partnership and the other parties entered into an amendment and restatement of the Omnibus Agreement (the "First Omnibus Amendment"), which was amended and restated on February 10, 2014, in connection with the El Dorado Acquisition (the "Second Omnibus Amendment").

#### Other Developments

**Second Amended and Restated Credit Facility.** We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 (the "Amended and Restated Credit Agreement") and was most recently amended and restated on December 30, 2014 (the "Second Amended and Restated Credit Agreement"). Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments were increased from \$400.0 million to \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. While the majority of the terms of the Second Amended and Restated Credit Agreement are substantially unchanged from the predecessor facility, among other things, changes were made to certain negative covenants, the financial covenants and the interest rate pricing grid. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings. Borrowings denominated in U.S. dollars bear interest at either a U.S. dollar prime rate, plus an applicable margin, or the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, at the election of the borrowers. Borrowings denominated in Canadian dollars bear interest at either a Canadian dollar prime rate, plus an applicable margin, or the Canadian Dealer Offered Rate ("CDOR"), plus an applicable margin, at the election of the borrowers. The applicable margin in each case varies based upon the Partnership's most recent leverage ratio calculation delivered to the lenders, as called for and defined under the terms

of the credit facility. The Second Amended and Restated Credit Agreement matures on December 30, 2019.  
Rate Increases. On July 1, 2014, the tariffs, throughput fees and storage fees under our agreements with Delek that are subject to an increase based on the FERC index, increased by approximately 3.9%. In the case of certain of our other agreements in which the fee increase is based on certain other inflation based indices, the increase was approximately 1.6% on average.

### Business Strategies

Our objectives are to maintain stable cash flows and to grow the quarterly distributions paid to our unitholders. We are focused on growing our asset base within our geographic area through acquisitions, project development and enhancing our existing systems. While we will continue to evaluate ways to provide Delek with logistics services, our emphasis will be to increase the logistics services that we offer to third parties. We intend to achieve these objectives through the following business strategies:

**Generate Stable Cash Flow.** We will continue to pursue opportunities to provide logistics, marketing and other services to Delek and third parties pursuant to long-term, fee-based contracts. In new service contracts, we will endeavor to negotiate minimum throughput or other commitments similar to those included in our current commercial agreements with Delek.

**Focus on Growing Our Business.** We intend to evaluate and pursue opportunities to grow our business through both strategic acquisitions and expansion and construction projects, both internally funded or in combination with potential external partners. We believe that our strong relationship with our sponsor will provide us with several opportunities to grow our business.

**Pursue Acquisitions.** We plan to pursue strategic acquisitions that both complement our existing assets of Delek and provide attractive returns for our unitholders. For example, in February 2014, we completed the purchase of the El Dorado Terminal and Tank Assets. We also acquired the Greenville-Mount Pleasant Assets in east Texas and the FTT Assets primarily based in El Dorado, Arkansas from third parties in October 2014 and December 2014, respectively, which will further enhance our terminalling, storage and transportation capabilities. As we continue to grow through acquisitions, we believe we will be able to increase our third party business.

Additionally, Delek has granted us a right of first offer on certain logistics assets. We intend to review our right to purchase any such assets as they are offered to us under the terms of the right of first offer, from time to time. Delek is also required, under certain circumstances, to offer us the opportunity to purchase additional logistics assets that Delek may acquire or construct in the future. In addition to those opportunities to acquire assets from Delek, we believe that our current asset base and our knowledge of the regional markets in which we operate will allow us to target and consummate attractive third-party acquisitions.

**Pursue Attractive Expansion and Construction Opportunities.** We intend to pursue organic growth opportunities that complement our existing businesses or that provide attractive returns within or outside our current geographic footprint. We plan to evaluate potential opportunities to make capital investments that will be used to expand our existing asset base through the expansion and construction of new logistics assets to support growth of any of our customers', including Delek's, businesses and from increased third-party activity. These construction projects can be developed through joint venture relationships, or by us acting independently depending on size and scale.

