Delek Logistics Partners, LP
Form 10-K
March 01, 2019

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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2018

OR

o **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	**45-5379027**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

7102 Commerce Way, Brentwood, TN 37027

(Address of principal executive offices) (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 o No þ

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 o No þ

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 þ No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 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 to this Form 10-K. o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o Emerging growth company ¨
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The aggregate market value of the registrant's common limited partner units held by non-affiliates as of June 30, 2018 was approximately $241,075,345, based upon the closing price of its common units on the New York Stock Exchange on that date.

At February 22, 2019, there were 24,407,405 common limited partner units and 498,110 general partner units outstanding.

Documents incorporated by reference: None

Table of Contents

Delek Logistics Partners, LP
Annual Report on Form 10-K
For the Annual Period Ending December 31, 2018

Business

Unless the context otherwise requires, references in this report to "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.

This Annual Report on Form 10-K (including documents incorporated by reference herein) contains statements with respect to our expectations or beliefs as to future events. These types of statements are "forward-looking" and subject to uncertainties. Refer to our discussion of forward-looking statements in the section “Forward-Looking Statements” included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K.

The Partnership has been publicly traded on the New York Stock Exchange since November 2012. Our corporate headquarters is located at 7102 Commerce Way, Brentwood, Tennessee 37027, our phone number is 615-771-6701 and our website is 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") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website (in the "SEC Filings" 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 charters of the audit committee and environmental, health and safety committee of the board of directors of our general partner in the "Corporate Governance" section of our website. Our governance documents are available to print to any unitholder that makes a written request to Secretary, Delek Logistics, GP, LLC, general partner of Delek Logistics Partners, LP, 7102 Commerce Way, Brentwood, TN 37027. Our reports, proxy and information statements, and other information regarding issuers are filed electronically with the SEC and may be accessed at www.sec.gov.

PART I

ITEM 1. BUSINESS

General

Delek Logistics Partners, LP is a Delaware limited partnership formed in April 2012 by Delek US Holdings, Inc. ("Delek Holdings") and its subsidiary Delek Logistics GP, LLC, our general partner (our "general partner"). In November 2012, we completed our initial public offering.

We own crude oil, intermediate and refined products pipelines and transportation, storage, wholesale marketing, terminalling and offloading assets which were previously owned, operated or held by Delek Holdings and assets acquired from unrelated third parties. Delek Holdings is our primary customer and is responsible, directly and indirectly, for the majority of our contribution margin (as defined in "—Major Customers").

Overview

We primarily own and operate logistics and marketing assets for crude oil and intermediate and refined products. We generate revenue and contribution margin, which we define as net revenues less cost of materials and other and operating expenses, excluding depreciation and amortization, by charging fees for gathering, transporting, offloading and storing crude oil; for storing intermediate products and feed stocks; for distributing, transporting and storing refined products; and for wholesale marketing. A substantial majority of our existing assets are both integral to and dependent on the success of Delek Holdings' refining operations and most of our assets are contracted exclusively to Delek Holdings in support of Delek Holdings' refineries in Tyler, Texas (the "Tyler Refinery"), El Dorado, Arkansas (the "El Dorado Refinery") and Big Spring, Texas (the "Big Spring Refinery"). See "Commercial Agreements—Commercial Agreements with Delek Holdings" and Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for a discussion of our material commercial agreements with Delek Holdings. In addition to the services we provide to Delek Holdings, 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 such 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 the partner's units and the taxable income allocation requirements under the Partnership's First Amended and Restated Agreement of Limited Partnership, as amended (the "Partnership Agreement").

2018 Developments

DKL Credit Facility

On September 28, 2018, the Partnership

accordion feature whereby the Partnership can increase the size of the credit facility increased from $100.0 million in incremental commitments under the prior facility to $150.0 million, for an aggregate amount of $1.0 billion, subject to increased or new commitments from lenders and the satisfaction of certain other conditions precedent and (iii)

The terms of certain of our agreements with Delek Holdings were required to be extended pursuant to the amended and restated DKL Credit Facility, which extensions were effective in the fourth quarter of 2018.

Inflation Adjustments

On July 1, 2018, the tariffs on our Federal Energy Regulatory Commission (the "FERC") regulated pipelines and the throughput fees and storage fees under certain of our agreements with Delek Holdings and third parties that are subject to adjustment using FERC indexing increased by approximately 4.4%, the amount of the change in the FERC oil pipeline index. Under certain of our other agreements with Delek Holdings and third parties, the fees increased based on the consumer price index or the producer price index, which increased approximately 2.2% and 6.1%, respectively.

2025 Notes Offer to Exchange

On April 25, 2018, we made an offer to exchange the 2025 Notes (as defined in Note 10 to our accompanying consolidated financial statements) and the related guarantees that were validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable, as required under the terms of the original indenture (the "Exchange Offer"). The Exchange Offer expired on May 23, 2018 (the "Expiration Date"). The terms of the exchange notes that were issued as a result of the Exchange Offer are substantially identical to the terms of the original 2025 Notes.

Big Spring Logistics Assets Acquisition

Effective March 1, 2018, the Partnership, through its wholly-owned subsidiary DKL Big Spring, LLC, acquired from Delek Holdings certain logistics assets primarily located at or adjacent to Delek Holdings' refinery near Big Spring, Texas (the "Big Spring Refinery") and Delek Holdings' light products distribution terminal located in Stephens County, Oklahoma (collectively, the "Big Spring Logistic Assets", and such transaction the "Big Spring Logistic Assets Acquisition"). The purchase price was $170.8 million, financed through borrowings under the Partnership’s revolving credit facility. Refer toNote 3 to our accompanying consolidated financial statements for additional information.

Marketing Contract Intangible Acquisition

Effective March 1, 2018, concurrent with the Big Spring Logistic Assets Acquisition, Delek Holdings, the Partnership and various of their respective subsidiaries entered into a new marketing agreement, whereby the Partnership markets certain refined products produced at the Big Spring Refinery to various customers in return for a marketing fee (the "Big Spring Marketing Agreement"). The purchase price was $144.2 million, financed through borrowings under the Partnership's revolving credit facility. Refer to Note 3 to our accompanying consolidated financial statements for additional information.

Assets and Operations

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) pipelines and transportation and (ii) wholesale marketing and terminalling. 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 15, Segment Data, of our consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Our principal assets, as of December 31, 2018, are described below under the segment that uses such assets.

The following provides an overview of our assets and operations:

Business

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 refined products transportation and storage services primarily in support of the Tyler, El Dorado and Big Spring Refineries. Additionally, this segment provides crude oil gathering and crude oil, intermediate and refined products transportation and storage services to Delek Holdings and third parties. In providing these services, we do not take ownership of the products or crude oil that we transport or store; and, therefore, the results of our pipelines and transportation segment are not directly exposed to changes in commodity prices. Our pipeline assets include approximately 400 miles of operable crude oil transportation pipelines, approximately 450 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, intermediate and refined products storage tanks with an aggregate of approximately 9.6 million barrels of active shell capacity.

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, intermediate and refined products, including the Texas Railroad Commission, 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 authorities. We also comply with the reporting requirements for these pipelines. Other of our pipelines have received a waiver from application of the FERC's tariff requirements, but comply with other applicable regulatory requirements. See "Governmental Regulation and Environmental Matters—Rate Regulation of Petroleum Pipelines" of this Annual Report on Form 10-K, for more information on FERC imposed tariffs.

The following discussion and tables present the results of operations and certain operating statistics of the pipeline and transportation segment for the years ended December 31, 2018, 2017 and 2016.

Lion Pipeline System

Our Lion Pipeline System is a system of common carrier pipelines that transport crude oil to, and refined products from, Delek Holdings' El Dorado Refinery. The Lion Pipeline System consists primarily of:

- the Magnolia Pipeline system;
- the Magnolia Station located west of the El Dorado Refinery;
- the El Dorado Pipeline system;
- multiple short crude oil pipelines located at the El Dorado Refinery and our Sandhill Station;
- the Refined Products Pipeline system; and
- certain related crude oil pipelines.

The Magnolia Pipeline is an approximately 77-mile crude oil pipeline, with both 12-inch and 16-inch diameters depending on the section of the pipeline, and a capacity of approximately 68,500 barrels per day ("bpd"). The Magnolia Pipeline runs from a connection with ETP/ExxonMobil’s LOLA System near Shreveport, Louisiana to our Magnolia Station, where the crude oil is then stored and transferred to our El Dorado Pipeline. In addition, third-party pipelines connect to the Magnolia Pipeline near Haynesville, Louisiana, which allows for the receipt of crude oil transported from Longview, Texas.

The Magnolia Station is a location, owned by us, where the Magnolia and Lion Pipelines and SALA Gathering System have origination and destination points, as the case may be. In addition, the Magnolia Station has storage facilities with approximately 230,000 barrels of active shell capacity.

The El Dorado Pipeline is a 31-mile, 12-inch crude oil pipeline, with a capacity of approximately 22,000 bpd, which transports crude oil from our Magnolia Station to Delek Holdings' Sandhill Station adjacent to the El Dorado Refinery. Upon reaching Sandhill Station, the crude oil from the El Dorado Pipeline is transported, via multiple short crude oil pipelines owned by us, to Tank 192, a 150,000 barrel capacity storage tank ("Tank 192") or to Tank 120, an 80,000 barrel capacity storage tank ("Tank 120"), which receives heavier asphaltic crudes. 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 Sandhill Station. Through our SALA subsidiary, we own Tank 192 and Tank 120 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 dated October 24, 2013, we also lease capacity of approximately 11,000 bpd on the approximately 240-mile Enterprise Products Pipeline from Enterprise's El Dorado Station to our refined products terminal in Memphis, Tennessee. The Refined Products Pipelines along with the leased capacity are collectively referred to as the "Refined Products Pipeline System." The diesel line is approximately eight miles and is 12 inches in diameter, while the gasoline line is approximately eight miles and is 10 inches in diameter. These two lines commence at the El Dorado Refinery.

The pipelines in the Lion Pipeline System also have injection points where crude oil gathered from the SALA Gathering System can be injected and then transported to the El Dorado Refinery. The Lion Pipeline System also has crude oil storage tanks and facilities ancillary to the operation of the pipeline system.

Tankage assets include158 storage tanks and certain ancillary assets (such as pumps and piping) located at and adjacent

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to the El Dorado Refinery with an aggregate shell capacity of approximately 2.5 million barrels (the "El Dorado Tank Assets"). The Lion Pipeline System is capable of transporting crude oil offloaded from rail cars at or near the El Dorado Refinery, including two crude oil rail offloading racks, which are designed to receive up to 25,000 bpd of light crude oil or 12,000 bpd of heavy crude oil, or any combination of the two.

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 from various crude oil producers in Arkansas, Texas and Louisiana by Delek Holdings or a third party to whom Delek Holdings has assigned certain of its rights. 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. 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 SALA Gathering System includes 54 crude oil storage tanks and breakout tanks with a total combined active shell capacity of approximately 0.3 million barrels (including Tank 120, Tank 192 and approximately 37,000 barrels of capacity we lease to an unrelated third party), 17 truck receipt locations, approximately 500 pipeline gathering and receiving stations and 17 relay stations to deliver crude oil to the Magnolia Station, the El Dorado Pipeline System or directly to the El Dorado Refinery. We also have approximately 0.6 million barrels of combined shell capacity that is currently not in service.

Currently, we are in the process of decommissioning certain sections of the SALA Gathering System in an effort to improve the safety and integrity of the system. We do not expect for the decommissioning of certain gathering lines on the system to have a material effect on the operational capabilities of the system.

The table below details certain operating data for our Lion Pipeline System and our SALA Gathering System.

	Average Daily Throughput (bpd) Year Ended December 31,		
	2018	**2017**	**2016**
Lion Pipeline System:			
Crude pipelines (Non-gathered) [1]	51,992	59,362	56,555
Refined Products Pipelines to Enterprise System	45,728	51,927	52,071
SALA Gathering System	16,571	15,871	17,756

(1) Excludes crude oil gathered on our SALA Gathering System and injected into our Lion Pipeline System.

Paline Pipeline System

Our Paline Pipeline System is approximately a 195-mile, 10-inch crude oil pipeline, with a capacity of approximately 42,000 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. Our Paline Pipeline System is operated as a common carrier pipeline. See "Commercial Agreements—Other Agreements with Third Parties—Paline Pipeline System Capacity Reservation" for additional information on the use of our Paline Pipeline System.

East Texas Crude Logistics System

Our East Texas Crude Logistics System includes two owned and operated crude oil pipeline systems and their related tank farms, which serve the Tyler Refinery: (i) the Nettleton pipeline, a bi-directional 36-mile pipeline, with a capacity of approximately 25,000 bpd, that is capable of transporting crude oil from our tank farms in and around Longview, Texas to (a) the Bullard Junction at the Tyler Refinery and (b) other of our tank farms in and around Longview, Texas, and (ii) the McMurrey Pipeline System, a 61-mile pipeline system, with a capacity of approximately 24,000 bpd, that transports crude oil from our tank farms in and around Longview, Texas and runs roughly parallel to the Nettleton Pipeline.

Our East Texas Crude Logistics System also includes five owned or leased crude oil storage terminals, at which we store crude oil owned by Delek Holdings for the Tyler Refinery. The LaGloria Station consists of two tanks with an active shell capacity of approximately 450,000 barrels. The Nettleton Station consists of five tanks with an active shell capacity of approximately 220,000 barrels. It is located on property that we lease from a third party, as described in more detail in Item 2, Properties. In addition to the active shell capacity, the Nettleton Station includes approximately 55,000 barrels of shell capacity that is currently not in service. The Bradford Station consists of two tanks with an active shell capacity of approximately 55,000 barrels. In addition to the active shell capacity, the Bradford Station includes approximately 10,000 barrels of shell capacity that is currently not in service. The Arp Station consists of two tanks with an active shell capacity of approximately 55,000 barrels. In addition to the active shell capacity, the Arp Station includes approximately 55,000 barrels of shell capacity currently not in service. The Big Sandy Station consists of seven tanks with an active shell capacity of approximately 247,600 barrels.

The table below sets forth historical average daily throughput for the East Texas Crude Logistics System.

