

Delek Logistics Partners, LP

Form 10-Q

August 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY

REPORT

PURSUANT

TO SECTION

☒ 13 OR 15(d)

OF THE

SECURITIES

EXCHANGE

ACT OF 1934

For the

quarterly

period ended

June 30, 2017

or

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

For the transition period from

to

Commission file number 001-35721

DELEK LOGISTICS PARTNERS, LP

(Exact name of registrant as specified in its charter)

Delaware

45-5379027

(State or other jurisdiction of
incorporation or organization)

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

7102 Commerce Way

Brentwood, Tennessee

37027

(Address of principal executive offices) (Zip Code)

(615) 771-6701

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐
(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 Exchange Act). Yes ☐ No ☒

At August 3, 2017, there were 24,361,457 common limited partner units and 497,172 general partner units outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	<u>3</u>
Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016 (Unaudited)	<u>3</u>
Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2017 and 2016 (Unaudited)	<u>4</u>
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (Unaudited)	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>42</u>
<u>Item 4. Controls and Procedures</u>	<u>42</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>43</u>
<u>Item 6. Exhibits</u>	<u>43</u>
<u>Signatures</u>	<u>45</u>
<u>Exhibit Index</u>	<u>46</u>
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
Exhibit 32.2	
EX-101 INSTANCE DOCUMENT	
EX-101 SCHEMA DOCUMENT	
EX-101 CALCULATION LINKBASE DOCUMENT	
EX-101 LABELS LINKBASE DOCUMENT	
EX-101 PRESENTATION LINKBASE DOCUMENT	

Part I.
FINANCIAL INFORMATION

Item 1. Financial Statements
Delek Logistics Partners, LP

Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except unit and per unit data)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,899	\$59
Accounts receivable	18,270	19,202
Accounts receivable from related parties	4,158	2,834
Inventory	6,522	8,875
Other current assets	1,388	1,071
Total current assets	35,237	32,041
Property, plant and equipment:		
Property, plant and equipment	347,303	342,407
Less: accumulated depreciation	(101,684)	(91,378)
Property, plant and equipment, net	245,619	251,029
Equity method investments	104,659	101,080
Goodwill	12,203	12,203
Intangible assets, net	13,888	14,420
Other non-current assets	3,926	4,774
Total assets	\$415,532	\$415,547
LIABILITIES AND DEFICIT		
Current liabilities:		
Accounts payable	\$10,176	\$10,853
Excise and other taxes payable	4,714	4,841
Tank inspection liabilities	939	1,013
Pipeline release liabilities	1,072	1,097
Accrued expenses and other current liabilities	4,350	2,925
Total current liabilities	21,251	20,729
Non-current liabilities:		
Long-term debt	396,897	392,600
Asset retirement obligations	3,918	3,772
Other non-current liabilities	14,545	11,730
Total non-current liabilities	415,360	408,102
Deficit:		
Common unitholders - public; 9,067,411 units issued and outstanding at June 30, 2017 (9,263,415 at December 31, 2016)	177,532	188,013
Common unitholders - Delek; 15,294,046 units issued and outstanding at June 30, 2017 (15,065,192 at December 31, 2016)	(192,348)	(195,076)
General partner - 497,172 units issued and outstanding at June 30, 2017 (496,502 at December 31, 2016)	(6,263)	(6,221)
Total deficit	(21,079)	(13,284)
Total liabilities and deficit	\$415,532	\$415,547

See accompanying notes to the condensed consolidated financial statements

3

Delek Logistics Partners, LP

Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)
(in thousands, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales:				
Affiliate	\$ 39,824	\$ 36,694	\$ 76,443	\$ 75,454
Third party	86,945	75,159	179,799	140,455
Net sales	126,769	111,853	256,242	215,909
Operating costs and expenses:				
Cost of goods sold	85,039	73,101	177,629	139,854
Operating expenses	9,966	8,730	20,324	19,194
General and administrative expenses	2,656	2,698	5,504	5,611
Depreciation and amortization	5,742	4,812	10,935	9,808
(Gain) loss on asset disposals	(5)	—	7	(44)
Total operating costs and expenses	103,398	89,341	214,399	174,423
Operating income	23,371	22,512	41,843	41,486
Interest expense, net	5,462	3,284	9,533	6,483
(Income) loss from equity method investments	(1,176)	206	(1,421)	435
Total non-operating expenses	4,286	3,490	8,112	6,918
Income before income tax expense	19,085	19,022	33,731	34,568
Income tax expense	108	129	159	227
Net income attributable to partners	\$ 18,977	\$ 18,893	\$ 33,572	\$ 34,341
Comprehensive income attributable to partners	\$ 18,977	\$ 18,893	\$ 33,572	\$ 34,341
Less: General partner's interest in net income, including incentive distribution rights	4,552	2,791	8,661	5,044
Limited partners' interest in net income	\$ 14,425	\$ 16,102	\$ 24,911	\$ 29,297
Net income per limited partner unit ⁽¹⁾ :				
Common units - (basic)	\$ 0.59	\$ 0.66	\$ 1.02	\$ 1.23
Common units - (diluted)	\$ 0.59	\$ 0.66	\$ 1.02	\$ 1.22
Subordinated units - Delek (basic and diluted)	\$ —	\$ —	\$ —	\$ 1.09
Weighted average limited partner units outstanding ⁽¹⁾ :				
Common units - (basic)	24,335,338	24,281,930	24,331,991	20,653,210
Common units - (diluted)	24,375,946	24,367,091	24,371,540	20,735,389
Subordinated units - Delek (basic and diluted)	—	—	—	3,626,149
Cash distributions per limited partner unit	\$ 0.705	\$ 0.630	\$ 1.395	\$ 1.240

⁽¹⁾ We base our calculation of net income per unit on the weighted-average number of common and subordinated limited partner units outstanding during the period. The weighted-average number of common and subordinated units reflect the conversion of the subordinated units to common units on February 25, 2016. See Note 6 for further discussion.