**Optimize Our Existing Assets and Expand Our Customer Base.** We intend to enhance the profitability of our existing assets by adding incremental throughput volumes, improving operating efficiencies and increasing system-wide utilization. For example, in August 2014, Delek announced plans to expand the crude nameplate capacity at the Tyler Refinery by 15,000 bpd to 75,000 bpd in the first quarter of 2015. In connection with the expansion of the Tyler Refinery, certain capital projects that will expand our Tyler Terminal and enhance its operational capabilities will also be completed. Additionally, we were able to improve the economics of the Paline Pipeline System over the next 18 months by entering into two new agreements with two third parties, effective January 1, 2015. We will continue to explore options for the Paline Pipeline System to increase capacity and utilization. We also expect to further diversify our customer base by increasing third-party throughput volumes running through certain of our existing systems and expanding our existing asset portfolio to service more third-party customers.





### Commercial Agreements

The Partnership has various long-term, fee-based commercial agreements with Delek under which we provide crude oil gathering, crude oil and refined products transportation and storage services and marketing and terminalling services to Delek, and Delek commits to provide us with minimum monthly throughput volumes of crude oil and refined products. For a description of each agreement, see "Item 1—Business—Commercial Agreements—Commercial Agreements Entered Into in Connection with the Offering," "Item 1—Business—Commercial Agreements—Commercial Agreements in Connection with the El Dorado Acquisition" and "Item 1—Business—Commercial Agreements—Commercial Agreements in Connection with the Tyler Acquisition."

### How We Evaluate Our Operations

We use a variety of financial and operating metrics to analyze our segment performance. These metrics are significant factors in assessing our operating results and profitability and include: (i) volumes (including pipeline throughput and terminal volumes); (ii) contribution margin and gross margin per barrel; (iii) operating and maintenance expenses; and (iv) EBITDA and Distributable Cash Flow (as such terms are defined below).

**Volumes.** The amount of revenue we generate primarily depends on the volumes of crude oil and intermediate and refined products that we handle in our pipeline, transportation, terminalling and marketing operations. These volumes are primarily affected by the supply of and demand for crude oil and refined products in the markets served directly or indirectly by our assets. Although Delek has committed to minimum volumes under the commercial agreements described above, our results of operations will be impacted by:

- Delek's utilization of our assets in excess of its minimum volume commitments;
- our ability to identify and execute acquisitions and organic expansion projects, and capture incremental volume increases from Delek or third parties;
- our ability to increase throughput volumes at our refined products terminals and provide additional ancillary services at those terminals, such as ethanol blending and additive injection;
- our ability to identify and serve new customers in our marketing operations; and
- our ability to make connections to third-party facilities and pipelines.

**Contribution Margin and Gross Margin per Barrel.** Because we do not allocate general and administrative expense by segment, we measure the performance of our segments by the amount of contribution margin generated in operations. Contribution margin is calculated as net sales less cost of sales and operating expenses. For our wholesale marketing and terminalling segment, we also measure margin per barrel. The gross margin per barrel reflects the gross margin (net sales less cost of sales) of the wholesale marketing operations divided by the number of barrels of refined products sold during the measurement period. Both contribution margin and gross margin per barrel can be affected by fluctuations in the prices of gasoline and distillate fuel.

**Operating and Maintenance Expenses.** We seek to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses are comprised primarily of labor expenses, lease costs, utility costs, insurance premiums, repairs and maintenance expenses and property taxes. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of these expenses. We will seek to manage our maintenance expenditures on our pipelines and terminals by scheduling maintenance over time to avoid significant variability in our maintenance expenditures and minimize their impact on our cash flow.

Our operating and maintenance expenses will also be affected by the imbalance gain and loss provisions in our commercial agreements with Delek. Under our commercial agreements with Delek relating to our Lion Pipeline System and our East Texas Crude Logistics System, we bear any crude oil and refined product volume losses on each of our pipelines in excess of 0.25%. Under our commercial agreements with Delek relating to our Memphis and Big Sandy terminals, we will bear any refined product volume losses in each of our terminals in excess of 0.25%. The value of any crude oil or refined product imbalance gains or losses resulting from these contractual provisions is determined by reference to the monthly average reference price for the applicable commodity. Any gains and losses under these provisions will reduce or increase, respectively, our operating and maintenance expenses in the period in which they are realized.