	Average Daily Throughput (bpd) Year Ended December 31,		
	2018	2017	2016
East Texas Crude Logistics System (average bpd)	15,696	15,780	12,735

We have a pipelines and tankage agreement with Delek Holdings to provide throughput on the East Texas Crude Logistics System. Delek Holdings has a 10-year agreement, with an initial term expiring in 2023, with third parties to transport a substantial majority of the Tyler Refinery's crude oil requirements on this pipeline system. As a result of the third parties' ability to transport crude oil on the pipeline system directly to the Tyler Refinery, the crude oil supplied through the Nettleton and McMurrey Pipelines is generally below the minimum aggregate throughput requirements of our pipelines and tankage agreement with Delek Holdings. However, Delek Holdings 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. The current term of this agreement expires in March 2024.

Tyler Assets

The Partnership owns various pipeline and tankage assets that support the Tyler Refinery. These assets include a crude oil storage tank and certain ancillary assets located adjacent to the Tyler Refinery (the "Tyler Crude Tank"). The Tyler Crude Tank has approximately 350,000 barrels of shell capacity. In addition, we own 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 (the "Tyler Tank Assets").

The Tyler-Big Sandy Product Pipeline is a pipeline that runs between the Tyler Refinery and the Partnership's terminal at Big Sandy, Texas. The line consists of two segments: (i) the Hopewell Pipeline, an approximately 13-mile pipeline with a capacity of approximately 30,000 bpd, which originates at the Tyler Refinery and terminates at the Hopewell Station, and (ii) the Big Sandy Pipeline, a 19-mile pipeline with a capacity of approximately 30,000 bpd, which originates at the Hopewell Station and terminates at the Big Sandy Terminal. The Big Sandy Terminal has seven tanks with an aggregate shell capacity of approximately 248,000 barrels. Service on the Tyler-Big Sandy Product Pipeline is not provided to third parties, and is classified as private intrastate carrier service.

Big Spring Assets

In September 2017, the Partnership, through its wholly owned subsidiary, Delek Marketing & Supply, LP acquired from Plains Pipeline, L.P. an approximate 40-mile pipeline and related ancillary assets (the "Big Spring Pipeline"). The Big Spring Pipeline originates in Big Spring, Texas and terminates in Midland, Texas. Also located in Big Spring, Texas is a truck unloading station located at the Big Spring Refinery (the "Big Spring Truck Unloading Station"). The Big Spring Truck Unloading Station is designed to receive up to 10,000 bpd of crude oil.

In March 2018, the Partnership, through its wholly-owned subsidiary DKL Big Spring, LLC, acquired the Big Spring Logistic Assets from Delek Holdings, which are primarily located at or adjacent to the Big Spring Refinery. The Big Spring Logistic Assets include approximately 75 storage tanks, four salt wells and certain ancillary assets (such as tank pumps and piping) primarily located adjacent to the Big Spring Refinery with an active shell capacity of approximately 3.0 million barrels as well as certain crude oil and refined product pipelines. The primary crude oil pipeline is a 10-mile pipeline, with a capacity of approximately 250,000 bpd. The refined product pipeline is a 40-mile pipeline with a capacity of approximately 20,000 bpd.

Other Pipeline and Transportation Assets

The Partnership also owns additional assets that are used to support Delek Holdings' refineries or that are used in our operations but may not be adjacent to or directly on the properties owned by such refineries. These include various pipelines and tankage assets and trucking assets listed below:

- five tanks with an aggregate shell capacity of approximately 180,000 barrels at a terminal in North Little Rock, Arkansas;
- 125 tractors and 166 trailers, which are owned or leased, and used to haul primarily crude oil and other products for related and third parties;

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- an approximately 60-mile pipeline that transports crude oil from the Exxon Talco field to the ETP/ExxonMobil LOLA pipeline injection point in the East Texas Longview Station; and
- an 85-mile pipeline, connecting the Greenville Storage Facility and the Mount Pleasant Terminal, which storage facility has four tanks with an aggregate shell capacity of approximately 230,000 barrels and is connected to the Explorer Pipeline System. In addition to the active shell capacity, the Greenville Storage Facility includes approximately 100,000 barrels of shell capacity that is currently not in service.

Wholesale Marketing and Terminalling Segment

Our wholesale marketing and terminalling segment provides wholesale marketing and terminalling services to Delek Holdings' refining operations and to independent third parties from whom we receive fees for marketing, transporting, storing and terminalling refined products and to whom we wholesale market refined products. In providing certain of these services, we take ownership of the products and are therefore exposed to market risks related to the volatility of refined product prices in our west Texas operations, which depend on many factors, including demand and supply of refined products in the west Texas market, the timing of refined product deliveries and downtime at refineries in the surrounding area. Effective March 1, 2018, this segment also includes the wholesale marketing and terminalling assets acquired in the Big Spring Logistic Assets Acquisition. As of December 31, 2018, we generated revenue in our wholesale marketing and terminalling segment by (i) providing marketing services for the refined products output of the Tyler Refinery and the Big Spring 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 Holdings. See “Commercial Agreements—Other Agreements with Third Parties—West Texas." Also see Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for a discussion of our material commercial agreements with Delek Holdings. The tables below show the operating results for the wholesale marketing and terminalling segment. For the years ended December 31, 2018, 2017 and 2016, we present the results for the period during which we owned the assets, as delineated in any notes accompanying the tables.

Wholesale Marketing

East Texas

Pursuant to a marketing agreement with Delek Holdings, we market 100% of the refined products output of the Tyler Refinery, other than jet fuel and petroleum coke. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for additional information. The table below sets forth the historical sales volumes under this marketing agreement.

		Year Ended December 31,	
	2018	**2017**	**2016**
Sales volumes (average bpd):	77,487	73,655	68,131

West Texas

In our west Texas marketing operations, we generate revenue by purchasing refined products from independent third-party suppliers and from Delek Holdings for sale and exchange to third parties at our Abilene and San Angelo, Texas terminals and at third-party terminals located elsewhere in Texas. Our terminals in Abilene and San Angelo, Texas were leased for nominal consideration to Noble Petro, Inc. ("Noble Petro") pursuant to a terminal and pipeline lease and operating agreement, which expired on December 31, 2017.

We own approximately 100 miles of product pipelines in west Texas that connect our Abilene and San Angelo, Texas terminals to the Magellan Orion Pipeline. These pipelines were leased to Noble Petro until December 31, 2017. At these terminals, Noble Petro also regularly sold petroleum products to us pursuant to the terms of a supply contract with Noble Petro that expired in December 2017 (the "Abilene Contract"). We then marketed these petroleum products to third parties. As of January 1, 2018, these regular sales of product by Noble Petro to us concluded. We are currently purchasing products from Delek Holdings and third parties at our Abilene and San Angelo terminals. To facilitate these purchases, we have constructed a pipeline into our Abilene Terminal to receive product from the pipeline owned by Holly Energy Partners, L.P. (NYSE: HEP) through which Delek Holdings ships product that is produced at the Big Spring Refinery. We also have active connections to the Magellan Orion Pipeline that enable us to ship product to our terminals and to acquire product from other shippers. The table below provides the location of the Abilene and San Angelo terminals associated with our marketing activities and the number of tanks, their storage capacities, number of truck loading lanes and maximum daily available truck loading capacity for the year ended December 31, 2018.

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Terminal Location	Number of Tanks	Active Aggregate Shell Capacity (bbls)	Number of Truck Loading Lanes	Maximum Daily Available Truck Loading Capacity (bpd)
Abilene, TX [1]	9	368,000	2	15,000
San Angelo, TX	5	93,000	2	15,000
Total	14	461,000	4	30,000

[1] Excludes approximately 545,530 barrels of shell capacity that is out of service.

Substantially all of our product sales in west Texas are on a wholesale basis. We are currently purchasing products primarily from Delek Holdings, which product is produced at the Big Spring Refinery, and from third parties. During the year ended December 31, 2017, a large portion of the products we sold in west Texas were purchased from Noble Petro pursuant to the Abilene Contract. Under the Abilene Contract, we had the right to purchase up to 20,350 bpd of petroleum products for sale at our Abilene and San Angelo, Texas terminals. See “Commercial Agreements—Other Agreements with Third Parties—West Texas."
The table below 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,		
	2018	2017	2016
Throughput (average bpd)	13,323	13,817	13,257
Gross margin (in thousands)	$27,082	$ 20,320	$6,929
Gross margin per barrel	$5.57	$ 4.03	$1.43

Terminalling

We provide terminalling services for products to independent third parties and Delek Holdings through light products terminals we own in Nashville, Tennessee and to Delek Holdings, or certain third parties to whom Delek Holdings has assigned its rights, through our light products terminals in Memphis, Tennessee; Tyler, Texas; Big Sandy, Texas; Mount Pleasant, Texas; Duncan, Oklahoma; El Dorado, Arkansas; and North Little Rock, Arkansas. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for additional information pertaining to our material agreements. See "Commercial Agreements—Delek Holdings' Crude Oil and Refined Products Supply and Offtake Arrangement" for a description of a third party's involvement in certain agreements.

Business

The table below provides the locations of our refined product terminals associated with our terminalling activities and their storage capacities, number of truck loading lanes and maximum daily available truck loading capacity for the year ended December 31, 2018.

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 [1]			3	25,000
El Dorado, AR [1]			3	35,000
Memphis, TN	12	126,000	3	20,000
Mount Pleasant, TX [2]	6	155,000	3	10,000
Nashville, TN [3]	10	128,000	2	15,000
Duncan, OK [4]	7	180,250	—	—
North Little Rock, AR [1]			2	17,100
Tyler, TX [1]			11	91,000
Total	35	589,250	27	213,100

(1) See "Pipelines and Transportation Segment—Tyler Assets,", "Pipelines and Transportation Segment—Lion Pipeline System," and "Pipelines and Transportation Segment—Other Pipeline and Transportation Assets" above for a discussion of the storage tanks associated with these terminals.

(2) Excludes approximately 20,000 barrels of shell capacity that is currently not in service.

(3) Excludes approximately 10,000 barrels of shell capacity that is currently not in service.

(4) The Duncan Terminal does not have a truck rack. It is a light products distribution terminal that includes storage, loading and unloading facilities and ancillary assets.

The table below sets forth historical average daily throughput for each of our terminals.

	Year Ended December 31,		
	2018	2017	2016
Throughput (average bpd):			
Big Sandy, TX	3,080	6,878	7,025
El Dorado, AR	12,086	14,149	17,040
Memphis, TN	6,996	7,112	7,982
Mount Pleasant, TX	7,623	5,202	2,746
Nashville, TN	8,040	7,292	6,939
Duncan, OK	37,679	—	—
North Little Rock, AR	7,437	8,848	10,174
Tyler, TX	78,343	75,007	70,444
Total (average bpd)	161,284	124,488	122,350

Commercial Agreements

Commercial Agreements with Delek Holdings

The Partnership has a number of long-term, fee-based commercial agreements with Delek Holdings under which we provide various services, including crude oil gathering; crude oil, intermediate and refined products transportation and storage services; and marketing, terminalling and offloading services to Delek Holdings. Most of these agreements have an initial term ranging from five to ten years, which may be extended for various renewal terms at the option of Delek Holdings. The initial term of certain of these agreements expired in November 2017. Delek Holdings

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opted to renew these agreements for subsequent five-year terms expiring in November 2022. In the case of our marketing agreement with Delek Holdings in respect to the Tyler Refinery, the initial term has been extended through 2026. The current term of certain of our agreements with Delek Holdings were required to be further extended pursuant to the amended and restated DKL Credit Facility, which extensions were effective in the fourth quarter of 2018 and extend through March 2024. These agreements typically include minimum quarterly volume, revenue or throughput commitments. Fees under each agreement are payable to us monthly by Delek Holdings or certain third parties to whom Delek Holdings has assigned certain of its rights. For a discussion of a third party's involvement in certain agreements, see "Delek Holdings' Crude Oil and Refined Products Supply and Offtake Arrangement." In most circumstances, if Delek Holdings or the applicable third party assignee fails to meet or exceed the minimum volume, throughput or other commitment during any calendar quarter, Delek Holdings, and not any third party assignee, will be required to make a quarterly shortfall payment to us equal to the volume or amount of the shortfall multiplied or increased by the applicable fee, subject to certain exceptions as specified in the applicable agreement. Carry-over of any volumes or revenue in excess of such commitment to any subsequent quarter is not permitted.

The tariffs and throughput and storage fees under our agreements with Delek Holdings are subject to increase or decrease on July 1 of each year, by the amount of any change in various inflation-based indices, including the FERC oil pipeline index or various iterations of the consumer price index and 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.

See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for a complete discussion of our material commercial agreements with Delek Holdings.

Other Agreements with Delek Holdings

In addition to the commercial agreements described above, the Partnership has entered into an omnibus agreement with Delek Holdings, our general partner, Delek Logistics Operating LLC ("OpCo") and certain of the Partnership’s and Delek Holdings’ other subsidiaries on November 7, 2012, which was subsequently amended and restated on July 26, 2013, February 10, 2014 and March 31, 2015 and further amended on August 3, 2015 (collectively, as amended, the "Omnibus Agreement"). The Omnibus Agreement governs the provision of certain operational services and reimbursement obligations, among other matters, between the Partnership and Delek Holdings.

The Partnership is currently managing a long-term capital project on behalf of Delek Holdings pursuant to a construction management and operating services agreement (the "DPG Management Agreement") for the construction of a 250-mile gathering system in the Permian Basin (the "Delek Permian Gathering Project"). The Partnership is also considered the operator for the project and will oversee functions such as oversight of project design, procurement and construction of project segments and provide other related services. The agreement extends through December 2022.

Other Agreements with Third Parties

Paline Pipeline System Capacity Reservation

During the year ended December 31, 2018, we had separate agreements with an unrelated third party and a related party for such parties to utilize certain capacity on the Paline Pipeline System. Pursuant to the terms of these agreements, each party paid a fixed monthly fee for the right to use its respective capacity on the pipeline, which together accounted for a combined 30,000 bpd. The initial term of each agreement ran through February 2019. We do not anticipate that these agreements will be extended. As a result, on March 1, 2019, the capacity previously used by these parties will be available for any party to ship on the capacity of the pipeline subject to a tariff on file with the FERC for service provided on the Paline Pipeline System.