See accompanying notes to the condensed consolidated financial statements

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Delek Logistics Partners, LP
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$33,572	\$34,341
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,935	9,808
Amortization of deferred revenue	(601)	(579)
Amortization of deferred financing costs and debt discount	830	730
Accretion of asset retirement obligations	146	131
Deferred income taxes	119	—
(Income) loss from equity method investments	(1,421)	435
Dividends from equity method investments	779	—
Loss (gain) on asset disposals	7	(44)
Unit-based compensation expense	364	233
Changes in assets and liabilities:		
Accounts receivable	932	17,832
Inventories and other current assets	2,041	1,580
Accounts payable and other current liabilities	1,479	(2,113)
Accounts receivable/payable to related parties	(1,352)	(5,331)
Non-current assets and liabilities, net	(419)	566
Net cash provided by operating activities	47,411	57,589
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,867)	(2,975)
Proceeds from sales of property, plant and equipment	—	175
Equity method investment contributions	(2,937)	(33,119)
Net cash used in investing activities	(8,804)	(35,919)
Cash flows from financing activities:		
Proceeds from issuance of additional units to maintain 2% General Partner interest	21	14
Distributions to general partner	(8,231)	(4,087)
Distributions to common unitholders - public	(12,816)	(11,591)
Distributions to common unitholders - Delek	(20,772)	(6,255)
Distributions to subordinated unitholders - Delek	—	(11,503)
Proceeds from revolving credit facility	139,400	157,850
Payments of revolving credit facility	(377,500)	(146,900)
Proceeds from issuance of senior notes	248,112	—
Deferred financing costs paid	(5,816)	—
Reimbursement of capital expenditures by Delek	3,835	802
Net cash used in financing activities	(33,767)	(21,670)
Net increase in cash and cash equivalents	4,840	—
Cash and cash equivalents at the beginning of the period	59	—
Cash and cash equivalents at the end of the period	\$4,899	\$—
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$6,940	\$5,855
Income taxes	\$29	\$—
Non-cash investing activities:		

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Decrease in accrued capital expenditures	\$(957)	\$(892)
Non-cash financing activities:		
Sponsor contribution of fixed assets	\$67	\$609

See accompanying notes to the condensed consolidated financial statements

5

Delek Logistics Partners, LP

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Basis of Presentation

As used in this report, the terms "Delek Logistics Partners, LP," the "Partnership," "we," "us," or "our" may refer to Delek Logistics Partners, LP, one or more of its consolidated subsidiaries or all of them taken as a whole. References in this report to "Delek" refer collectively to Delek US Holdings, Inc. and any of its subsidiaries, other than Delek Logistics Partners, LP and its subsidiaries and its general partner (as hereinafter defined).

The Partnership is a Delaware limited partnership formed in April 2012 by Delek and its subsidiary Delek Logistics GP, LLC, our general partner (our "general partner").

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted, although management believes that the disclosures herein are adequate to make the financial information presented not misleading. Our unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis with those of the annual audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 (our "Annual Report on Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on February 28, 2017. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016 included in our Annual Report on Form 10-K.

In the opinion of management, all adjustments necessary for a fair presentation of the financial position and the results of operations for the interim periods presented have been included. All significant intercompany transactions and account balances have been eliminated in the consolidation. Such intercompany transactions do not include those with Delek or our general partner. All adjustments are of a normal, recurring nature. Operating results for the interim period should not be viewed as representative of results that may be expected for any future interim period or for the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board (the "FASB") issued guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The modification accounting guidance applies if the value, vesting conditions or classification of the award changes. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and can be early adopted for any interim or annual financial statements that have not yet been issued. We expect to adopt this guidance on or before the effective date and are currently evaluating the impact that adopting this new guidance will have on our business, financial condition and results of operations.

In January 2017, the FASB issued guidance concerning the goodwill impairment test that eliminates Step 2, which required a comparison of the implied fair value of goodwill of a reporting unit with the carrying amount of that goodwill for that reporting unit. It also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative assessment, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to

determine if the quantitative impairment test is necessary. This guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We expect to adopt this guidance on or before the effective date and we do not anticipate that the adoption will have a material impact on our business, financial condition or results of operations.

In January 2017, the FASB issued guidance clarifying the definition of a business in order to assist entities with evaluating when a set of transferred assets and activities is considered a business. In general, we expect that the revised definition will result in fewer acquisitions being accounted for as business combinations than under the current guidance. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted under certain circumstances. We expect to adopt this guidance on or before the effective date and are currently evaluating the impact that adopting this new guidance will have on our business, financial condition and results of operations.

In March 2016, the FASB issued guidance that simplifies several aspects of the accounting for share-based payment award transactions, including the accounting for excess tax benefits and deficiencies, classification of awards as either equity or liabilities and classification of excess tax benefits on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and can be early adopted for any interim or annual financial statements that have not yet been issued. We prospectively adopted this guidance on the effective date and the adoption did not have a material impact on our business, financial condition or results of operations.

In July 2015, the FASB issued guidance requiring entities to measure FIFO or average cost inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance does not change the measurement of inventory measured using LIFO or the retail inventory method. This guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. We adopted this guidance on the effective date and the adoption did not have a material impact on our business, financial condition or results of operations.

In May 2014, the FASB issued guidance regarding “Revenue from Contracts with Customers,” to clarify the principles for recognizing revenue. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires improved interim and annual disclosures that enable the users of financial statements to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and can be adopted retrospectively. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We expect to adopt this guidance on January 1, 2018. As part of our efforts to prepare for adoption, beginning in 2016, we formed a project implementation team as well as a project time-line to evaluate this new standard. We reviewed and gained an understanding of the new revenue recognition accounting guidance, performed scoping to identify and evaluate revenue streams under the new standard and continue to review industry specific implementation guidance. We are continuing to evaluate the impact of the standard on our business processes, accounting systems, controls and financial statement disclosures, and expect to implement any changes to accommodate the new accounting and disclosure requirements prior to adoption on January 1, 2018. We preliminarily determined to use the modified retrospective adoption method to apply this standard, under which the cumulative effect of initially applying the new guidance will be recognized as an adjustment to the opening balance of retained earnings in the first quarter of 2018.

2. Related Party Transactions

Commercial Agreements

The Partnership has a number of long-term, fee based commercial agreements with Delek 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. 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. The initial terms for agreements effective in November 2012 were to expire in November 2017. Delek has opted to renew these agreements for subsequent five-year terms. In the case of our marketing agreement with Delek, the initial term has been extended through 2026. The fees under each agreement are payable to us monthly by Delek or certain third parties to whom Delek has assigned certain of its rights and are generally subject to increase or decrease on July 1 of each year, by the amount of any change in various inflation-based indices, including the Federal Energy Regulatory Commission 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 our Annual Report on Form 10-K for a more complete description of certain of our commercial agreements and other agreements with Delek.

Omnibus Agreement. The Partnership entered into an omnibus agreement with Delek, our general partner, Delek Logistics Operating, LLC, Lion Oil Company and certain of the Partnership's and Delek's other subsidiaries on November 7, 2012, which was subsequently amended and restated on July 26, 2013, February 10, 2014 and March 31, 2015 in connection with our subsequent acquisitions of certain assets from Delek (collectively, as amended, the "Omnibus Agreement"). Additionally, the Partnership entered into an amendment to the Omnibus Agreement on August 3, 2015, with an effective date of April 1, 2015. This amendment eliminated a \$1.0 million per event deductible that applied to certain asset failures before Delek was required to reimburse the Partnership.