EBITDA and Distributable Cash Flow. We define EBITDA as net income (loss) before net interest expense, income tax expense, depreciation and amortization expense. We define distributable cash flow as EBITDA less net cash paid for

interest, maintenance capital expenditures and income taxes. Distributable cash flow will not reflect changes in working capital balances. Distributable cash flow and EBITDA are not presentations made in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

EBITDA and distributable cash flow are non-U.S. GAAP supplemental financial measures that management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies, may use to assess:

- our operating performance as compared to other publicly traded partnerships in the midstream energy industry, without regard to historical cost basis, or in the case of EBITDA, financing methods;
- the ability of our assets to generate sufficient cash flow to make distributions to our unitholders;
- ability to incur and service debt and fund capital expenditures; and
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. EBITDA and distributable cash flow should not be considered alternatives to net income, operating income, cash from operations or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. EBITDA and distributable cash flow have important limitations as analytical tools because they exclude some but not all items that affect net income and net cash provided by operating activities. Additionally, because EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definition of EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. For a reconciliation of EBITDA to its most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, please refer to "—Results of Operations."

#### Factors Affecting the Comparability of Our Financial Results

Our future results of operations may not be comparable to our historical results of operations for the reasons described below:

**Revenues.** There are differences between the way the Predecessors recorded revenues and the way the Partnership records revenues after the completion of the Offering and the acquisitions of the El Dorado Terminal and Tank Assets and the Tyler Terminal and Tank Assets. Because our assets, including the El Dorado Terminal and Tank Assets and the Tyler Terminal and Tank Assets, were historically a part of the integrated operations of Delek, the Predecessors generally recognized the costs and most revenue associated with the gathering, pipeline, transportation, terminalling and storage services provided to Delek on an intercompany basis or charged low throughput fees for transportation. Accordingly, the revenues in the Predecessors' consolidated financial statements are different than those reflected in the Partnership's consolidated financial statements as the Predecessors' amounts relate primarily to amounts received from third parties while the Partnership's revenues will also reflect amounts associated with our commercial agreements with Delek in addition to amounts received from third parties.

The Partnership's revenues are generated from the commercial agreements that we entered into with Delek and from agreements with third parties under which we receive fees for gathering, transporting and storing crude oil and marketing, transporting, storing and terminalling intermediate and refined products. Certain of these contracts contain minimum volume commitments and fees that are indexed for inflation. In addition, the tariff rates for our assets that are subject to inflation indexing will be adjusted annually. We expect to generate revenue from ancillary services, such as ethanol blending and additive injection, and from transportation and terminalling fees on our pipeline systems and terminals for volumes in excess of minimum volume committed under our agreements with Delek. In contrast to the Predecessors, the Partnership does not make bulk biofuel sales in our west Texas marketing operations.

**General and Administrative Expenses.** The Predecessors' general and administrative expenses included direct monthly charges for the management and operation of our logistics assets and certain expenses allocated by Delek for general corporate services, such as treasury, accounting and legal services. These expenses were charged or allocated to the Predecessors based on the nature of the expenses and our proportionate share of employee time and headcount. Delek continues to charge the Partnership for the management and operation of our logistics assets, including an annual fee for the provision of various centralized corporate services. Additionally, the Partnership is required to

reimburse Delek for direct or allocated costs and expenses incurred by Delek on behalf of the Partnership. The Partnership also incurs additional incremental annual general and administrative expense as a result of being a publicly traded partnership.

**Financing.** The Partnership paid a cash distribution to its unit holders at a distribution rate of \$0.51 per unit for the quarter ended December 31, 2014 (\$2.04 per unit on an annualized basis). Our partnership agreement requires that the Partnership distribute to its unitholders quarterly all of its available cash as defined in the partnership agreement. As a result, the Partnership expects to fund future capital expenditures primarily from operating cash flows, borrowings under the Second Amended and Restated Credit Agreement and any future issuances of equity and debt securities.