West Texas

In our west Texas marketing operations, we generate revenue by purchasing refined products from independent third-party suppliers and Delek Holdings for sale and exchange to third parties at our Abilene and San Angelo, 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. During the year ended December 31, 2017, a large portion of the refined products we sold in west Texas were purchased from Noble Petro. Under the terms of the Abilene Contract with Noble Petro, which expired in December 2017, we purchased refined products based on monthly average prices from Noble Petro immediately prior to our resale of such products to customers at our Abilene and San Angelo, Texas terminals, which we leased to Noble Petro. Under this arrangement, we had 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. As of January 2018, we began replacing the product supplied under the Abilene Contract with product purchased from Delek Holdings, which is produced by the Big Spring Refinery and from third parties that may continue to include Noble Petro. Products purchased from Delek Holdings are generally based on daily market prices at the time of sale limiting exposure to fluctuating prices. Products purchased from third parties are generally based on daily market prices at the time of purchase requiring price hedging risk management activities between the time of purchase and sale. Existing price risk hedging programs have been adjusted to correspond to the volume of product purchased from third parties.

Business

Delek Holdings' Crude Oil and Refined Products Supply and Offtake Arrangement

Pursuant to an arrangement with Delek Holdings and Lion Oil, to which we are not a party, J. Aron & Company ("J. Aron") acquires and holds either title to or a lien on substantially all crude oil, intermediate and refined products transported on our Lion Pipeline System, SALA Gathering System and on pipeline capacity we lease from Enterprise TE Products Pipeline Company LLC on a pipeline that runs from the El Dorado Refinery to our Memphis Terminal (the "Memphis Pipeline"). J. Aron is therefore considered the shipper for the liquid it owns on the Lion Pipeline System, the SALA Gathering System and the Memphis Pipeline. 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 terminal and tank assets at and adjacent to the El Dorado Refinery, 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 terminal and tank assets at and adjacent to the El Dorado Refinery, with Lion Oil acting as J. Aron's agent for scheduling purposes.

Pursuant to a similar arrangement with Delek Holdings and Alon USA, LP, hereinafter referred to as "Big Spring Refining," J. Aron acquires and holds either title to or a lien on a portion of the crude oil, intermediate and refined products shipped on pipelines or stored at the terminal and storage tanks acquired in the Big Spring Logistic Assets Acquisition. Under (i) our pipelines, storage and throughput facilities agreement with Big Spring Refining relating to certain storage tanks, pipelines and a terminal in Duncan, Oklahoma and (ii) our asphalt services agreement with Big Spring Refining relating to asphalt storage and terminalling near the Big Spring Refinery, Big Spring Refining 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 storage and terminalling assets at or adjacent to the Big Spring Refinery, with Big Spring Refining acting as J. Aron's agent for scheduling purposes.

Accordingly, even though this activity is effectively a financing arrangement for Delek Holdings and its subsidiaries whereby J. Aron sells the product back to Delek Holdings and its subsidiaries, J. Aron is technically our primary customer under each of these agreements. J. Aron retains these storage and transportation rights for the term of its arrangement with Lion Oil, which currently runs through April 30, 2020, and for the term of its arrangement with Big Spring Refining, which currently runs through May 31, 2021, unless terminated earlier pursuant to the terms of the arrangement. J. Aron pays us for the transportation, throughput and storage services we provide to it. The rights assigned to J. Aron do not alter the obligations of Lion Oil or Big Spring Refining to meet certain throughput minimum volumes under our agreements with respect to the transportation, throughputting and storage of crude oil and refined products through our facilities, but J. Aron's throughput is credited toward the minimum throughput commitments of Lion Oil and Big Spring. Accordingly, Lion Oil and Big Spring are 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.

Major Customers

We are dependent upon Delek Holdings as our primary customer (which includes sales to J. Aron as described in the prior section), and the loss of Delek Holdings as a customer would have a material adverse effect on both of our operating segments. We derive a substantial majority of our contribution margin, which is defined as net revenues less cost of materials and other and operating expenses, excluding depreciation and amortization, from fee-based commercial agreements with Delek Holdings or as a direct result of its operations. Delek Holdings, directly or indirectly, accounted for 83%, 87% and 92% of our contribution margin under our commercial agreements with Delek for the years ended December 31, 2018, 2017 and 2016, respectively. 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.
Delek Holdings, directly or indirectly, accounted for 36.6%, 28.9% and 32.8% of our total revenues for the years ended December 31, 2018, 2017 and 2016, respectively. Sunoco LP accounted for 15.9%, 9.0% and 10.5% of our total revenues for the years ended December 31, 2018, 2017 and 2016, respectively.
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 are 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 are a substantial portion of the El Dorado Refinery's product mix, is also lower in the winter months. In addition, our refining customers, such as Delek Holdings, 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 refined 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 Holdings that include minimum volume and throughput commitments.

Business

Working Capital

We primarily fund our business operations from operating cash flows, borrowings under our revolving credit facility and any potential future issuances of equity and debt securities. For additional information, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report on Form 10-K.

Competition

Pipelines and Transportation

Our business in this segment primarily consists of gathering, transporting and storing crude oil, intermediate and refined products for Delek Holdings and third parties, especially other refiners. 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 or refined products to Delek Holdings or to third parties, (iii) may be able to transport or store crude oil or refined product at a lower rate, or (iv) may be able to store more crude oil or refined product. Any or all such factors could cause Delek Holdings, or our third-party customers, to 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 Holdings' El Dorado Refinery, and our contractual relationships with Delek Holdings 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, SALA Gathering System, El Dorado Tank Assets and El Dorado Assets agreements with Delek Holdings. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for a discussion of our material commercial agreements with Delek Holdings.

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. However, there are no competitive fuel loading terminals in close proximity to our Abilene terminal or 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 Holdings 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.

Pursuant to separate exclusive marketing agreements with Delek Holdings, we market 100% of the refined products output of the Tyler Refinery (other than jet fuel and petroleum coke) and certain refined products at or sold from the Big Spring Refinery to various customers in return for a marketing fee. The current terms of the agreements for services provided with respect to products produced at the Tyler Refinery and the Big Spring Refinery expire in 2026 and 2028, respectively. As a result, 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 the Big Spring Refinery, and our contractual relationships with Delek Holdings relative to both refineries, we do not believe that we will face significant competition for the storage or throughput of intermediate or refined products at the refineries, particularly during the term of our agreements with Delek Holdings. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for additional information.
Should Delek Holdings' 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 Holdings' Tyler Refinery and Big Spring Refinery are the only full-range product supplier within 100 miles; therefore, we believe their location gives the refineries 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 ICA and by the state regulatory commissions in the states in which we transport crude oil, intermediate and refined products, including the Texas Railroad Commission, the Louisiana Public Service Commission and the Arkansas Public Service Commission. 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, intermediate 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 various inflation-based indices, including the FERC oil pipeline index, the consumer price index and the producer price index; provided, however, that in

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no event will the fees be adjusted below the amount initially set forth in the applicable agreement. In addition, on October 20, 2016, the FERC issued an Advance Notice of Proposed Rulemaking on Revisions to Indexing Policies and Page 700 of FERC Form No. 6, which could, if final rules are implemented as proposed, increase reporting burdens on interstate liquids transportation providers and, in some cases, prohibit pipelines, including ours, from increasing rates even if warranted by the annual index. See Item 1A, "Risk Factors—Risks Relating to Our Business."

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 those states. Without limitation, certain of our pipeline assets in Texas are operated under Texas Railroad Commission regulation and subject to filed tariffs with that agency. The Greenville-Mount Pleasant Pipeline is such a pipeline. 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.

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 the FERC, is within its jurisdiction. If the FERC were successful with any such assertion, we may be required to pay refunds to customers and the FERC's ratemaking methodologies may subject us to potentially burdensome and expensive operational, reporting and other requirements. Service on the East Texas Crude Logistics System is currently subject to a temporary waiver issued by the FERC. The East Texas Waiver Order (as defined below) was issued by the FERC on October 23, 2012, and waives the otherwise applicable tariff filing and reporting requirements for common carrier interstate service providers (the “East Texas Waiver Order”). The continuing effectiveness of the East Texas Waiver Order depends upon the continuation in effect of the following conditions: (1) our affiliates continuing to own 100% of the throughput; (2) there being no demonstrated third party interest in shipping on the system; (3) our not anticipating any such interest materializing; and (4) there remaining no demonstrated opposition to the continuing effectiveness of the East Texas Waiver Order.

If the conditions to the continued effectiveness of that East Texas Waiver Order are no longer true at any point, service on that system would become fully subject to FERC tariff filing requirements and other regulatory requirements for the provision of transportation service.

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, reporting and emergency response of crude oil, petroleum products and other hazardous liquids pipelines and other facilities, including certain tank facilities used in the transportation of such liquids. 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 substantial expenditures on our part will not be required 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 costs and damages from any noncompliance.

The United States Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (or the "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 intend to work closely with our industry associations to participate with and monitor DOT-PHMSA's efforts.

In January 2017, PHMSA finalized a new regulation that imposes additional responsibilities concerning the operation, maintenance, and inspection of hazardous liquid pipelines; the reporting of pipeline incidents; reference standards for in-line pipeline inspection and the direct assessment of stress corrosion cracking; and other requirements. Additional potential new regulations of pipelines have been proposed by PHMSA and we are monitoring these developments to the extent applicable to our operations.

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.

The Federal Motor Carrier Safety Administration of the DOT regulates safety standards and monitors drivers and equipment of commercial motor carrier fleets. Such standards include vehicle and maintenance inspection requirements, limitations on the number of hours drivers may operate vehicles and financial responsibility requirements. We believe that the operations of our fleet of crude oil and refined products truck transports are substantially in compliance with these regulations and safety requirements.

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Environmental, Health and Safety

We are subject to extensive federal, state and local environmental and safety laws and regulations enforced by various agencies, including the Environmental Protection Agency (the "EPA"), the United States Department of Transportation, the Occupational Safety and Health Administration, as well as numerous state, regional and local environmental, safety and pipeline agencies. These laws and regulations govern the discharge of materials into the environment, waste management practices, pollution prevention measures, as well as the safe operation of our pipelines and the safety of our workers and the public. Numerous permits or other authorizations are required under these laws and regulations for the operation of our terminals, pipelines, saltwells, trucks, 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 which we handled, used, released or disposed of, transported, 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 we expect that there 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. 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 to comply with existing and new requirements, as well as evolving interpretations and more strict enforcement of existing laws and regulations.

Releases of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, or is not a reimbursable event under the Omnibus Agreement, subject us to substantial expenses, including costs to respond to, contain and remediate a release, to comply with applicable laws and regulations and to resolve claims by third parties for personal injury, property damage or natural resources damages. See "Hazardous Substances and Waste" below for additional information on regulations pertaining to releases into the environment. These impacts could directly and indirectly affect our business. We cannot currently determine the amounts of such future impacts. 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. See Note 19 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of commitments and contingencies related to crude oil releases.

Indemnification

Under the Omnibus Agreement, Delek Holdings has agreed to indemnify us for certain environmental matters associated with the ownership of our assets as specified therein, including matters arising from operations by Delek Holdings, at or before the time of our acquisition of these assets from Delek Holdings.

Air Emissions and Climate Change

Our operations are subject to the Clean Air Act and its regulations and comparable state and local statutes. Under these laws, permits may be required before construction can commence on a new source of potentially significant air emissions, and operating permits may be required for sources that are already constructed. These permits may require controls on our air emission sources, and we may become subject to more stringent regulations requiring the installation of additional emission control technologies. Any such future obligations may require us to incur significant additional capital or operating costs. These air emissions requirements also affect Delek Holdings' refineries, from which we receive a substantial portion of our revenues. In the future, Delek Holdings may be required to incur significant capital expenditures to comply with new legislative and regulatory requirements relating to its operations. To the extent these

capital expenditures have a material effect on Delek Holdings, they could have a material effect on our business and results of operations.
Environmental advocacy groups and regulatory agencies in the United States and other countries have focused considerable attention on the emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") and their potential role in climate change. Developments in GHG initiatives that result in GHG-related requirements that disproportionately affect the cost of energy from oil in comparison to competing energy sources could affect demand for our services. Due to the uncertainties surrounding the risks and regulatory framework associated with greenhouse gas emissions, the financial impact of related developments cannot be estimated at this time.

Renewable Fuel Standard

The Energy Independence and Security Act of 2007 ("EISA") was enacted into federal law in December 2007 creating the Renewable Fuel Standard - 2 ("RFS-2") rule, requiring the amounts of renewable fuel sold or introduced in the United States to increase each year, reaching 36 billion gallons by 2022. Meeting RFS-2 requires displacing increasing amounts of petroleum-based transportation fuels with biofuels, beginning with approximately 7.8% in 2011, 10.1% in 2016, 10.7% in 2017 and 2018, and 10.97% in 2019. Although Delek Holdings’ refineries are obligated parties under this rule, our entities are not obligated parties and have no requirement to blend specific volumes of renewable fuels. However, the requirements could reduce future demand for petroleum products and thereby have an indirect effect on certain aspects of our business, although it could increase demand for our ethanol and biodiesel fuel blending services at our truck loading racks.

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Hazardous Substances and Waste

To a large extent, the environmental laws and regulations affecting our operations relate to the release of hazardous substances or solid wastes into water or soils, and include measures to control pollution of the environment. These laws generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous waste. They also require corrective action, including investigation and remediation, at a facility where such waste may have been released or disposed. For instance, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which is also known as Superfund, and comparable state laws, impose liability without regard to fault or to the legality of the original conduct, on certain classes of persons that contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of the site where the release occurred and companies that disposed of, or arranged for the disposal of, the hazardous substances found at the site. Under CERCLA, these persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of our ordinary operations, we generate waste that falls within CERCLA’s definition of a “hazardous substance” and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up certain sites. However, we have not been identified as a potentially responsible party at any Superfund sites.

We also generate small quantities of solid wastes, including hazardous wastes that are subject to the requirements of the federal Resource Conservation and Recovery Act ("RCRA"), and comparable state laws. From time to time, the EPA considers the adoption of stricter disposal standards for non-hazardous wastes, including crude oil and refined products wastes. We are not currently required to comply with a substantial portion of the RCRA requirements, because our operations generate minimal quantities of hazardous wastes. However, it is possible that additional wastes, which could include wastes currently generated during operations, will in the future be designated as “hazardous wastes.” Hazardous wastes are subject to more rigorous and costly disposal requirements than are non-hazardous wastes. Any changes in the regulations could increase our, and our competitors’, maintenance capital expenditures and operating expenses.

We currently own and lease, and Delek Holdings has in the past owned and leased, properties where hydrocarbons are being or have been handled for many years. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other waste may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes were not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA, and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial operations to prevent future contamination.