Pursuant to the terms of the Omnibus Agreement, we were reimbursed for certain capital expenditures in the amount of \$0.8 million and \$3.8 million during the three and six months ended June 30, 2017, respectively, and \$0.6 million and \$0.8 million during the three and six months ended June 30, 2016, respectively. These amounts are recorded in other long term liabilities and are amortized to revenue over the life of the underlying revenue agreement corresponding to the asset. Additionally, we were reimbursed or indemnified, as the case may be, for costs

incurred in excess of certain amounts related to certain asset failures, pursuant to the terms of the Omnibus Agreement. We were reimbursed \$0.3 million and \$0.4 million for these matters during the three and six months ended June 30, 2017, respectively, and \$0.1 million and \$1.1 million during the three and six months ended June 30, 2016, respectively, which are recorded as a reduction to operating expense.

Summary of Transactions

Revenues from affiliates consist primarily of revenues from gathering, transportation, storage, offloading, Renewable Identification Numbers, wholesale marketing, and products terminalling services provided primarily to Delek based on regulated tariff rates or contractually based fees, and product sales to Alon USA Energy, Inc., an equity method investee of Delek as of June 30, 2017. Affiliate operating expenses are primarily comprised of amounts we reimburse Delek or our general partner, as the case may be, for the services provided to us under the First Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"). These expenses could also include reimbursement and indemnification amounts from Delek, as provided under the Omnibus Agreement. Additionally, the Partnership is required to reimburse Delek for direct or allocated costs and expenses incurred by Delek on behalf of the Partnership and for charges Delek incurred for the management and operation of our logistics assets, including an annual fee for various centralized corporate services, which are included in general and administrative services. In addition to these transactions, we purchase finished products and bulk biofuels from Delek, the costs of which are included in cost of goods sold.

A summary of revenue and expense transactions with Delek and its affiliates are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$39,824	\$36,694	\$76,443	\$75,454
Cost of goods sold	\$8,252	\$8,127	\$17,180	\$18,817
Operating and maintenance expenses	\$6,385	\$7,085	\$13,481	\$14,750
General and administrative expenses	\$1,561	\$1,608	\$3,254	\$2,954

Quarterly Cash Distributions

Our common and general partner unitholders and the holders of incentive distribution rights ("IDRs") are entitled to receive quarterly distributions of available cash as it is determined by the board of directors of our general partner in accordance with the terms and provisions of our Partnership Agreement. In February and May 2017, we paid quarterly cash distributions of \$20.5 million and \$21.0 million, respectively, of which \$14.2 million and \$14.7 million, respectively, were paid to Delek and our general partner. In February and May 2016, we paid quarterly cash distributions of \$16.1 million and \$17.1 million, respectively, of which \$10.5 million and \$11.3 million, respectively, were paid to Delek and our general partner. On July 24, 2017, our general partner's board of directors declared a quarterly cash distribution totaling \$21.8 million, based on the available cash as of the date of determination for the end of the second quarter of 2017, payable on August 11, 2017, of which \$15.4 million is expected to be paid to Delek and our general partner, including the payment for the IDRs.

3. Inventory

Inventories consisted of \$6.5 million and \$8.9 million of refined petroleum products as of June 30, 2017 and December 31, 2016, respectively. Cost of inventory is stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis. We recognize lower of cost or net realizable value charges as a component of cost of goods sold in the consolidated statements of income and comprehensive income, which amounted to \$0.1 million during both the three and six months ended June 30, 2017, and \$0.1 million during both the three and six

months ended June 30, 2016.

4. Long-Term Obligations

Second Amended and Restated Credit Agreement

We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 (the "Amended and Restated Credit Agreement") and was most recently amended and restated on December 30, 2014 (the "Second Amended and Restated Credit Agreement"). Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments were increased from \$400.0 million to \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings.

Borrowings denominated in U.S. dollars bear interest at either a U.S. dollar prime rate, plus an applicable margin, or the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, at the election of the borrowers.

Borrowings denominated in Canadian dollars bear interest at either a Canadian dollar prime rate, plus an applicable margin, or the Canadian Dealer Offered Rate, plus an applicable margin, at the election of the borrowers. The applicable margin in each case varies based upon the Partnership's most recent total leverage ratio calculation delivered to the lenders, as called for and defined under the terms of the credit facility. At June 30, 2017, the weighted average interest rate for our borrowings under the facility was approximately 4.1%. Additionally, the Second Amended and Restated Credit Agreement requires us to pay a leverage ratio dependent quarterly fee on the average unused revolving commitment. As of June 30, 2017, this fee was 0.5% per year.

The obligations under the Second Amended and Restated Credit Agreement remain secured by first priority liens on substantially all of the Partnership's and its subsidiaries' tangible and intangible assets. Additionally, Delek Marketing & Supply, LLC ("Delek Marketing"), a direct wholly owned subsidiary of Delek, continues to provide a limited guaranty of the Partnership's obligations under the Second Amended and Restated Credit Agreement. Delek Marketing's guaranty is (i) limited to an amount equal to the principal amount, plus unpaid and accrued interest, of a promissory note made by Delek US in favor of Delek Marketing (the "Holdings Note") and (ii) secured by Delek Marketing's pledge of the Holdings Note to our lenders under the Second Amended and Restated Credit Agreement. As of June 30, 2017, the principal amount of the Holdings Note was \$102.0 million, plus unpaid interest accrued since the issuance date. The Second Amended and Restated Credit Agreement matures on December 30, 2019.

As of June 30, 2017, we had \$154.5 million in outstanding borrowings under the Second Amended and Restated Credit Agreement. Additionally, we had in place letters of credit totaling \$7.0 million, primarily securing obligations with respect to gasoline and diesel purchases. No amounts were drawn under these letters of credit at June 30, 2017. Unused credit commitments under the Second Amended and Restated Credit Agreement as of June 30, 2017 were \$538.5 million.