**Income Tax Expenses.** Prior to the Offering, the DKL Predecessor was included in Delek's consolidated federal income tax return, in which the DKL Predecessor was taxed at the entity level as a C corporation. For periods subsequent to the Offering, the Partnership is treated as a partnership for federal income tax purposes, with each partner being separately taxed on its share of taxable income; therefore, there is no federal income tax expense in our financial statements.

**Market Trends.** Our results of operations are impacted by our ability to utilize our existing assets to fulfill the long-term fee-based agreements we have entered into with Delek and with third parties. Overall demand for gathering and terminalling services in a particular area is generally driven by crude oil production in the area, refining economics and access to alternate delivery and transportation infrastructure. Additionally, we are exposed to volatility in crude oil and refined products prices in our west Texas operations. A sharp decline in the price of crude oil may potentially lower the crude oil production level in the west Texas area resulting in lower demand for finished products from our west Texas operations to industries that support crude oil exploration and production. A sharp decline in the selling price of finished products may reduce our margin in the west Texas operations if our purchase price for finished products does not adjust accordingly. Any of these factors is subject to change over time. As part of our overall business strategy, management considers aspects such as location, acquisition and expansion opportunities and factors impacting the utilization of the refineries (and, therefore, throughput volumes) which may impact our performance in the market.

#### Seasonality and Customer Maintenance Programs

The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic. Demand for asphalt products, which is a substantial product of Delek's El Dorado Refinery, is also lower in the winter months. In addition, our refining customers, such as Delek, occasionally reduce or suspend operations to perform planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods, and our operating results will generally be lower during the first and fourth quarters of the year. We believe, however, that many of the potential effects of seasonality on our revenues and contribution margin will be substantially mitigated due to our commercial agreements with Delek that include minimum volume and throughput commitments.

#### Results of Operations

A discussion and analysis of the factors contributing to our results of operations is presented below. The accompanying consolidated financial statements for the periods prior to November 7, 2012 represent our Predecessors' results of operations, while the consolidated financial statements for the period subsequent to November 7, 2012 include the results of operations for the Partnership. The accompanying consolidated financial statements and related notes of the Partnership have been retrospectively adjusted to include the historical results of the El Dorado Terminal and Tank Assets for all periods presented through February 10, 2014 and the Tyler Terminal and Tank Assets for all periods presented through July 26, 2013. The financial statements, together with the following information, are intended to provide investors with a reasonable basis for assessing our historical operations, but should not serve as the only criteria for predicting our future performance.

The following table and discussion present a summary of our consolidated results of operations for the years ended December 31, 2014, 2013 and 2012, including a reconciliation of EBITDA to net income and net cash provided by (used in) operating activities and distributable cash flow to net income (in thousands, except unit and per unit amounts). Our financial results may not be comparable as our Predecessors recorded revenues, general and

administrative expenses and financed operations differently than the Partnership. See "—Factors Affecting the Comparability of Our Financial Results" for additional information.

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Statements of Income and Comprehensive Income Data:	Years ended December 31,		
	2014 <sup>(1)</sup>	2013 <sup>(2)</sup>	2012 <sup>(2)</sup> Predecessors
Net sales:			
Pipelines and transportation	\$91,348	\$60,237	\$33,539
Wholesale marketing and terminalling	749,905	847,191	989,047
Total	841,253	907,428	1,022,586
Operating costs and expenses:			
Cost of goods sold	697,221	811,364	959,434
Operating expenses	38,786	35,640	39,420
General and administrative expenses	10,616	7,526	9,856
Depreciation and amortization	14,705	13,738	11,343
Loss on asset disposals	83	166	9
Total operating costs and expenses	761,411	868,434	1,020,062
Operating income	79,842	38,994	2,524
Interest expense, net	8,656	4,570	2,682
Income (loss) before taxes	71,186	34,424	(158 )
Income tax expense (benefit)	132	757	(14,024 )
Net income	\$71,054	\$33,667	\$13,866
Less: (Loss) income income attributable to Predecessors	(943 )	(14,163 )	5,456
Net income attributable to partners	\$71,997	\$47,830	\$8,410
Comprehensive income attributable to partners	\$71,997	\$47,830	\$8,410
EBITDA <sup>(3)</sup>	\$94,547	\$52,732	\$13,867