Water

Our operations can result in the discharge of pollutants, including crude oil and refined products. Several of our pipelines and terminals are located near, or cross under or over, environmentally sensitive waters, such as streams, creeks, rivers, lakes and wetlands. The transportation and storage of crude oil and refined products over and adjacent to water involves risk and subjects us to the provisions of the Oil Pollution Act of 1990 (the "OPA"), the Water Pollution Control Act of 1972 (the "Clean Water Act") and related state requirements. These requirements subject owners of covered facilities to strict, joint and potentially unlimited liability for containment and removal costs, natural resource damages and certain other consequences of an oil spill where the spill is into navigable waters, along shorelines or in the exclusive economic zone of the United States. In the event of an oil spill into navigable waters, substantial liabilities could be imposed upon us. States in which we operate have also enacted similar and, in some cases, more stringent laws.

Regulations under the Clean Water Act, the OPA and state laws also impose additional regulatory burdens on our operations. Spill prevention control and countermeasure requirements of federal laws and some state laws require containment to mitigate or prevent contamination of navigable waters in the event of an oil overflow, rupture or leak. For example, the Clean Water Act requires us to maintain spill prevention control and countermeasure plans at many of our facilities. In addition, the OPA requires that most oil transport and storage companies maintain and update various oil spill prevention and oil spill contingency plans. We maintain such plans, and where required have submitted plans and received federal and state approvals necessary to comply with the OPA, the Clean Water Act and related regulations. We regularly review and modify our crude oil and refined product spill prevention plans and procedures to help prevent crude oil and refined product releases and to minimize potential impacts should a release occur.

The Clean Water Act also imposes restrictions and strict controls regarding the discharge of pollutants into navigable waters. Our facilities contract with third parties for wastewater disposal, discharge to local Publicly Owned Treatment Works, or discharge under the terms of a National Pollutant Discharge Elimination System permit for wastewater and stormwater. In the event regulatory requirements change, or interpretations of current requirements change, and our facilities are required to undertake different wastewater management arrangements, we could incur substantial additional costs. The Clean Water Act imposes substantial potential liability for the violation of permits or permitting requirements and for the costs of removal, remediation, and damages resulting from such discharges. In addition, some states maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions.

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. We are subject to numerous known and unknown risks, many of which are presented below and elsewhere in this Annual Report on Form 10-K. You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10-K in evaluating us and our limited partner interests. If any of the following risks, or additional risks and uncertainties not presently known to us, or that we currently deem immaterial, 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. The headings provided in this Item 1A are for convenience and reference purposes only and shall not limit or otherwise affect the extent or interpretation of the risk factors.

Risks Relating to Our Business

Our relationship with Delek Holdings and their financial condition subjects us to potential risks that are beyond our control.

Delek Holdings, directly or indirectly, accounted for approximately 83% , 87% and 92% of our contribution margin under our commercial agreements with Delek for the years ended December 31, 2018, 2017 and 2016, respectively, and is the only customer for a substantial majority of our assets, including but not limited to our assets used to support the Tyler Refinery and the majority of our terminalling assets. In addition, Delek Holdings is, effectively, through supply and offtake agreements with its assignee, the principal customer for our Big Spring Assets used to support the Big Spring Refinery and our Lion Pipeline System, our SALA Gathering System, our El Dorado, Memphis and North Little Rock terminals. Please see Item 1. "Business—Delek Holdings' Crude Oil and Refined Products Supply and Offtake Arrangement." As we expect to continue to derive the substantial majority of our margins from Delek Holdings, either directly or indirectly, for the foreseeable future, we are subject to the risk of nonpayment, nonperformance or underperformance by Delek Holdings under our commercial agreements. In addition, we are subject to the risk of nonpayment, nonperformance or underperformance by Delek Holdings’ assignees. If Delek Holdings were to significantly decrease, or cause the significant decrease of, the materials 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 Holdings’ 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. Likewise, the terms of Delek Holdings' obligations under its agreements with us are for initial terms ranging from five years to ten years, with options to extend at the election of Delek Holdings. If Delek Holdings fails to renew these contracts as they come up for renewal, or if Delek Holdings fails to use our assets and services after the expiration of the agreements, or should our agreements be invalidated for any reason, and we are unable to generate revenue from third parties with respect to such assets, we could be materially and adversely affected. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K, for a complete discussion of our material commercial agreements with Delek Holdings. Additionally, any event, whether in our areas of operation or otherwise, that materially and adversely affects Delek Holdings’ or its assignees' operations, 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 Holdings and its assignees, including, but not limited to, the following:

- the timing and extent of changes in the costs and availability of crude oil and other refinery feedstocks (including prolonged periods of low crude oil prices that could impact production of inland crude oil and reduce the amount of cost advantaged crude oil available and/or the discount of such crude oil as compared to other crude oil) and in the price and demand for Delek Holdings' refined products;

- the risk of contract cancellation, non-renewal or failure to perform by Delek Holdings’ suppliers or customers, and Delek Holdings’ inability to replace such suppliers, contracts, customers and/or revenues;
- disruptions due to equipment interruption or failure or other events at Delek Holdings’ facilities, or at third-party facilities on which Delek Holdings’ business is dependent;
- the effects of economic downturns on Delek Holdings’ business and the business of its suppliers, customers, business partners and lenders;
- Delek Holdings’ ability to remain in compliance with its contracts;
- Delek Holdings’ 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.

Risk Factors

Additionally, Delek Holdings 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 Holdings 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 Holdings 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 Holdings 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 Holdings or our general partner, and Delek Holdings may elect to pursue a business strategy or make other decisions that do not favor us or our business. See "Risks Relating to Our Partnership Structure—Our general partner and its affiliates, including Delek Holdings and the Individual GP Owners, 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."

Our operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our 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 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:

- business interruption due to maintenance and repairs or mechanical or structural failures with respect to our assets, or our facilities or with respect to third-party assets or facilities on which our operations are dependent, including Delek Holdings' assets or facilities;
- operational errors that result in a loss of physical integrity or performance in our pipelines and facilities;
- deterioration of the condition of our pipelines and facilities through age, use and disuse;
- damages to our assets and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism;
- damages to and loss of availability of interconnecting third-party pipelines, terminals and other means of delivering crude oil, feedstocks and refined petroleum products;
- the inability of third-party facilities on which our operations are dependent, including Delek Holdings' facilities, to complete capital projects and to restart timely refining operations following a shutdown;
- curtailments of operations as a result of severe seasonal weather;
- inadvertent damage to pipelines from construction, farm and utility equipment;
- constrained pipeline and storage infrastructure;
- disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attacks; 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 assets and 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 Holdings' refining operations, on which our operations are substantially dependent and over which we have no control, are subject to these and other operational hazards and risks inherent in refining crude oil. A significant accident or event, such as described above at Delek Holdings' facilities, could damage our assets, expose us to significant liability and could affect Delek Holdings' ability and/or obligation to satisfy the minimum volume commitments under our commercial agreements with Delek Holdings, any of which could have a material adverse effect on our business, financial condition and results of operations.

Further, significant portions of our pipeline systems, including our gathering system, and storage and terminalling facilities have been in service for many decades, which could enhance the risks and operational hazards discussed above. 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 insurance policies and other contractual protections from Delek Holdings 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 Delek Holdings' insurance policies, subject to the terms, retentions and limits under those policies. To the extent Delek Holdings 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. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. In addition, because Delek Holdings’ time element insurance has up to a 60 day waiting period, 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. Large energy industry claims could result in significant increases in the level of premium costs and deductibles for participants in the energy industry. 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 deductibles. 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.

Furthermore, any loss under the insurance policies experienced by Delek Holdings may impact our ability to obtain, renew or arrange for adequate alternative coverage. 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.

Under the Omnibus Agreement, Delek Holdings has also agreed to reimburse us for certain losses related to certain asset failures, which provisions expire at various times depending on the asset involved. See Item 1, "Business—Commercial Agreements—Other Agreements with Delek Holdings." However, upon such expiration, or if Delek Holdings were to default under the Omnibus Agreement or otherwise fail to satisfy its obligations to us and insurance coverage was not otherwise available or was otherwise available only at substantial retention levels or cost, we could suffer significant losses that could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to generate sufficient cash flow, our ability to pay quarterly distributions to our common unitholders at all, at current levels or in an amount equal to the minimum quarterly distribution or our ability to increase our quarterly distributions in the future could be impaired materially.

Our ability to pay quarterly distributions (including distributions equal to, or in excess of, the minimum quarterly distribution) depends primarily on cash flow, including cash flow from operations, cash from financial reserves, cash from credit facilities and cash from the capital markets, and not solely on profitability, which is affected by non-cash items. As a result, we may pay cash distributions during periods of losses and may be unable to pay cash distributions during periods of income. Our ability to generate sufficient cash flow is largely dependent on our ability to manage our business successfully, but may also be affected by economic, financial, competitive, regulatory and other factors beyond our control. For example, we may not be able to obtain debt or equity financing on terms that are favorable to us, if at all, and we may be required to fund our working capital requirements principally with cash generated by our operations and borrowings under our credit facilities and not to increase or pay distributions.

We may not have sufficient available cash each quarter to enable us to pay distributions at current levels or at the minimum quarterly distribution. In addition, even if we are able to make distributions in excess of the minimum quarterly distribution, because the cash we generate will fluctuate from quarter to quarter, quarterly distributions, or any period over period growth in such distributions, may also fluctuate, or even decrease, from quarter to quarter. Any failure to pay distributions at expected levels could result in a loss of investor confidence and a decrease in the trading price of our units.

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. In addition, our business involves the risks of spills, releases and emissions from our facilities, which could require us to make substantial expenditures and subject us to fines and penalties.

Our assets and operations involve the transportation and storage of crude oil and products, which are subject to increasingly stringent and extensive federal, state and local laws and regulations related to the discharge and remediation of materials in the environment, greenhouse gas emissions, waste management, species and habitat preservation, pollution prevention, pipeline integrity and other safety-related regulations, and characteristics and composition of fuels. These laws and regulations require us to comply with various safety requirements regarding the design, installation, testing, construction and operational management of certain of our assets. These requirements have raised operating costs, and compliance with such laws and regulations may cause us 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 may continue to become more stringent.

Transportation and storage of crude oil and products involves inherent risks of spills and releases and emissions into the air from our facilities, and can subject us to various federal and state laws governing spills and releases, including reporting and remediation obligations. We have

Risk Factors

experienced multiple releases and spills from our facilities and are subject to ongoing remediation and/or monitoring projects and enforcement actions. The costs associated with such obligations can be substantial, as can costs associated with related enforcement matters, including possible fines and penalties. Transportation of crude oil and 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 OPA, the Clean Water Act and similar state environmental laws should a spill occur from our facilities. See Item 1. "Business—Governmental Regulation and Environmental Matters—Water." Among other things, the OPA 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 assets 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, property damage and natural resource damage claims from third parties alleging contamination from spills or releases from our facilities or operations. In addition, even if we are insured against such risks, we may be responsible for costs or penalties to the extent our insurers do not fulfill their obligations to us or our insurance policies do not cover such items. Our failure to comply with these, or any other environmental, pipeline integrity or safety-related laws or 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. In addition, we could incur potentially significant additional expenses should we determine that any of our assets are not in compliance with such laws or regulations in order to bring our assets into compliance. Any such expenses, penalties or liabilities could have a material adverse effect on our business, financial condition or results of operations.

While we are entitled to reimbursement or indemnification from Delek Holdings for certain environmental liabilities under the Omnibus Agreement, such reimbursement or indemnification may not fully cover any damages we may incur, or Delek Holdings may default on or otherwise fail to satisfy its obligations to us, which could have a material adverse effect on our business, financial condition or results of operations.

Further, certain of our pipeline facilities are subject to the pipeline safety regulations of the PHMSA at the DOT. PHMSA regulates the design, construction, testing, operation, maintenance, reporting 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, although recent rulemaking is extending certain requirements beyond high consequence 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 (the "2011 Pipeline Safety Act"), which 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. The Protecting our Infrastructure of Pipelines and Enhancing Safety Act (the "PIPES Act") was finalized in 2016, reauthorizing PHMSA’s pipeline safety programs through 2019 and directing PHMSA to complete unfinished mandates of the 2011 Pipeline Safety Act. The PIPES Act also directs PHMSA to provide a report to Congress within eighteen months studying the risks and providing safety recommendations for existing hazardous liquid pipelines as well as giving the agency increased emergency order authority to shut down and restrict pipeline use for unsafe conditions or practices.

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.

A material decrease in wholesale fuel margins or in the quantity of barrels sold to wholesale customers could adversely affect our financial condition, results of operations, cash flows and ability to service our indebtedness.

Our wholesale fuel sales in our west Texas business are made to third party customers. The margins we earn on these sales, and the quantity of barrels we sell, are dependent on a number of factors outside our control, including the overall supply of refined products, overall market conditions, the demand for these products, competition from third parties, the price of ethanol and the value of renewable identification numbers

Risk Factors

("RINs") we receive from blending renewable fuels. Specifically, among other circumstances, the margins we earn through these activities may be adversely impacted in the event of excess supply of refined products or decreased customer demand. These supply and demand dynamics are subject to day-to-day variability and may result in volatility in the margins that we achieve. These, and other dynamics, may also result in our customers reducing their purchases of product from us in favor of purchasing more product from other refiners or suppliers. Further, decreases in the value of RINs could impact our margins in our wholesale business. In addition, our margins are affected by the price we pay for ethanol, which is blended into certain refined products. We occasionally lock in ethanol prices by committing to purchase ethanol in the future at a certain price. If the spot price for ethanol at the time we actually take delivery of such product is less than what we paid for it, our margins could be negatively impacted. With the expiration of the Abilene Contract, a greater portion of the product that we purchase and sell may be subject to price volatility between the time of purchase and the time of sale. Price risk management programs established to hedge price volatility may not perform as intended, which may negatively impact our margins. Extended periods of market conditions that result in us earning margins lower than anticipated or in us selling fewer barrels of product to wholesale customers, for any of the reasons set forth above or otherwise, could adversely affect our financial condition, results of operations and cash flows.

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 Holdings and third parties provide that the counterparty may, depending on the commercial agreement, 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 Holdings, Delek Holdings 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. 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 us being unable to utilize our assets, and Delek Holdings or its assignee or a third party, as the case may be, 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 Holdings' refineries could have such an impact on multiple of our commercial agreements with Delek Holdings 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 Holdings satisfies only its minimum obligations under, or if we are unable to renew or extend, the various commercial agreements we have with Delek Holdings, our cash flows and results of operations could suffer.