6.75% Senior Notes Due 2025

On May 23, 2017, the Partnership and Delek Logistics Finance Corp., a Delaware corporation and a wholly owned subsidiary of the Partnership ("Finance Corp." and together with the Partnership, the "Issuers"), issued \$250.0 million in aggregate principal amount of 6.750% senior notes due 2025 (the "2025 Notes") at a discount. The 2025 Notes are general unsecured senior obligations of the Issuers. The 2025 Notes are unconditionally guaranteed jointly and severally on a senior unsecured basis by the Partnership's existing subsidiaries (other than Finance Corp., the "Guarantors") and will be unconditionally guaranteed on the same basis by certain of the Partnership's future subsidiaries. The 2025 Notes rank equal in right of payment with all existing and future senior indebtedness of the Issuers, and senior in right of payment to any future subordinated indebtedness of the Issuers. Interest on the 2025

Notes is payable semi-annually in arrears on each May 15 and November 15, commencing November 15, 2017.

At any time prior to May 15, 2020, the Issuers may redeem up to 35% of the aggregate principal amount of the 2025 Notes with the net cash proceeds of one or more equity offerings by the Partnership at a redemption price of 106.750% of the redeemed principal amount, plus accrued and unpaid interest, if any, subject to certain conditions and limitations. Prior to May 15, 2020, the Issuers may redeem all or part of the 2025 Notes, at a redemption price of the principal amount, plus accrued and unpaid interest, if any, plus a "make whole" premium, subject to certain conditions and limitations. In addition, beginning on May 15, 2020, the Issuers may, subject to certain conditions and limitations, redeem all or part of the 2025 Notes at a redemption price of 105.063% for the twelve-month period beginning on May 15, 2020, 103.375% for

the twelve-month period beginning on May 15, 2021, 101.688% for the twelve-month period beginning on May 15, 2022 and 100.00% beginning on May 15, 2023 and thereafter, plus accrued and unpaid interest, if any. There are also certain redemption provisions in the event of a change of control, accompanied or followed by a ratings downgrade within a certain period of time, subject to certain conditions and limitations.

In connection with the issuance of the 2025 Notes, the Issuers and the Guarantors entered into a registration rights agreement, whereby the Issuers and the Guarantors are required to exchange the 2025 Notes for new notes with terms substantially identical in all material respects with the 2025 Notes (except the new notes will not contain terms with respect to transfer restrictions). The Issuers and the Guarantors will use their commercially reasonable efforts to cause the exchange offer to be consummated not later than 365 days after May 23, 2017.

As of June 30, 2017, we had \$250.0 million in outstanding principal amount of the 2025 Notes. Outstanding borrowings under the 2025 Notes are net of deferred financing costs and debt discount of \$5.7 million and \$1.9 million, respectively, as of June 30, 2017.

5. Income Taxes

For tax purposes, each partner of the Partnership is required to take into account its share 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 fair market value of our assets, the acquisition price of such partner's units and the taxable income allocation requirements under our Partnership Agreement.

6. Net Income Per Unit

We use the two-class method when calculating the net income per unit applicable to limited partners because we have more than one participating class of securities. Our participating securities consist of common units, subordinated units, general partner units and IDRs. The two-class method is based on the weighted-average number of common units outstanding during the period. Basic net income per unit applicable to limited partners (including subordinated unitholders) is computed by dividing limited partners' interest in net income, after deducting our general partner's 2% interest and IDRs, by the weighted-average number of outstanding common and subordinated units. Our net income is allocated to our general partner and limited partners in accordance with their respective partnership percentages after giving effect to priority income allocations for IDRs, which are held by our general partner pursuant to our Partnership Agreement. The IDRs are paid following the close of each quarter.

Earnings in excess of distributions are allocated to our general partner and limited partners based on their respective ownership interests. Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

Diluted net income per unit applicable to common limited partners includes the effects of potentially dilutive units on our common units. At present, the only potentially dilutive units outstanding consist of unvested phantom units. Basic and diluted net income per unit applicable to subordinated limited partners are the same because there are no potentially dilutive subordinated units outstanding.

Following the February 12, 2016 payment of the cash distribution attributable to the fourth quarter of 2015 and confirmation by the board of directors of our general partner (based on the recommendation of the Conflicts Committee) on February 25, 2016 that the requirements under the Partnership Agreement for the conversion of all subordinated units into common units were satisfied, the subordination period ended. As a result, in the first quarter of 2016, each of the Partnership's 11,999,258 outstanding subordinated units converted into common units and began participating pro rata with the other common units in distributions of available cash. The conversion did not impact

the amount of the cash distribution paid or the total number of the Partnership's outstanding units representing limited partner interests. The Partnership's net income was allocated to the general partner and the limited partners, including the holders of the subordinated units through February 24, 2016, in accordance with our Partnership Agreement.

Our distributions earned with respect to a given period are declared subsequent to quarter end. Therefore, the table below represents total cash distributions applicable to the period in which the distributions are earned. The expected date of distribution for the distributions earned during the period ended June 30, 2017 is August 11, 2017. The calculation of net income per unit is as follows (dollars in thousands, except units and per unit amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income attributable to partners	\$18,977	\$ 18,893	\$33,572	\$ 34,341
Less: General partner's distribution (including IDRs) ⁽¹⁾	4,608	2,775	8,845	5,061
Less: Limited partners' distribution	17,175	15,310	33,962	25,695
Less: Subordinated partner's distribution	—	—	—	4,424
Distributions (in excess of) less than earnings	\$(2,806)	\$ 808	\$(9,235)	\$(839)
General partner's earnings:				
Distributions (including IDRs) ⁽¹⁾	\$4,608	\$ 2,775	\$8,845	\$ 5,061
Allocation of distributions (in excess of) less than earnings	(56)	16	(184)	(17)
Total general partner's earnings	\$4,552	\$ 2,791	\$8,661	\$ 5,044
Limited partners' earnings on common units:				
Distributions	\$17,175	\$ 15,310	\$33,962	\$ 25,695
Allocation of distributions (in excess of) less than earnings	(2,750)	792	(9,051)	(340)
Total limited partners' earnings on common units	\$14,425	\$ 16,102	\$24,911	\$ 25,355
Limited partners' earnings on subordinated units:				
Distributions	\$—	\$ —	\$—	\$ 4,424
Allocation of distributions in excess of earnings	—	—	—	(482)
Total limited partners' earnings on subordinated units	\$—	\$ —	\$—	\$ 3,942
Weighted average limited partner units outstanding ⁽²⁾ :				
Common units - (basic)	24,335,338	24,281,930	24,331,992	20,653,210
Common units - (diluted)	24,375,946	24,367,091	24,371,540	20,735,389
Subordinated units - Delek (basic and diluted) ⁽³⁾	—	—	—	3,626,149
Net income per limited partner unit ⁽²⁾ :				
Common units - (basic)	\$0.59	\$ 0.66	\$1.02	\$ 1.23
Common units - (diluted) ⁽⁴⁾	\$0.59	\$ 0.66	\$1.02	\$ 1.22
Subordinated units - Delek (basic and diluted)	\$—	\$ —	\$—	\$ 1.09

⁽¹⁾ General partner distributions (including IDRs) consist of the 2% general partner interest and IDRs, which represent the right of the general partner to receive increasing percentages of quarterly distributions of available cash from operating surplus in excess of \$0.43125 per unit per quarter. See Note 7 for further discussion related to IDRs.

⁽²⁾ We base our calculation of net income per unit on the weighted-average number of common and subordinated limited partner units outstanding during the period. The weighted-average number of common and subordinated units reflects the conversion of the subordinated units to common units on February 25, 2016.

⁽³⁾ On February 25, 2016, each of the Partnership's 11,999,258 outstanding subordinated units converted into common units and began participating pro rata with the other common units in distributions of available cash. Distributions and the Partnership's net income were allocated to the subordinated units through February 24, 2016.

(4) Outstanding common share equivalents totaling 10,090 were excluded from the diluted earnings per share calculation for the three and six months ended June 30, 2017 and 6,540 for the three and six months ended June 30, 2016, respectively, as these common share equivalents did not have a dilutive effect under the treasury stock method.

7. Equity

We had 9,067,411 common limited partner units held by the public outstanding as of June 30, 2017. Additionally, as of June 30, 2017, Delek owned a 61.5% limited partner interest in us, consisting of 15,294,046 common limited partner units and a 94.6% interest in our general partner, which owns the entire 2.0% general partner interest consisting of 497,172 general partner units. Affiliates who are also members of our general partner's management and board of directors own the remaining 5.4% interest in our general partner.

Equity Activity

The table below summarizes the changes in the number of units outstanding from December 31, 2016 through June 30, 2017.

	Common - Public	Common - Delek	General Partner	Total
Balance at December 31, 2016	9,263,415	15,065,192	496,502	24,825,109
General partner units issued to maintain 2% interest	—	—	670	670
Unit-based compensation awards	32,850	—	—	32,850
Delek unit repurchases from public	(228,854)	228,854	—	—
Balance at June 30, 2017	9,067,411	15,294,046	497,172	24,858,629

The summarized changes in the carrying amount of our equity from December 31, 2016 through June 30, 2017 are as follows (in thousands):

	Common - Public	Common - Delek	General Partner	Total
Balance at December 31, 2016	\$188,013	\$(195,076)	\$(6,221)	\$(13,284)
Cash distributions	(12,816)	(20,772)	(8,231)	(41,819)
Sponsor contribution of fixed assets	—	65	2	67
Net income attributable to partners	9,305	15,606	8,661	33,572
Unit-based compensation	321	538	(495)	364
Delek unit repurchases from public	(7,291)	7,291	—	—
General partner units issued to maintain 2% interest	—	—	21	21
Balance at June 30, 2017	\$177,532	\$(192,348)	\$(6,263)	\$(21,079)

Allocations of Net Income

Our Partnership Agreement contains provisions for the allocation of net income and loss to the unitholders and our general partner. For purposes of maintaining partner capital accounts, the Partnership Agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interest. Normal allocations according to percentage interests are made after giving effect to priority income allocations in an amount equal to incentive cash distributions allocated 100% to our general partner.

The following table presents the allocation of the general partner's interest in net income (in thousands, except percentage of ownership interest):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net income attributable to partners	\$18,977	\$18,893	\$33,572	\$34,341
Less: General partner's IDRs	(4,258)	(2,462)	(8,153)	(4,446)
Net income available to partners	\$14,719	\$16,431	\$25,419	\$29,895
General partner's ownership interest	2.0 %	2.0 %	2.0 %	2.0 %
General partner's allocated interest in net income	\$294	\$329	\$508	\$598
General partner's IDRs	4,258	2,462	8,153	4,446
Total general partner's interest in net income	\$4,552	\$2,791	\$8,661	\$5,044

Incentive Distribution Rights

The following table illustrates the percentage allocations of available cash from operating surplus between the unitholders and our general partner based on the specified target distribution levels. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of our general partner and our unitholders in any available cash from operating surplus that we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution per Unit Target Amount.” The percentage interests shown for our unitholders and our general partner for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below for our general partner include its 2.0% general partner interest and assume that (i) our general partner has contributed any additional capital necessary to maintain its 2.0% general partner interest, (ii) our general partner has not transferred its IDRs, and (iii) there are no arrearages on common units.

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

Cash Distributions

Our Partnership Agreement sets forth the calculation to be used to determine the amount and priority of available cash distributions that our limited partner unitholders and general partner will receive. Our distributions earned with respect to a given period are declared subsequent to quarter end. The table below summarizes the quarterly distributions related to our quarterly financial results:

Quarter Ended	Total Quarterly Distribution Per Limited Partner Unit	Total Quarterly Distribution Per Limited Partner Unit, Annualized	Total Cash Distribution, including general partner interest and IDRs (in thousands)	Date of Distribution	Unitholders Record Date
June 30, 2016	\$ 0.630	\$ 2.52	\$ 18,085	August 12, 2016	August 5, 2016
September 30, 2016	\$ 0.655	\$ 2.62	\$ 19,302	November 14, 2016	November 7, 2016
December 31, 2016	\$ 0.680	\$ 2.72	\$ 20,537	February 14, 2017	February 3, 2017
March 31, 2017	\$ 0.690	\$ 2.76	\$ 21,024	May 12, 2017	May 5, 2017
June 30, 2017	\$ 0.705	\$ 2.82	\$ 21,783	August 11, 2017 ⁽¹⁾	August 4, 2017

⁽¹⁾ Expected date of distribution.

The allocation of total quarterly cash distributions expected to be made on August 11, 2017 to general and limited partners for the three and six months ended June 30, 2017 and the allocation of total quarterly cash distributions for the three and six months ended June 30, 2016 are set forth in the table below. Distributions earned with respect to a given period are declared subsequent to quarter end. Therefore, the table below presents total cash distributions applicable to the period in which the distributions are earned (in thousands, except per unit amounts):

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
General partner's distributions:						
General partner's distributions	\$350	\$313	\$692	\$615		
General partner's IDRs	4,258	2,462	8,153	4,446		
Total general partner's distributions	4,608	2,775	8,845	5,061		
Limited partners' distributions:						
Common	17,175	15,310	33,962	25,695		
Subordinated	—	—	—	4,424		
Total limited partners' distributions	17,175	15,310	33,962	30,119		
Total cash distributions	\$21,783	\$18,085	\$42,807	\$35,180		
Cash distributions per limited partner unit	\$0.705	\$0.630	\$1.395	\$1.240		

8. Equity Based Compensation

We incurred approximately \$0.2 million and \$0.4 million of unit-based compensation expense related to the Partnership during the three and six months ended June 30, 2017, respectively, and \$0.1 million and \$0.2 million during the three and six months ended June 30, 2016, respectively. These amounts are included in general and administrative expenses in the accompanying condensed consolidated statements of income and comprehensive

income. The fair value of phantom unit awards under the Delek Logistics GP, LLC 2012 Long-Term Incentive Plan (the "LTIP") is determined based on the closing price of our common limited partner units on the grant date. The estimated fair value of our phantom units is amortized over the vesting period using the straight line method. Awards vest over one- to five-year service periods, unless such awards are amended in accordance with the LTIP. As of June 30, 2017, there was \$0.6 million of total unrecognized compensation cost related to non-vested equity-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.4 years.