Delek Holdings 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 four to five years, and during other planned or unplanned maintenance periods, Delek Holdings 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 Holdings' obligations under those agreements range from five to ten years, unless earlier terminated as described above, with Delek Holdings having the option to renew. If Delek Holdings 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 Holdings 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.

Risk Factors

A material reduction in the volumes of crude oil or refined products that we handle for Delek Holdings could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders. Our substantial dependence on Delek Holdings' Tyler, El Dorado and Big Spring refineries, as well as the lack of diversification of our assets and geographic locations, also could adversely affect us.

If the demand for refined products, particularly in Delek Holdings' primary market areas, decreases significantly, or if there were a material increase in the price of crude oil supplied to the Tyler, El Dorado or Big Spring refineries without an increase in the value of the refined products produced by those refineries, either temporary or permanent, which caused Delek Holdings 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 Holdings. Any such reduction could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

We believe that a substantial majority of our gross and contribution margins for the foreseeable future will be derived from the operation of our pipelines, gathering systems and terminal and storage facilities that support the Tyler, El Dorado and Big Spring refineries and are primarily located in Arkansas and Texas and, to a lesser degree, Louisiana and Tennessee. Any event that renders either Delek Holdings refinery temporarily or permanently unavailable could 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 could 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."

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 will depend on the volumes of crude oil processed and refined products produced at Delek Holdings' refineries that we serve, as well as third parties' desire to transport crude on our systems, including our Paline Pipeline. The volumes of crude oil processed and refined products produced depend, in part, on the availability of attractively priced crude oil. For example, if a shipper on one of our pipeline systems is unable to locate or purchase attractively priced crude, which could happen due to a large number of market factors, and their shipments on our system are made in large part because of the pipeline's proximity to such attractively priced crude, then our pipeline may not be utilized. If the capacity of such pipeline is not under contract, or the pipeline is not utilized at all or to its capacity, then our results may be adversely affected. Our Paline Pipeline is such a pipeline. If we are unable to secure capacity agreements on our Paline Pipeline, our Paline Pipeline may go unused or underused for a period of time, which could affect our operating results if third parties are no longer interested in transporting crude oil along that route for economic reasons associated with the price of crude or other reasons.

Further, in order to maintain or increase production levels at Delek Holdings' refineries, Delek Holdings 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 Holdings as a direct or indirect 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 action by the members of the Organization of the Petroleum Exporting Countries, or OPEC, individually or in the aggregate, regarding production levels and prices;
- 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 Holdings' refineries.

If, as a result of any of these or other factors, the volumes of attractively priced crude oil available to Delek Holdings' 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.

Risk Factors

A portion of our operations are conducted through joint ventures, over which we do not have full control and which have unique risks.

A portion of our operations are conducted through joint ventures, in which we have been making investments since 2015. We are able to appoint members to the managing boards of each of the joint ventures and maintain certain rights of approval over certain actions of our partners and/or their affiliates. However, our partners in each of our joint ventures, or their affiliates, serve as, or are responsible for, the contractor and the operator of the joint ventures' assets, and we have limited control over the same. In addition, we have limited control over the cash distribution policies of each of the joint ventures.

We share ownership in the joint ventures with partners that may not always share our goals and objectives. Differences in views among the partners may result in delayed decisions or failures to agree on major matters, such as large expenditures or contractual commitments, the construction of assets or borrowing money, among others. Delay or failure to agree may prevent action with respect to such matters, even though such action may not serve our best interest or that of the joint venture. Accordingly, delayed decisions and disagreements could adversely affect the business and operations of the joint ventures and, in turn, our business and operations. From time to time, our joint ventures may be involved in disputes or legal proceedings which may negatively affect our investments. Accordingly, any such occurrences could adversely affect our financial condition, operating results and cash flows.

We are exposed to direct commodity price risk and interest rate risk, both of which may increase in the future. We may incur losses as a result of our forward contract activities and derivative transactions.

We typically own and hold a certain amount of inventory of light products in our business with respect to our wholesale marketing business in west Texas. Depending on our ability to sell such inventory, and the timing in which we do so, we could be exposed to risks related to the volatility of commodity prices in west Texas. Such volatility depends on many factors, including general market conditions and prices, demand for refined products in the west Texas market, the timing of refined product deliveries and downtime at refineries in the surrounding area. In addition, our actual product acquisitions from suppliers versus the amount we nominated to acquire may result in us being effectively long or short with respect to a given product and thus subject to further commodity price risk. This 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 on our floating rate debt, we selectively use derivative financial instruments, such as fuel-related derivative transactions, and may use 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 in accordance with their terms and upon termination. The maintenance of required margin accounts, and the settlement of derivative contracts, could cause us to suffer losses or limit gains. In particular, derivative transactions could expose us to the risk of financial loss upon unexpected or unusual variations in the sales prices of wholesale gasoline and diesel relative to the derivative instrument. 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.

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

Part of our growth strategy depends on the growth of Delek Holdings' 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 Holdings, its assignees and third parties. Our organic growth opportunities will be limited if Delek Holdings is unable to acquire new assets for which our execution of organic projects is needed. Additionally, if Delek Holdings 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 Holdings.

We can provide no assurance that we will be able to retain or attract third-party revenues, which could limit our ability to grow and increase our dependence on Delek Holdings. 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. Further, under certain of our commercial agreements with Delek Holdings, we may not provide service to third parties with respect to certain assets without Delek Holdings' 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.

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.

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. Our shippers often need to use such pipelines, terminals and facilities; however, the continuing operation of such third-party pipelines, terminals and other facilities is not within our control. 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 Holdings 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 could adversely affect our revenues and cash flow and our ability to make distributions to our unitholders.

An interruption or reduction 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 that we purchase from Delek Holdings and unaffiliated third parties. The prior contract under which we purchased the majority of the products we sold in west Texas expired in December 2017. We are now purchasing the majority of product we sell in west Texas from Delek Holdings. The remainder of the barrels we sell in west Texas are spot purchased from various suppliers or refiners. We could experience an interruption or reduction in the supply or delivery of refined products if our suppliers, the refineries who supply us or our suppliers, or the pipelines that deliver that product 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. An interruption or reduction in the volume of refined products supplied to our wholesale business could adversely affect our sales and profitability.

We are exposed to the credit risks and certain other risks of our key customers and other contractual counterparties, including Delek Holdings and its assignees, and any material nonpayment or nonperformance by our key customers or other counterparties could adversely affect our business, financial condition, results of operations and our ability to make distributions to our unitholders.

We are subject to risks of loss resulting from nonpayment or nonperformance by our customers and other contractual counterparties. Any material nonpayment or nonperformance or default by our key customers or other contractual counterparties, including Delek Holdings or its assignees, could adversely affect our business, financial condition, results of operations and our ability to make distributions to our unitholders. 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 Holdings, could adversely affect our business, financial condition, results of operations and our ability to make distributions to our unitholders.

Restrictions in our revolving credit facility and in the indenture governing the 2025 Notes could adversely affect our business, financial condition, results of operations and ability to make quarterly cash distributions to our unitholders.

Our revolving credit facility and the indenture governing the 2025 Notes contain, and any future financing agreements may contain, operating and financial restrictions and covenants that could limit our ability to finance future operations or capital needs, or to expand or pursue our business activities, which may, in turn, limit our ability to make cash distributions to our unitholders.

For example, 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 or make certain investments (including joint ventures); and
- enter into certain transactions with affiliates.

Our revolving 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 revolving credit facility contains events of default customary for agreements of this nature, including the occurrence of certain change of control events.

Similarly, the indenture governing the 2025 Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to (i) incur, assume or guarantee additional indebtedness or issue certain convertible or redeemable equity securities; (ii) create liens to secure indebtedness; (iii) pay distributions on equity interests, repurchase equity securities or redeem subordinated securities; (iv) make investments; (v) restrict distributions, loans or other asset transfers from our restricted subsidiaries; (vi) consolidate with or merge with or into, or sell substantially all of our properties to, another person; (vii) sell or otherwise dispose or assets, including equity interests in subsidiaries; and (viii) enter into transactions with affiliates.

The provisions of our revolving credit facility and of the indenture governing the 2025 Notes 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 revolving credit facility or the 2025 Notes 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 certain other indebtedness 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 revolving 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 revolving credit facility and the indenture governing the 2025 Notes also have cross-default provisions that will apply to certain other indebtedness we may have.

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

As of December 31, 2018, we had approximately $700.4 million in debt outstanding. We have the ability to incur additional debt; however, such ability is subject to limitations under our revolving credit facility and the indenture governing the 2025 Notes. 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;
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- our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flows 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, many 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.

Risk Factors

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. In addition, certain of our other contracts are eligible for fee increases tied to other inflationary indexes, which 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 refined 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. We note that the FERC index has been set at a level for the period from 2016-2021 that is lower than that which was in effect from 2010-2015; this is likely to result in lower annual rate increases for the coming 2018-2021 period for our transportation and other rates that are subject to the FERC index for annual adjustments, compared to the previous five-year period, and indeed the index level for the 2016 index rate adjustment required a decrease in certain of our interstate transportation rates to comply with the reduced ceiling level. Furthermore, on October 20, 2016, the FERC issued an Advance Notice of Proposed Rulemaking regarding Revisions to Indexing Policies and Page 700 of FERC Form No. 6, (the “ANOPR”). If final rules are implemented as proposed in that ANOPR, our reporting burdens for providing to FERC annual throughput, revenue and cost of service information would likely increase. In addition, if implemented as proposed, FERC regulations based on the ANOPR would create new tests for whether our pipelines providing service subject to FERC tariffs could increase rates in accordance with the FERC index in a given year and could restrict our ability to increase our rates as a result.

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. In addition, on December 15, 2016, the FERC issued a Notice of Inquiry Regarding the Commission’s Policy for Recovery of Income Tax Costs, (the “NOI”). The NOI sought comments on how FERC should address any double recovery for partnership-owned pipelines resulting from FERC’s current income tax allowance and rate of return policies. If the NOI results in final regulations or policy changes that alter the FERC’s current approach to liquids pipeline ratemaking and the relevant components of our interstate pipeline transportation rates, those changes could require us to change our rate design and potentially lower our rates if they are challenged on a cost of service basis. 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, we may be required to pay refunds to customers and the FERC's 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. Service on the East Texas Crude Logistics System is currently subject to a temporary waiver issued by the FERC. If the conditions to the continued effectiveness of that East Texas Waiver Order are no longer true at any point, service on that system would become fully subject to FERC tariff filing requirements and other regulatory requirements for the provision of transportation service. If we file tariffs, we may be required to provide a cost justification for the transportation charge. We would also be required to provide service to all prospective shippers making reasonable requests for service without undue discrimination and to operate in a manner that does not provide any undue preference to shippers. The rates under such tariffs may be insufficient to allow us to recover fully our cost of providing service on the affected pipelines, which could adversely affect our business, financial condition and results of operations. In addition, regulation by the FERC may 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.

Risk Factors

The Federal Trade Commission, the FERC and the CFTC hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical sales of oil or other energy commodities, and any related hedging activities that we undertake, we are required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition.

In addition, the fees we charge on certain of our other contracts not involving regulated or other pipelines are also subject to change based on inflation based indices, such as certain sub-indices of the producer price index or the consumer price index. If the index rises, we will be able to increase our rates. However, if the index falls, we will be required to reduce our rates.

Delek Holdings' level of indebtedness, the terms of its borrowings and any 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 current and future credit ratings may also be affected by Delek Holdings' level of indebtedness and creditworthiness.

Delek Holdings 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 Holdings increases the risk that it may default on its obligations, including commercial agreements with us. The covenants contained in the agreements governing Delek Holdings' 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 Holdings' indebtedness requires that any transactions it enters into with us must be on terms no less favorable to Delek Holdings than those that could have been obtained with an unrelated person. There is also the risk that if Delek Holdings were to default under certain of its debt obligations, Delek Holdings' creditors would attempt to assert claims against our assets during the litigation of their claims against Delek Holdings. 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 Holdings' debt under its credit arrangements, we may be indirectly affected by certain prohibitions and limitations contained therein. Due to its ownership and control of our general partner, Delek Holdings has the ability to prevent us from taking actions that would cause Delek Holdings 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 Holdings will have no fiduciary duty to us or our unitholders. Delek Holdings' 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 revolving credit facility.

Any debt instruments that Delek Holdings 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 Holdings 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.

Our current and future credit ratings may be adversely affected by the leverage or any current and future credit rating of Delek Holdings, as credit rating agencies may consider the leverage and credit profile of Delek Holdings and its affiliates, because of their ownership interest in and control of us and because Delek Holdings accounts for a substantial majority of our contribution margin. Any adverse effect on our current and future credit ratings could 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 revolving 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.

Fixed rate debt, such as the 2025 Notes, exposes us to changes in the fair value of our debt due to changes in market interest rates. Fixed rate debt also exposes us to the risk that we may need to refinance maturing debt with new debt at higher rates, or that we may be obligated to rates higher than the current market.

Risk Factors

Our right of first offer to acquire certain of Delek Holdings'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 Omnibus Agreement provides us with a right of first offer on certain of Delek Holdings' 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 Holdings' 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 Holdings 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 Holdings at any time in the event that it no longer controls our general partner.

If we are unable to make investments in joint ventures or acquisitions on economically acceptable terms from Delek Holdings or third parties, our future growth could be limited, and any investments or 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 or invest in joint ventures that result in an increase in cash flow. If we are unable to make acquisitions from Delek Holdings or third parties or invest in joint ventures, because we are unable to identify attractive acquisition or project candidates or negotiate acceptable purchase contracts, we are unable to obtain financing for these acquisitions or investments 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 or investments in joint ventures that we believe will be accretive, they may in fact result in a decrease in cash flow. Any acquisition or investment 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 or investments in joint ventures, 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.