9. Equity Method Investments

In March 2015, we entered into two joint ventures that have constructed separate crude oil pipeline systems and related ancillary assets, which are serving third parties and subsidiaries of Delek. We own a 50% membership interest in the entity formed with 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 RIO") to operate the other pipeline system. The pipeline system constructed by Rangeland RIO was completed and began operations in September 2016. The pipeline system constructed by CP LLC was completed and began operations in January 2017.

The Partnership's investments in these two entities were financed through a combination of cash from operations and borrowings under the Second Amended and Restated Credit Agreement. As of June 30, 2017, the Partnership's investment balance in these joint ventures was \$104.7 million.

We do not consolidate any part of the assets or liabilities of our equity method investees. Our share of net income or loss of the investees will increase or decrease, as applicable, the carrying value of our investments in unconsolidated affiliates. With respect to CP LLC and Rangeland RIO, we determined that these entities do not represent variable interest entities and consolidation was not required. We have the ability to exercise significant influence over each of these joint ventures through our participation in the management committees, which make all significant decisions. However, since all significant decisions require the consent of the other investor(s) without regard to economic interest, we have determined that we have joint control and have applied the equity method of accounting. Our investment in these joint ventures is reflected in our pipelines and transportation segment.

Summarized Financial Information

Combined summarized financial information for our equity method investees is shown below (in thousands):

	June 30, 2017	December 31, 2016		
Current assets	\$9,888	\$ 7,760		
Noncurrent assets	\$244,110	\$ 237,516		
Current liabilities	\$2,040	\$ 4,512		
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016	Three Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues	\$7,022	\$—	\$12,693	\$—
Gross profit	\$7,022	\$—	\$12,693	\$—
Net income (loss)	\$3,379	\$(793)	\$4,392	\$(1,319)

10. Segment Data

We aggregate our operating segments into two reportable segments: (i) pipelines and transportation and (ii) wholesale marketing and terminalling:

The assets and investments reported in the pipelines and transportation segment provide crude oil gathering and crude oil, intermediate and finished products transportation and storage services to Delek's refining operations and independent third parties.

The wholesale marketing and terminalling segment provides wholesale marketing and terminalling services to Delek's refining operations and independent third parties.

Our operating segments adhere to the accounting policies used for our consolidated financial statements. Our operating segments are managed separately because each segment requires different industry knowledge, technology and marketing strategies. Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each of its reportable segments based on segment contribution margin. Segment contribution margin is defined as net sales less cost of goods sold and operating expenses.

The following is a summary of business segment operating performance as measured by contribution margin for the periods indicated (in thousands):

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	2016		2016	
Pipelines and Transportation				
Net sales:				
Affiliate	\$27,668	\$26,136	\$54,168	\$52,442
Third party	2,555	5,874	4,732	12,351
Total pipelines and transportation	30,223	32,010	58,900	64,793
Operating costs and expenses:				
Cost of goods sold	4,403	4,814	8,808	9,590
Operating expenses	7,933	6,899	16,088	14,639
Segment contribution margin	\$17,887	\$20,297	\$34,004	\$40,564
Capital spending (excluding business combinations)	\$1,660	\$718	\$3,797	\$1,424
Wholesale Marketing and Terminalling				
Net sales:				
Affiliate	\$12,156	\$10,558	\$22,275	\$23,012
Third party	84,390	69,285	175,067	128,104
Total wholesale marketing and terminalling	96,546	79,843	197,342	151,116
Operating costs and expenses:				
Cost of goods sold	80,636	68,287	168,821	130,264
Operating expenses	2,033	1,831	4,236	4,555
Segment contribution margin	\$13,877	\$9,725	\$24,285	\$16,297
Capital spending (excluding business combinations)	\$459	\$130	\$1,113	\$508
Consolidated				
Net sales:				
Affiliate	\$39,824	\$36,694	\$76,443	\$75,454
Third party	86,945	75,159	179,799	140,455
Total consolidated	126,769	111,853	256,242	215,909
Operating costs and expenses:				
Cost of goods sold	85,039	73,101	177,629	139,854
Operating expenses	9,966	8,730	20,324	19,194
Contribution margin	31,764	30,022	58,289	56,861
General and administrative expenses	2,656	2,698	5,504	5,611
Depreciation and amortization	5,742	4,812	10,935	9,808
(Gain) loss on asset disposals	(5)	—	7	(44)
Operating income	\$23,371	\$22,512	\$41,843	\$41,486
Capital spending (excluding business combinations)	\$2,119	\$848	\$4,910	\$1,932

The following table summarizes the total assets for each segment as of June 30, 2017 and December 31, 2016 (in thousands).

	June 30, 2017	December 31, 2016
Pipelines and transportation	\$338,781	\$ 337,349
Wholesale marketing and terminalling	76,751	78,198
Total assets	\$415,532	\$ 415,547

Property, plant and equipment and accumulated depreciation as of June 30, 2017 and depreciation expense by reporting segment for the three and six months ended June 30, 2017 were as follows (in thousands):

	Pipelines and Transportation	Wholesale Marketing and Terminalling	Consolidated
Property, plant and equipment	\$ 282,703	\$ 64,600	\$ 347,303
Less: accumulated depreciation	(75,751)	(25,933)	(101,684)
Property, plant and equipment, net	\$ 206,952	\$ 38,667	\$ 245,619
Depreciation expense for the three months ended June 30, 2017	\$ 4,499	\$ 977	\$ 5,476
Depreciation expense for the six months ended June 30, 2017	\$ 8,564	\$ 1,839	\$ 10,403

In accordance with ASC 360, Property, Plant & Equipment, we evaluate the realizability of property, plant and equipment as events occur that might indicate potential impairment. There were no indicators of impairment of our property, plant and equipment as of June 30, 2017.

11. Fair Value Measurements

The fair values of financial instruments are estimated based upon current market conditions and quoted market prices for the same or similar instruments. Management estimates that the carrying value approximates fair value for all of our assets and liabilities that fall under the scope of ASC 825, Financial Instruments.

We apply the provisions of ASC 820, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. ASC 820 applies to commodity and interest rate derivatives that are measured at fair value on a recurring basis. The standard also requires that we assess the impact of nonperformance risk on our derivatives. Nonperformance risk is not considered material as of June 30, 2017.

ASC 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

Over the counter ("OTC") commodity swaps and any interest rate swaps and caps are generally valued using industry-standard models that consider various assumptions, including quoted forward prices, spot prices, interest rates, time value, volatility factors and contractual prices for the underlying instruments, as well as other relevant economic measures. The degree to which these inputs are observable in the forward markets determines the classification as Level 2 or 3. Our contracts are valued based on exchange pricing and/or price index developers such as Platts or Argus and are, therefore, classified as Level 2.

The fair value hierarchy for our financial assets accounted for at fair value on a recurring basis at June 30, 2017 and December 31, 2016 was as follows (in thousands):

As of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Assets				
OTC commodity swaps	\$—	\$11	\$—	\$11
Total assets	—	11	—	11
Liabilities				
OTC commodity swaps	—	(257)	—	(257)
Net liabilities	\$—	\$(246)	\$—	\$(246)
As of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Assets				
OTC commodity swaps	\$—	\$9	\$—	\$9
Total assets	—	9	—	9
Liabilities				
OTC commodity swaps	—	(82)	—	(82)
Net liabilities	\$—	\$(73)	\$—	\$(73)

The derivative values above are based on analysis of each contract as the fundamental unit of account as required by ASC 820. Derivative assets and liabilities with the same counterparty are not netted where the legal right of offset exists. This differs from the presentation in the financial statements which reflects our policy under the guidance of ASC 815-10-45, wherein we have elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty where the legal right of offset exists.

As of June 30, 2017, \$0.8 million of cash collateral was held by a counterparty brokerage firm and has been netted with the net derivative position of the counterparty. As of December 31, 2016, we had a cash deficit of \$0.6 million netted with the net derivative position of our counterparty. See Note 12 for further information regarding derivative instruments.

12. Derivative Instruments

From time to time, we enter into forward fuel contracts to limit the exposure to price fluctuations for physical purchases of finished products in the normal course of business. We use derivatives to reduce normal operating and market risks with a primary objective in derivative instrument use being the reduction of the impact of market price volatility on our results of operations.

Typically, we enter into forward fuel contracts with major financial institutions in which we fix the purchase price of finished grade fuel for a predetermined number of units with fulfillment terms of less than 90 days.

From time to time, we may also enter into interest rate hedging agreements to limit floating interest rate exposure under the Second Amended and Restated Credit Agreement. Our initial credit facility required us to maintain interest rate hedging arrangements on at least 50% of the amount funded on November 7, 2012 under the credit facility, which was required to be in place for at least a three-year period beginning no later than March 7, 2013. Accordingly, effective February 25, 2013, we entered into an interest rate hedge in the form of a LIBOR interest rate cap for a term of three years for a total notional amount of \$45.0 million, thereby meeting the requirements in effect at that time.

These requirements were eliminated in connection with the Amended and Restated Credit Agreement in July 2013, but the interest rate hedge remained in place in accordance with its term through its maturity date in February 2016.

The following table presents the fair value of our derivative instruments as of June 30, 2017 and December 31, 2016. The fair value amounts below are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under our master netting arrangements, including any cash collateral on deposit with our counterparties. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements. As a result, the asset and liability amounts below may differ from the amounts presented in our accompanying consolidated balance sheets. During the three and six months ended June 30, 2017 and 2016, we did not elect hedge accounting treatment for these derivative positions. As a result, all changes in fair value are marked to market in the accompanying condensed consolidated statements of income and comprehensive income. See Note 11 for further information regarding the fair value of derivative instruments.

(in thousands)		June 30, 2017		December 31, 2016	
Derivative Type	Balance Sheet Location	Assets	Liabilities	Assets	Liabilities
Derivatives:					
OTC commodity swaps ⁽¹⁾	Other current assets	\$ 11	\$ (257)	\$ 9	\$ (82)
Total gross value of derivatives		11	(257)	9	(82)
Less: Counterparty netting and cash collateral ⁽²⁾		(591)	(257)	9	621
Total net fair value of derivatives		\$ 602	\$ —	\$ —	\$ (703)

⁽¹⁾ As of June 30, 2017 and December 31, 2016, we had open derivative contracts representing 91,000 barrels and 93,000 barrels, respectively, of refined petroleum products.

⁽²⁾ As of June 30, 2017, \$0.8 million of cash collateral was held by a counterparty brokerage firm and has been netted with the net derivative position of our counterparty. As of December 31, 2016, we had a cash deficit of \$0.6 million netted with the net derivative position of our counterparty.

Recognized gains (losses) associated with our derivatives for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative Type	Income Statement Location	2017	2016	2017	2016
Commodity derivatives	Cost of goods sold	\$ 606	\$ (1,282)	\$ 1,116	\$ (1,459)

13. Commitments and Contingencies

Litigation

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. See "Crude Oil Releases" below for a potential enforcement action.

Environmental, Health and Safety

We are subject to extensive and periodically changing federal, state and local laws and regulations relating to the protection of the environment, health and safety. Among other things, these laws and regulations govern the emission or discharge of pollutants into or onto the land, air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination and the protection of workers and the public. Compliance with existing and anticipated environmental laws and regulations increases our overall cost of business, including our capital costs to develop, maintain, operate and upgrade equipment and facilities. Numerous permits or other authorizations are required under these laws for the operation of our terminals, pipelines, and related operations, and may be subject to revocation, modification and renewal. These laws and permits may become the basis for 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 manufactured, handled, used, released or disposed of, or that relate to pre-existing conditions for which we have assumed or are assigned responsibility.

Releases of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured or 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. These impacts could directly and indirectly affect our business. We cannot currently determine the amounts of such future impacts; however, we accrue liabilities for such events when we are able to determine if an amount is probable and can be reasonably estimated.

Crude Oil Releases

We have experienced several crude oil releases involving our assets, including, but not limited to, the following releases:

In January 2016, a crude oil release of less than 30 barrels occurred from a gathering line at the Modisette pumping station near El Dorado, Arkansas;

In January 2016, a crude oil release of approximately 350 barrels occurred from the Paline Pipeline near Woodville, Texas (the "Paline Release");

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 the El Dorado Refinery (the "Magnolia Release").