Risk Factors

The expansion of existing assets and construction of new assets, including through joint venture investments, may not result in revenue increases and will be subject to regulatory, environmental, political, legal, economic and other 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, including through investments in joint ventures. 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, or joint ventures we invest in, undertake these types of projects, they may not be completed on schedule, or at all, or at the budgeted cost. Moreover, we, or the joint ventures we invest in, may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects. Even if such commitments are received, an increase in revenue may not be realized for an extended period of time. For instance, if we build, or invest in a joint venture that builds, 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, or the joint ventures we invest in, 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 the 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, or a significant increase in the costs of these rights, 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. Efforts have been made, and continue to be made, in the international community toward the adoption of international treaties or protocols that would address global climate change issues. In April 2016, the United States became a signatory to the 2015 United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. The Paris Agreement, which became effective by its terms on November 4, 2016, will require countries to review and "represent a progression" in their intended nationally determined contributions, which set GHG emission reduction goals, every five years, beginning in 2020. On August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participating in the Paris Agreement, which entails a four year process. In response to the announced withdrawal plan, a number of state and local governments in the United States have expressed intentions to take GHG-related actions. Although it is not possible to predict the requirements of any GHG legislation or regulations that may be enacted or promulgated, 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. Finally, some scientists have concluded that increasing concentrations of GHG in the atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climate events that could have an adverse effect on our assets.

Risk Factors

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 DOT 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. During 2016, the EPA conducted a mid-term evaluation of progress in meeting vehicle GHG standards and in January 2017 the EPA issued a determination to maintain the current GHG emissions standards for model year (MY) 2022-2025 vehicles. In March 2017, EPA announced its decision to reopen the mid-term evaluation process and reconsider the January 2017 determination. As a result, GHG emissions standards for MY 2022-2025 vehicles remain uncertain. In August 2016, the EPA and the NHTSA jointly finalized standards for medium- and heavy-duty vehicles regulating fuel efficiency and carbon pollution. 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 Holdings’ refineries, 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, benzene 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 (including cyber-attacks) in the United States, as well as events occurring in response to or in connection with them, including political instability in various Middle Eastern countries, may harm our business. Energy-related assets (which could include refineries and 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 Holdings Group, the former parent company of Delek Holdings, 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.

A direct attack on our assets, Delek Holdings’ 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 crude oil, other feedstocks and refined petroleum products, and an adverse impact on the margins from our refining and petroleum product marketing 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 Holdings' El Dorado Refinery, is lower in the winter months. In addition, our refining customers, such as Delek Holdings, 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 refined 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.

Regulations adopted by the Commodity Futures Trading Commission could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

The U.S. Congress has adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which is comprehensive financial reform legislation that, among other things, establishes new federal oversight and regulation of over-the-counter derivatives and many of the entities that participate in that market. The Dodd-Frank Act was enacted in 2010, and the Commodity Futures Trading Commission

("CFTC"), and the SEC, along with certain other regulators, have promulgated final rules to implement many of the Dodd-Frank Act's provisions relating to over-the-counter derivatives. Most of these rules have been finalized, while others have not; as a result, the final form and timing of the implementation of certain parts of the regulatory regime affecting commodity derivatives remains uncertain. Among other consequences of the new regulations, entities that enter into derivatives (including futures and exchange-traded and over-the-counter swaps) are expected to be subject to aggregate position limits for certain futures, options and swaps (under regulations re-proposed in December 2016 that have not been finalized and the ultimate form, timing and implementation of which remains uncertain), and are currently subject to recordkeeping and reporting requirements. There can be no assurance that, when fully implemented, this regulatory regime will not have a material adverse effect on our ability to hedge our exposure to commodity prices, interest rates and other risks to the extent that we use derivatives to do so.

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 rely on information technology systems across our operations, including management of our supply chain, point of sale processing at our retail sites and various other processes and transactions. Disruption, failure or cyber security breaches affecting or targeting our computer, telecommunications systems, and infrastructure may materially impact our business and operations. We utilize information technology systems and controls that monitor the movement of petroleum products through our pipelines and terminals. An undetected failure of these systems because of power loss, unsuccessful transition to upgraded or replacement systems, unauthorized access or other cyber breach could result in disruption to our business operations, access, disclosure or loss of data and/or proprietary information, injury to people and environmental damage, which could have an adverse impact on our business, reputation and competitiveness. We could also be subject to resulting investigation and remediation costs as well as regulatory enforcement or private litigation and related costs, which could have an adverse impact on our cash flow and results of operations.

We experience attempts by external parties to penetrate and attack our networks and systems. Although such attempts to date have not resulted in any material breaches, disruptions, or loss of business-critical information, our systems and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient in the future and such attacks could have an adverse impact on our business and operations, including damage to our reputation and competitiveness, remediation costs, litigation or regulatory actions. In addition, as technologies evolve, and these cyber security attacks become more sophisticated, we may incur significant costs to upgrade or enhance our security measures to protect against such attacks and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm.

Risk Factors

Risks Relating to Our Partnership Structure

Our general partner and its affiliates, including Delek Holdings and the Individual GP Owners, 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 Holdings 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, all of whom also serve as executive officers of Delek Holdings, own a small percentage of our general partner (the "Individual GP Owners"). See Item 10. Directors, Executive Officers and Corporate Governance. All of the officers and three of the directors of our general partner (who are also the Individual GP Owners) are also officers and/or directors of Delek Holdings. 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 Holdings. Conflicts of interest will arise from time to time between Delek Holdings, the Individual GP Owners, 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 Holdings and the Individual GP Owners 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 Holdings 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 Holdings have a fiduciary duty to make these decisions in the best interests of the stockholders of Delek Holdings, which may be contrary to our interests. Delek Holdings may choose to shift the focus of its investment and growth to areas not served by our assets.
- Delek Holdings, 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 many of our commercial agreements with them, Delek Holdings' consent is required before we may enter into an agreement with any third party with respect to certain of our assets, including those that serve the El Dorado, Tyler and Big Spring Refineries, and Delek Holdings has an incentive to cause us not to pursue such third-party contracts in certain circumstances.
- Our general partner is allowed to take into account the interests of parties other than us, such as Delek Holdings, in resolving conflicts of interest.
- All of the officers and three of the directors of our general partner (who are also the three Individual GP Owners) are also officers and/or directors of Delek Holdings and owe fiduciary duties to Delek Holdings. These officers will also devote significant time to the business of Delek Holdings and will be compensated by Delek Holdings accordingly.
- Delek Holdings 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 Holdings.
- 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.

- 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 their common units or to make incentive distributions.
- 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 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 Holdings' obligations under the Omnibus Agreement and its commercial agreements with us.
- Our general partner decides whether to retain separate counsel, accountants or other advisers 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 the fiduciary duties that would otherwise be owed by our general partner 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 Holdings may compete with us.

Delek Holdings may compete with us. Under the Omnibus Agreement, Delek Holdings 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 Holdings. This restriction, however, does not apply to:

- any assets that were owned by Delek Holdings upon the completion of our initial public offering (including replacements or expansions of those assets);
- any asset or business that Delek Holdings acquires or constructs that has a fair market value of less than $5.0 million; and
- any asset or business that Delek Holdings 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 Holdings has the ability to construct assets which directly compete with our assets. The limitations on the ability of Delek Holdings to compete with us are terminable by either party if Delek Holdings 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 Holdings. 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.

Risk Factors

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 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 provide services that are subject to regulation by the 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 our revolving credit facility 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 could 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 the 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 sub bullets 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 sub bullets 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 Holdings, for costs and expenses they incur and payments they make on our behalf. Under the Omnibus Agreement, we will pay Delek Holdings an annual fee and reimburse Delek Holdings and its subsidiaries for Delek Holdings’ provision of various centralized corporate services. Additionally, we will reimburse Delek Holdings 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 the members of the general partner, which currently consist of Delek Holdings and Messrs. Yemin, Ginzburg and Green. 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 Holdings, 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 limited partner units is required to remove our general partner. As of February 22, 2019, Delek Holdings owned 62.7% of our outstanding 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 Holdings 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 Holdings selling or contributing additional assets to us, as Delek Holdings would have less of an economic incentive to grow our business, which in turn would impact our ability to grow our asset base.

Risk Factors

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:

- our existing unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- 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 Holdings may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.
Delek Holdings holds 15,294,046 common limited partner units. In addition, we have agreed to provide Delek Holdings 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 Holdings. At February 22, 2019, Delek Holdings owned 15,294,046 common limited partner units, or 62.7% of our total 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 or its transferee 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.

Risk Factors

Tax Risks to Common Unitholders

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 changes or differing interpretations 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. If successful, such a proposal could eliminate the qualifying income exception to the treatment of all publicly traded partnerships as corporations upon which we rely for our treatment as a partnership for federal income tax purposes. We are unable to predict whether any changes or 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 tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service, or 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 (the "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 21.0%, 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.

Our unitholders are required to pay income taxes on their share of our taxable income even if they do not receive any cash distributions from us. A unitholder's share of our taxable income, and its relationship to any distributions we make, may be affected by a variety of factors, including our economic performance, transactions in which we engage or changes in law and may be substantially different from any estimate we make in connection with a unit offering.

A unitholder’s allocable share of our taxable income will be taxable to it, which may require it to pay federal income taxes and, in some cases, state and local income taxes, even if it receives cash distributions from us that are less than the actual tax liability that results from that income or no cash distributions at all.

A unitholder's share of our taxable income, and its relationship to any distributions we make, may be affected by a variety of factors, including our economic performance, which may be affected by numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control, and certain transactions in which we might engage. For example, we may engage in transactions that produce substantial taxable income allocations to some or all of our unitholders without a corresponding increase in cash distributions to our unitholders, such as a sale or exchange of assets, the proceeds of which are reinvested in our business or used to reduce our debt, or an actual or deemed satisfaction of our indebtedness for an amount less than the adjusted issue price of the debt. A unitholder's ratio of its share of taxable income to the cash received by it may also be affected by changes in law. For instance, under the recently enacted tax reform law known as the Tax Cuts and Jobs Act (the "Tax Reform Act"), the net interest expense deductions of certain business entities, including us, are limited to 30% of such entity's "adjusted taxable income", which is generally taxable income with certain modifications. If the limit applies, a unitholder's taxable income allocations will be more (or its net loss allocations will be less) than would have been the case absent the limitation.

From time to time, in connection with an offering of our units, we may state an estimate of the ratio of federal taxable income to cash distributions that a purchaser of units in that offering may receive in a given period. These estimates depend in part on factors that are unique to the offering with respect to which the estimate is stated, so the expected ratio applicable to other units will be different, and in many cases less favorable, than these estimates. Moreover, even in the case of units purchased in the offering to which the estimate relates, the estimate may be incorrect, due to the uncertainties described above, challenges by the IRS to tax reporting positions which we adopt, or other factors. The actual ratio of taxable income to cash distributions could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units.

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. The IRS may adopt positions that differ from the conclusions of our counsel 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 material 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 to such unitholder if it 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 ("UBTI")and will be taxable to them. Under the recently enacted Tax Reform Act, an exempt organization will be required to independently compute its UBTI from each separate unrelated trade or business which may prevent an exempt organization from utilizing losses we allocate to the organization against the organization's UBTI from other sources and vice versa. 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.

Under the Tax Reform Act, if a unitholder sells or otherwise disposes of a common unit, the transferee is required to withhold 10.0% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person, and we are required to deduct and withhold from the transferee amounts that should have been withheld by the transferee but were not withheld. However, the Department of the Treasury and the IRS have determined that this withholding requirement should not apply to any disposition of a publicly traded interests in a publicly traded partnership (such as us) until regulations or other guidance have been issued clarifying the application of this withholding requirement to dispositions of interests in publicly traded partnerships. Accordingly, while this new withholding requirement does not currently apply to interests in the Partnership, there can be no assurance that such requirement will not apply in the future.

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 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 U.S. Department of the Treasury adopted final Treasury Regulations allowing a similar monthly simplifying convention for taxable years beginning on or after August 3, 2015. However, such final regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge our proration method, 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.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it (and some states) may collect any resulting taxes (including any applicable penalties and interest) directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our general partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so (and will choose to do so) under all circumstances, or that we will be able to (or choose to) effect corresponding shifts in state income or similar tax liability resulting from the IRS adjustment in states in which we do business in the year under audit or in the adjustment year. If we make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders would be reduced, perhaps substantially.

In the event the IRS makes an audit adjustment to our income tax returns and we do not or cannot shift the liability to our unitholders in accordance with their interests in us during the year under audit, we will generally have the ability to request that the IRS reduce the determined underpayment by reducing the suspended passive loss carryovers of our unitholders (without any compensation from us to such unitholders), to the extent such underpayment is attributable to a net decrease in passive activity losses allocable to certain partners. Such reduction, if approved by the IRS, will be binding on any affected unitholders.

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.

We have adopted 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 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 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.

Risk Factors

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 income, franchise, unincorporated business, 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 such unitholders do not live or otherwise do business 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 may impose personal income taxes or other state or local taxes on our unitholders.

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.

ITEM 2. PROPERTIES

Our principal assets, as of December 31, 2018, have been described in Item 1. "Business—Pipelines and Transportation Segment" and Item 1. "Business—Wholesale Marketing and Terminalling Segment." We believe that our assets are adequate for our operations and adequately maintained.

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 our assets are located. Under the Omnibus Agreement, Delek Holdings 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 Omnibus Agreement, subject to an 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 third parties in which we have leasehold interests. Our North Little Rock Terminal, our El Dorado Terminal and tank farm, our Tyler Terminal and tank farm, the El Dorado Rail Offloading Racks, the Tyler Crude Tank and the Big Spring Logistic Assets are located on property leased by third parties and Delek Holdings.

Liens and Encumbrances

Substantially all of the assets described above are pledged under and encumbered by our credit agreement. See Note 11 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 Holdings leases its corporate headquarters at 7102 Commerce Way, Brentwood, Tennessee 37027. The lease is for 54,000 square feet and expires in April 2022. We pay Delek Holdings a proportionate share of the costs to operate the building pursuant to the Omnibus Agreement. Please read Item 1. "Business—Commercial Agreements—Other Agreements with Delek Holdings."

ITEM 3. LEGAL PROCEEDINGS

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including, environmental claims and employee-related matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

We are reporting the following proceeding to comply with SEC regulations which require disclosure of proceedings arising under federal, state or local provisions regulating the discharge of materials into the environment or protecting the environment, if we reasonably believe that such proceedings may result in monetary sanctions of $100,000 or more.

In March 2013, a release of approximately 5,900 barrels of crude oil, the majority of which was contained on-site, occurred from a pumping facility at our Magnolia Station located west of Delek Holdings' El Dorado Refinery (the "Magnolia Release"). The United States Department of Justice (the "DOJ"), on behalf of the EPA, and the State of Arkansas, on behalf of the Arkansas Department of Environmental Quality, have been pursuing an enforcement action against the Partnership with regard to potential violations of the Clean Water Act and certain state laws arising from the Magnolia Release since June 2015. On July 13, 2018, the DOJ and the State of Arkansas filed a civil action against two of the Partnership's wholly-owned subsidiaries, Delek Logistics Operations, LLC and SALA Gathering Systems LLC, in the United States District Court for the Western District of Arkansas. On or around December 12, 2018, the claims against the Partnership were resolved and an additional demand for a compliance audit at the Magnolia terminal was abandoned pursuant to payment of monetary penalties and other relief. As of December 31, 2018, we have accrued $2.2 million for the Magnolia Release, which represents the full settlement amount for these proceedings. The accrual is recorded in pipeline release liabilities in our consolidated balance sheet.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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 trade on the NYSE under the symbol "DKL." There were four holders of record of our common units held by the public as of February 22, 2019. In addition, as of February 22, 2019, Delek Holdings and its affiliates owned 15,294,046 of our common units and 498,110 of our general partner units (a 2.0% general partner interest), which together constitute a 63.4% ownership interest in us. See Note 12 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of historic cash distributions.

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 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, to the extent we have sufficient available cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including reimbursements of expenses to our general partner. We believe our business should support our continued commitment to grow our distribution per limited partner unit by 10% annually through 2019. However, we do not have a legal obligation to pay this distribution. The amount of distributions paid under our policy, and the decision to make any distribution, is determined by our general partner, taking into consideration the terms of our Partnership Agreement.

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 498,110 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 incentive distribution right of 48.0% was achieved in 2018, 2017 and 2016. The maximum distribution of 48.0% does not include any distributions that our general partner or its affiliates may receive on common or general partner units that it owns.

Market for Registrant's Common Equity, Stockholder Matters and Issuer Purchases

Unregistered Sales of Equity Securities

Pursuant to the terms of our Partnership Agreement, our general partner has the right to maintain its proportionate 2.0% general partner interest in the Partnership. The following table provides information regarding the exercise of such right by our general partner during the three months ended December 31, 2018. Each sale listed below was exempt from registration under Section 4(a)(2) of the Securities Act.

Date of Sale	Number of General Partner Units Sold	Price per General Partner Unit	Consideration Paid to the Partnership
December 10, 2018	177	$31.51	$5,575.34

Financial Data

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, 2018, along with descriptions of certain transactions that occurred during the years ended December 31, 2015 and 2014. All financial results have been adjusted for subsequent transactions with our Predecessors as noted below.

During the years ended December 31, 2015 and 2014, the Partnership entered into various transactions with Delek Holdings and our general partner pursuant to which we acquired the following assets from Delek Holdings:

- two crude oil rail offloading racks, which are designed to receive up to 25,000 barrels per day (“bpd”) of light crude oil or 12,000 bpd of heavy crude oil, or any combination of the two, delivered by rail to Delek Holdings' El Dorado Refinery (the "El Dorado Refinery")and related ancillary assets (the “El Dorado Assets”) effective March 31, 2015 (such transaction, the "El Dorado Rail Offloading Racks Acquisition");
- a crude oil storage tank (the "Tyler Crude Tank") with a shell capacity of approximately 350,000 barrels located adjacent to Delek Holdings' Tyler Refinery (the "Tyler Refinery") and certain ancillary assets (collectively, with the Tyler Crude Tank, the "Tyler Assets") effective March 31, 2015 (such transaction, the "Tyler Crude Tank Acquisition"); the Tyler Assets, together with the El Dorado Assets, are hereinafter collectively referred to as the "Logistics Assets"; and
- a refined products terminal (the “El Dorado Terminal”) located at the El Dorado Refinery and 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 effective February 4, 2014 (such transaction, the “El Dorado Acquisition”).

The El Dorado Rail Offloading Racks Acquisition, the Tyler Crude Tank Acquisition and the El Dorado Acquisition were accounted for as transfers between entities under common control; such acquisitions hereinafter collectively referred to as the "Acquisitions from Delek Holdings." As entities under common control with Delek Holdings, transfers between entities under common control are accounted for as if the transfer occurred at the beginning of the period, and prior years have been retrospectively adjusted to include the historical results of the assets acquired in the Acquisitions from Delek Holdings prior to the effective date of each acquisition for all periods presented. Prior to each acquisition date, we refer to the Acquisitions from Delek Holdings collectively as our “Predecessors.”

During the year ended December 31, 2018, the Partnership, through its wholly-owned subsidiary DKL Big Spring, LLC, acquired the Big Spring Logistic Assets from Delek Holdings (the "Big Spring Logistic Assets Acquisition"), which are primarily located at or adjacent to the Big Spring Refinery. The Big Spring Logistic Assets Acquisition was considered a transaction between entities under common control. However, prior periods have not been recast, as these assets did not constitute a business in accordance with Accounting Standard Update 2017-01, "Clarifying the Definition of a Business."

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 Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

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

Financial Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Statements of Income and Other Comprehensive Income Data:	(In thousands, except units and per unit data)				
Net revenues	$657,609	$538,075	$448,059	$589,669	$841,253
Operating costs and expenses	531,852	449,898	370,409	512,407	762,407
Operating income	125,757	88,177	77,650	77,262	78,846
Non-operating costs and expenses	35,041	18,990	14,765	11,246	8,656
Income before income tax expense (benefit)	90,716	69,187	62,885	66,016	70,190
Income tax expense (benefit)	534	(222)	81	(195)	132
Net income	90,182	69,409	62,804	66,211	70,058
Less: (Loss) income attributable to Predecessors	—	—	—	(637)	(1,939)
Net income attributable to partners	$90,182	$69,409	$62,804	$66,848	$71,997
Less: General partners' interest in net income, including incentive distribution rights	25,543	18,429	12,193	5,163	2,366
Limited partners' interest in net income	$64,639	$50,980	$50,611	$61,685	$69,631
Net income per limited partner unit:					
Common - (basic)	$2.65	$2.09	$2.08	$2.55	$2.88
Common - (diluted)	$2.65	$2.09	$2.07	$2.52	$2.85
Subordinated - Delek Holdings (basic and diluted)	$—	$—	$2.19	$2.54	$2.88
Weighted average limited partner units outstanding:					
Common units - (basic)	24,390,286	24,348,063	22,490,264	12,237,154	12,171,548
Common units - (diluted)	24,396,881	24,376,972	22,558,717	12,356,914	12,302,629
Subordinated units - Delek Holdings (basic and diluted)	—	—	1,803,167	11,999,258	11,999,258
Cash distributions per limited partner unit	$3.120	$2.835	$2.575	$2.240	$1.900

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data:		(In thousands)			
Property, plant and equipment, net	$312,562	$255,068	$251,029	$253,848	$254,779
Total assets	624,593	443,530	415,547	375,288	331,286
Total debt, including current maturities	700,430	422,649	392,600	351,600	251,750
Total liabilities	759,416	472,755	428,831	386,306	291,505
Total (deficit) equity	(134,823)	(29,225)	(13,284)	(11,018)	39,781

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

Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is management’s analysis of our financial performance and of significant trends that may affect our future performance. The MD&A should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K (the "Annual Report on Form 10-K"). Those statements in the MD&A 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.

Unless otherwise noted or the context requires otherwise, references in this report to "Delek Logistics Partners, LP," the "Partnership," "we," "us," "our," or like terms, may refer to Delek Logistics Partners, LP, one or more of its consolidated subsidiaries or all of them taken as a whole. Unless otherwise noted or the context requires otherwise, references in this report to "Delek Holdings" refer collectively to Delek US Holdings, Inc. and any of its subsidiaries, other than the Partnership and its subsidiaries and its general partner.

Effective March 1, 2018, the Partnership acquired from Delek Holdings certain logistics assets primarily located at or adjacent to Delek Holdings' Big Spring, Texas refinery (the "Big Spring Refinery"). See "2018 Developments" for further details.

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 (including information incorporated by reference) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the" Securities Act"), and Section 21E of 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, the benefits and synergies to be obtained from our completed and any future acquisitions, 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,” “intends,” “plans,” “believes,” “estimates,” “appears,” “projects” and simi 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 Holdings or its assignees and their support of and respective ability to pay us under our commercial agreements;
- our future coverage, leverage, financial flexibility and growth, and our ability to improve performance and achieve distribution growth at any level or at all;
- Delek Holdings’ future growth, financial performance, share repurchases, crude oil supply pricing and flexibility and product distribution;
- positive industry dynamics, including Permian Basin growth, efficiencies and takeaway capacity;
-

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, costs, penalties, regulatory or legal actions and other effects related to spills, releases and tank failures;

- changes in insurance markets impacting costs and the level and types of coverage available;
- the timing and extent of changes in commodity prices and demand for refined products;
- the wholesale marketing margins we are able to obtain and the number of barrels of product we are able to purchase and sell in our west Texas wholesale business;
- the suspension, reduction or termination of Delek Holdings' or its assignees' or third-party's obligations under our commercial agreements including the duration, fees or terms thereof;
- the results of our investments in joint ventures;
- the ability to secure commercial agreements with Delek Holdings or third parties upon expiration of existing agreements;

Management's Discussion and Analysis

- disruptions due to acts of God, equipment interruption or failure at our facilities, Delek Holdings' facilities or third-party facilities on which our business is dependent;
- changes in the availability and cost of capital of debt and equity financing;
- our reliance on information technology systems in our day-to-day operations;
- changes in general economic conditions;
- 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") and those relating to environmental protection, pipeline integrity and safety;
- 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;
- an inability to have growth projects completed on time and on budget;
- an inability of Delek Holdings to grow as expected and realize the synergies and the other expected benefits of its merger with Alon USA, which became effective as of July 1, 2017, and Delek Holdings' acquisition of the remaining interest in Alon USA Partners, LP that Delek Holdings did not already own, which became effective as of February 7, 2018;
- as it relates to our potential future growth opportunities, including dropdowns, and other potential benefits, the ability to successfully integrate the businesses of Delek Holdings and Alon USA;
- our ability to successfully integrate acquired businesses;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- changes or volatility in interest and inflation rates;
- labor relations;
- large customer defaults;
- changes in tax status and regulations;
- the effects of future litigation; and
- other factors discussed elsewhere in this Annual Report on Form 10-K.

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.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to revise or update any forward-looking statements as a result of new information, future events or otherwise.

Management's Discussion and Analysis

Business Overview

The Partnership primarily owns and operates crude oil, intermediate and refined products logistics and marketing assets. We gather, transport, offload 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 Holdings and third parties. A substantial majority of our existing assets are both integral to and dependent upon the success of Delek Holdings' refining operations, as many of our assets are contracted exclusively to Delek Holdings in support of its Tyler, El Dorado and Big Spring refineries. We also have two joint ventures that have constructed separate crude oil pipeline systems and related ancillary assets, which are serving third parties and subsidiaries of Delek Holdings. We own a 50% membership interest in the entity formed with Caddo Pipeline, LLC, an affiliate of Plains All American Pipeline, L.P. ("CP LLC") to operate one of these pipeline systems and a 33% membership interest in the entity formed with Rangeland Energy II, LLC ("Rangeland Energy") to operate the other pipeline system. During 2018, Rangeland Energy was acquired by Andeavor and the legal entity in which we have an equity investment became Andeavor Logistics RIO Pipeline LLC ("Andeavor Logistics").

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. See "Part 1—Item 1. Business—Overview" for further details.

Our Reporting Segments and Assets

Our business consists of two reportable segments: (i) pipelines and transportation and (ii) wholesale marketing and terminalling.

The assets and investments in our pipelines and transportation segment consist of and have been made in pipelines, tanks, offloading facilities, trucks and ancillary assets, which provide crude oil gathering and crude oil, intermediate and refined products transportation and storage services primarily in support of Delek Holdings' refining operations in Tyler, Texas, El Dorado, Arkansas and Big Spring, Texas. Additionally, the assets in this segment provide crude oil transportation services to certain 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 with respect to this operating segment.

The assets in our wholesale marketing and terminalling segment consist of refined products terminals and pipelines in Texas, Tennessee, Arkansas and Oklahoma. We generate revenue in our wholesale marketing and terminalling segment by providing marketing services for the refined products output of the Tyler and Big Spring refineries, engaging in wholesale activity at our terminals in west Texas and at terminals owned by third parties, whereby we purchase light products for sale and exchange to third parties, and by providing terminalling services at our refined products terminals to independent third parties and Delek Holdings.

2018 Developments

DKL Credit Facility

On September 28, 2018, the Partnership

$700.0 million under the prior facility to $850.0 million. — —

Inflation Adjustments

On July 1, 2018, the tariffs on our FERC regulated pipelines and the throughput fees and storage fees under certain of our agreements with Delek Holdings and third parties that are subject to adjustment using FERC indexing increased by approximately 4.4%, the amount of the change in the FERC oil pipeline index. Under certain of our other agreements with Delek Holdings and third parties, the fees increased based on the consumer price index or the producer price index, which increased approximately 2.2% and 6.1%, respectively.

2025 Notes Offer to Exchange

On April 25, 2018, we made an offer to exchange the 2025 Notes (as defined in Note 11 to our accompanying consolidated financial statements) and the related guarantees that were validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable, as required under the terms of the original indenture (the "Exchange Offer"). The Exchange Offer expired on May 23, 2018 (the "Expiration Date"). The terms of the exchange notes that were issued as a result of the Exchange Offer are substantially identical to the terms of the original 2025 Notes.

Management's Discussion and Analysis

Big Spring Logistic Assets Acquisition

Effective March 1, 2018, the Partnership, through its wholly-owned subsidiary DKL Big Spring, LLC, acquired from Delek Holdings certain logistics assets primarily located at or adjacent to the Big Spring Refinery and Delek Holdings' light products distribution terminal located in Stephens County, Oklahoma (collectively, the "Big Spring Logistic Assets," and such transaction the "Big Spring Logistic Assets Acquisition"). See — —Big Spring Logistic Assets Acquisition and Note 3 to our accompanying consolidated financial statements for additional information.

Marketing Contract Intangible Acquisition

Effective March 1, 2018, concurrent with the Big Spring Logistic Assets Acquisition, Delek Holdings, the Partnership and various of their respective subsidiaries entered into a new marketing agreement, whereby the Partnership markets certain refined products produced at the Big Spring Refinery to various customers in return for a marketing fee (the "Big Spring Marketing Agreement"). See — —Marketing Contract Intangible Acquisition and Note 3 to our accompanying consolidated financial statements for additional information.

Business Strategies

Our objectives are to maintain stable cash flows and to grow the quarterly distributions paid to our unitholders over time. We are focused on growing our asset base within our geographic area through acquisitions, project development, joint ventures and enhancing our existing systems. While we will continue to evaluate ways to provide Delek Holdings 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 Holdings and third parties pursuant to long-term, fee-based contracts. In new service contracts, we will endeavor to include minimum volume throughput, or other commitments, similar to those included in our current commercial agreements with Delek Holdings.
- *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 Delek Holdings will enhance our opportunities to grow our business.
- *Pursue Acquisitions.* We plan to pursue strategic acquisitions that both complement our existing assets and provide attractive returns for our unitholders. As we continue to grow through acquisitions, we believe we will be able to increase our third party business.
Additionally, Delek Holdings 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 Holdings is also required, under certain circumstances, to offer us the opportunity to purchase additional logistics assets that Delek Holdings may acquire or construct in the future. We anticipate additional growth opportunities through subsequent dropdowns of logistics assets acquired or developed by Delek Holdings. In addition to those opportunities to acquire assets from Delek Holdings, we believe that our current asset base, and our knowledge of the regional markets in which we operate, will enable us to target and complete 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 Holdings', businesses and from increased third-party activity. These construction projects may be developed either through joint venture relationships or by us acting independently, depending on size and scale.
- *Optimize Our Existing Assets and Expand Our Customer Base.* We seek to enhance the profitability of our existing assets by adding incremental throughput volumes, improving operating efficiencies and increasing

system-wide 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 with Delek Holdings

The Partnership has a number of long-term, fee-based commercial agreements with Delek Holdings under which we provide various services, including crude oil gathering and crude oil, intermediate and refined products transportation and storage services, and marketing, terminalling and offloading services to Delek Holdings, and Delek Holdings commits to provide us with minimum monthly throughput volumes of crude oil, intermediate and refined products. Generally, these agreements include minimum quarterly volume, revenue or throughput commitments and have tariffs or fees indexed to inflation-based indices, provided that the tariffs or fees will not be decreased below the initial amount. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of our material commercial agreements with Delek Holdings.

Management's Discussion and Analysis

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; (iv) cost of materials and other; and (v) 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 refined products that we handle in our pipeline, transportation, terminalling, storage and marketing operations. These volumes are primarily affected by the supply of and demand for crude oil, intermediate and refined products in the markets served directly or indirectly by our assets. Although Delek Holdings has committed to minimum volumes under certain of the commercial agreements, as described above, our results of operations will be impacted by:

- Delek Holdings' 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 Holdings or third parties;
- our ability to increase throughput volumes at our refined products terminals and provide additional ancillary services at those terminals;
- our ability to identify and serve new customers in our marketing and trucking operations; and
- our ability to make connections to third-party facilities and pipelines.

Contribution Margin per Barrel

Because we do not allocate general and administrative expenses by segment, we measure the performance of our segments by the amount of contribution margin generated in operations. Contribution margin is calculated as net revenues less cost of materials and other and operating expenses, excluding depreciation and amortization.

For our wholesale marketing and terminalling segment, we also measure gross margin per barrel. Gross margin per barrel reflects the gross margin (net revenues less cost of materials and other) 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 and cost of gasoline, distillate fuel, ethanol and Renewable Identification Numbers ("RINs".) Historically, the profitability of our wholesale marketing operations has been affected by commodity price volatility, specifically as it relates to changes in the price of refined products between the time we purchase such products from our suppliers and the time we sell the products to our wholesale customers, and the fluctuation in the value of RINs. Commodity price volatility may also impact our wholesale marketing operations when the selling price of refined products does not adjust as quickly as the purchase price. Our wholesale marketing gross margin can also be impacted by fixed price ethanol agreements that we enter into to fix the price we pay for ethanol.

Operating and Maintenance Expenses

We seek to maximize the profitability of our operations by effectively managing operating and maintenance expenses. These expenses include the costs associated with the operation of owned terminals and pipelines and terminalling expenses at third-party locations, excluding depreciation and amortization. These costs primarily include outside services, allocated employee costs, repairs and maintenance costs and energy and utility costs. Operating expenses related to the wholesale business are excluded from cost of sales because they primarily relate to costs associated with selling the products through our wholesale business.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. Additionally, compliance with federal, state and local laws and regulations relating to the protection of the environment, health and safety may require us to incur additional expenditures. 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.

Cost of Materials and Other

These costs include (i) all costs of purchased refined products in our wholesale marketing and terminalling segment, as well as additives and related transportation of such products, (ii) costs associated with the operation of our trucking assets, which primarily include allocated employee costs and other costs related to fuel, truck leases and repairs and maintenance, (iii) the cost of pipeline capacity leased from any third parties, and (iv) gains and losses related to our commodity hedging activities.

Financing

The Partnership paid a cash distribution to its unitholders at a distribution rate of $0.810 per unit for the quarter ended December 31, 2018 ($3.24 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 our senior secured revolving credit agreement and any potential future issuances of equity and debt securities. See Note 12 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of historic cash distributions.

Market Trends

Master Limited Partnerships

Fluctuations in crude oil prices and the prices of related refined products impact our operations and the operations of other master limited partnerships in the midstream energy sector. In particular, crude oil prices and the prices of related refined products have the ability to influence drilling activity in many basins and the amounts of capital spending that crude oil exploration and production companies incur to support future growth. During the first half of 2016, depressed crude oil prices resulted in a reduction in drilling activity, which created excess capacity and reduced throughput on many crude oil pipelines in the United States and limited the need for new infrastructure projects as crude oil production in the United States was in a period of decline. However, in the latter half of 2016, market conditions improved. Throughout 2017 and 2018, the prices of crude oil and related refined products have increased relative to 2016 levels. Drilling activity has escalated as a result of these increasing crude oil prices, particularly in the Permian basin which has attractive drilling economics supported by improved efficiencies and drilling cost. As market conditions have improved, the demand for our assets has increased and our operations have benefited from this trend, particularly in the west Texas area where our results are most driven by market factors. Additionally, we believe these improving market conditions will facilitate the development of profitable growth projects that are needed to support future distribution growth in the midstream energy sector and for the Partnership.

We are aware that certain industry participants structured as master limited partnerships have addressed certain key variables (including investor sentiments, declining distributions, and recent changes in tax law, among others) by restructuring as entities subject to tax as corporations. These variables are unique for each such restructuring or restructured master limited partnership. We have no current plan or intention to undertake a similar restructuring.

West Texas Marketing Operations

Overall demand for gathering and terminalling services in a particular area is generally driven by crude oil production in the area, which can be impacted by crude oil prices, refining economics and access to alternate delivery and transportation infrastructure. Additionally, volatility in crude oil, intermediate and refined products prices in the west Texas area and the value attributable to RINs can affect the results of our west Texas operations. For example, as discussed above, drilling activity and the prices of crude oil and related refined products have increased in 2017 and 2018 to date, resulting in higher demand for refined products from our west Texas operations to industries that support crude oil exploration and production. See below for the high, low and average price per barrel of WTI crude oil for each of the quarterly periods during the years ended December 31, 2018, 2017 and 2016.

Also, the volatility of refined products prices may impact our margin in the west Texas operations when the selling price of refined products does not adjust as quickly as the purchase price. See below for the range of prices per gallon of gasoline and diesel for each of the quarterly periods during the years ended December 31, 2018, 2017 and 2016.

Management's Discussion and Analysis

Our west Texas operations can benefit from RINs that are generated by ethanol blending activities. As a result, changes in the price of RINs can affect our results of operations. The RINs we generate are sold primarily to Delek Holdings at market prices. We sold approximately $2.4 million, $5.6 million and $6.7 million of RINs to Delek Holdings during the years ended December 31, 2018, 2017 and 2016, respectively. See below for the high, low and average prices of RINs for each of the quarterly periods during the years ended December 31, 2018, 2017 and 2016.

All of these factors are 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.

Non-GAAP Measures

Our management uses certain "non-GAAP" operational measures to evaluate our operating segment performance and non-GAAP financial measures to evaluate past performance and prospects for the future to supplement our GAAP financial information presented in accordance with U.S. GAAP. These financial and operational non-GAAP measures are important factors in assessing our operating results and profitability and include:

- Earnings before interest, taxes , depreciation and amortization ("EBITDA") - calculated as net income (loss) before net interest expense, income tax expense, depreciation and amortization expense, including amortization of customer contract intangible assets, which is included as a component of net revenues in our accompanying consolidated statements of income.
- Distributable cash flow - calculated as net cash flow from operating activities plus or minus changes in assets and liabilities, less maintenance capital expenditures net of reimbursements and other adjustments not expected to settle in cash. Delek Logistics believes this is an appropriate reflection of a liquidity measure by which users of its financial statements can assess its ability to generate cash.

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;
- our 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 information useful 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 flow from operating activities 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 definitions of EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. For a reconciliation of EBITDA and distributable cash flow to their most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, please refer to "Results of Operations" below.

Management's Discussion and Analysis

Results of Operations

A discussion and analysis of the factors contributing to our results of operations is presented below. 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, 2018, 2017 and 2016, including a reconciliation of net income to EBITDA and net cash flow provided by operating activities to distributable cash flow (in thousands, except unit and per unit amounts).

The following table provides a reconciliation of EBITDA and distributable cash flow to the most directly comparable U.S. GAAP measure, or net income and net cash from operating activities, respectively.

	Year Ended December 31,		
	2018	**2017**	**2016** [2]
Reconciliation of net income to EBITDA:			
Net income	$90,182	$69,409	$62,804
Add:			
Income tax expense (benefit)	534	(222)	81
Depreciation and amortization	25,990	21,914	20,813
Amortization of customer contract intangible assets	6,009	—	—
Interest expense, net	41,263	23,944	13,587
EBITDA [1]	$163,978	$115,045	$97,285
Reconciliation of net cash from operating activities to distributable cash flow:			
Net cash provided by operating activities	$147,953	$86,950	$100,707
Changes in assets and liabilities	(21,910)	3,462	(14,861)
Distributions from equity method investments in investing activities	1,162	753	—
Maintenance and regulatory capital expenditures [3]	(7,326)	(9,444)	(5,920)
Reimbursement from Delek Holdings for capital expenditures [4]	3,115	3,453	3,251
Accretion of asset retirement obligations	(359)	(292)	(266)
Deferred income taxes	(152)	111	173
Loss (gain) on asset disposals	(891)	20	16
Distributable cash flow [1]	$121,592	$85,013	$83,100

[1] For a definition of EBITDA and distributable cash flow, please see "Non-GAAP Measures" above.

[2] EBITDA and distributable cash flow include net loss of $0.2 million related to our Predecessors during the year ended December 31, 2016.

[3] Maintenance and regulatory capital expenditures represent cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets, and for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity. Examples of maintenance and regulatory capital expenditures are expenditures for the repair, refurbishment and replacement of pipelines and terminals, to maintain equipment reliability, integrity and safety and to address environmental laws and regulations.

[4] For the years ended December 31, 2018, 2017 and 2016, Delek Holdings reimbursed us for certain capital expenditures pursuant to the terms of the Omnibus Agreement (as defined in Note 4 to our accompanying consolidated financial statements).

Management's Discussion and Analysis

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with U.S. GAAP, and in the process of applying these principles, we must make judgments, assumptions and estimates based on the best available information at the time. To aid a reader's understanding, management has identified our critical accounting policies. These policies are considered critical, because they are both most important to the portrayal of our financial condition and results and require our most difficult, subjective or complex judgments. Often they require judgments and estimation about matters which are inherently uncertain and involve measuring, at a specific point in time, events which are continuous in nature. Actual results may differ based on the accuracy of the information utilized and subsequent events, of which we may have little or no control.

Property, Plant and Equipment and Intangibles Impairment

Property, plant and equipment and definite life intangibles are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, we must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset. We use quoted market prices when available and our internal cash flow estimates discounted at an appropriate interest rate to determine fair value, as appropriate.

Goodwill and Potential Impairment

Goodwill in an acquisition represents the excess of the aggregate purchase price over the fair value of the identifiable net assets. Goodwill is reviewed at least annually for impairment, or more frequently if indicators of impairment exist, such as disruptions in our business, unexpected significant declines in operating results, or a sustained market capitalization decline. Goodwill is evaluated for impairment by comparing the carrying amount of the reporting unit to its estimated fair value. Prior to the adoption of Accounting Standard Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment,* if a reporting unit's carrying amount exceeds its fair value (Step 1), the impairment assessment leads to the testing of the implied fair value of the reporting unit's goodwill to its carrying amount (Step 2). If the implied fair value is less than the carrying amount, a goodwill impairment charge is recorded. Subsequent to adoption of ASU 2017-04 (which we adopted during the fourth quarter of 2018, as permitted by the ASU), Step 2 is no longer required, but rather any impairment is determined based on the results of Step 1.

In assessing the recoverability of goodwill, assumptions are made with respect to future business conditions and estimated expected future cash flows to determine the fair value of a reporting unit. We may consider inputs such as a market participant weighted average cost of capital, estimated growth rates for revenue, gross profit and capital expenditures based on history and our best estimate of future forecasts, all of which are subject to significant judgment and estimates. We may also estimate the fair values of the reporting units using a multiple of expected future cash flows, such as those used by third-party analysts. If these estimates and assumptions change in the future, due to factors such as a decline in general economic conditions, competitive pressures on sales and margins and other economic and industry factors beyond management's control, an impairment charge may be required.

We may also elect to perform a qualitative assessment of goodwill balances. The qualitative assessment permits companies to assess whether it is more likely than not (i.e., a likelihood of greater than 50%) that the fair value of a reporting unit is less than its carrying amount. If a company concludes based on the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company is required to perform the quantitative impairment test. If a company concludes based on the qualitative assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it has completed its goodwill impairment test and does not need to perform the quantitative impairment test.

New Accounting Pronouncements

See Note 2 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of new accounting pronouncements applicable to us.

Management's Discussion and Analysis

Consolidated Results of Operations - Comparison of the Year Ended December 31, 2018 versus the Year Ended December 31, 2017 and the Year Ended December 31, 2017 versus the Year Ended December 31, 2016

The following table presents a summary of our consolidated results of operations and our segment operating performance for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 (in thousands). The discussion immediately following presents the consolidated results of operations.

Year Ended December 31, 2018