Cleanup operations and site maintenance and remediation efforts on these and other releases have been substantially completed. We may incur additional expenses as a result of further scrutiny by regulatory authorities and continued compliance with laws and regulations to which our assets are subject. As of June 30, 2017, we have accrued \$0.1 million for the Paline Release. Expenses incurred for the remediation of these crude oil releases are included in operating expenses in our consolidated statements of income and comprehensive income and are subsequently reimbursed by Delek pursuant to the terms of the Omnibus Agreement. Reimbursements are recorded as a reduction to operating expense. We do not believe the total costs associated with these events, whether alone or in the aggregate, including any fines or penalties and net of partial insurance reimbursement, will have a material adverse effect upon our business, financial condition or results of operations as we are reimbursed by Delek for such costs.

In June 2015, the United States Department of Justice notified the Partnership that it was evaluating an enforcement action on behalf of the Environmental Protection Agency (the "EPA") with regard to potential Clean Water Act violations arising from the Magnolia Release. We are currently attempting to negotiate a resolution to this matter with the EPA and the State of Arkansas, which may include monetary penalties and/or other relief. As of June 30, 2017, we have accrued \$1.0 million, which we have recorded in pipeline release liabilities in our condensed consolidated balance sheet, for the Magnolia Release in connection with these proceedings.

Contracts and Agreements

The majority of the petroleum products we sell in west Texas are purchased from Noble Petro, Inc. ("Noble Petro"). Under the terms of a supply contract (the "Abilene Contract") with Noble Petro, we have the right to purchase up to 20,350 bpd of petroleum products at the Abilene, Texas terminal, which we own, for sales and exchange with third parties at the Abilene and San Angelo terminals. We lease the Abilene and San Angelo, Texas terminals to Noble Petro, under a separate Terminal and Pipeline Lease and Operating Agreement, with a term that runs concurrent with that of the Abilene Contract. The Abilene Contract expires on December 31, 2017 and does not include any options for renewal. We also purchase spot barrels from various third parties and from Delek for sale to wholesale customers in west Texas.

Letters of Credit

As of June 30, 2017, we had in place letters of credit totaling \$7.0 million under the Second Amended and Restated Credit Agreement, primarily securing obligations with respect to gasoline and diesel purchases. No amounts were drawn under these letters of credit at June 30, 2017.

Operating Leases

We lease certain equipment and have surface leases under various operating lease arrangements, most of which provide the option, after the initial lease term, to renew the leases. None of these lease arrangements include fixed rental rate increases. Lease expense for all operating leases totaled \$1.4 million and \$2.7 million for the three and six months ended June 30, 2017, respectively, and \$1.5 million and \$3.1 million for the three and six months ended June 30, 2016, respectively.

14. Subsequent Events

Distribution Declaration

On July 24, 2017, our general partner's board of directors declared a quarterly cash distribution of \$0.705 per limited partner unit, payable on August 11, 2017, to unitholders of record on August 4, 2017.

ITEM 2. 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 condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 27, 2017 (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.

In January 2017, Delek US Holdings, Inc. ("Old Delek") (and various related entities) entered into an Agreement and Plan of Merger with Alon USA Energy, Inc. (NYSE: ALJ) ("Alon USA"), as subsequently amended on February 27 and April 21, 2017 (as so amended, the "Merger Agreement"). The related Merger (the "Delek/Alon Merger") was effective July 1, 2017 (the "Effective Time"), resulting in a new post-combination consolidated registrant renamed as Delek US Holdings, Inc. ("New Delek"), with Alon USA and Old Delek surviving as wholly-owned subsidiaries. New Delek is the successor issuer to Old Delek and Alon USA pursuant to Rule 12g-3(c) under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended.

Unless the context otherwise requires, 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 the context otherwise requires, references in this report to "Delek" refer collectively to Old Delek and any of its subsidiaries, other than Delek Logistics Partners, LP and its subsidiaries and its general partner.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, 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," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

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

- our substantial dependence on Delek or its assignees and their respective ability to pay us under our commercial agreements;
- the age and condition of our assets and operating hazards and other risks incidental to transporting, storing and gathering crude oil, intermediate and refined products, including, but not limited to, 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 sell in our west Texas wholesale business;
- the suspension, reduction or termination of Delek's or its assignees' or any third party's obligations under our commercial agreements;
- the results of our investments in joint ventures;

the ability to secure commercial agreements with Delek or third parties upon expiration of existing agreements; disruptions due to acts of God, equipment interruption or failure at our facilities, Delek's facilities or third-party facilities on which our business is dependent; 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 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; as it relates to our potential future growth opportunities, including dropdowns, and other potential benefits, the ability to successfully integrate the businesses of Delek 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 Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016.

In light of these risks, uncertainties and assumptions, our actual results of operations and execution of our business strategy could differ materially from those expressed in, or implied by, the forward-looking statements, and you should not place undue reliance upon them. In addition, past financial and/or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

Business Overview

The Partnership primarily owns and operates crude oil, 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 and third parties. A substantial majority of our existing assets are both integral to and dependent upon the success of Delek's refining operations, as many of our assets are contracted exclusively to Delek in support of its Tyler and El Dorado Refineries.

The Partnership is not a taxable entity for federal income tax purposes or the income taxes of those states that follow the federal income tax treatment of partnerships. Instead, for purposes of 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 the partner by the Partnership. The taxable income reportable to each partner takes into account differences between the tax basis and the fair market value of our assets and financial reporting bases of assets and liabilities, the acquisition price of the partner's units and the taxable income allocation requirements under the Partnership's First Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement").

Our Reporting Segments and Assets

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

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's refining operations in Tyler, Texas and El Dorado, Arkansas. 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 and Arkansas. We generate revenue in our wholesale marketing and terminalling segment by providing marketing services for the refined products output of the Tyler Refinery, 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.

Recent Developments

Merger of Delek and Alon. In January 2017, Old Delek, New Delek (and various related entities) entered into the Merger Agreement with Alon USA. The transactions contemplated by the Merger Agreement became effective on July 1, 2017, and, among other things, resulted in Alon USA and Old Delek surviving as wholly-owned subsidiaries of New Delek.

The Mergers did not affect the Partnership's commercial agreements it has with Old Delek discussed in Note 2 to our accompanying condensed consolidated financial statements.

Inflation Adjustments. On July 1, 2017, the tariffs on our Federal Energy Regulatory Commission ("FERC") regulated pipelines and the throughput fees and storage fees under certain of our agreements with Delek and third parties that

are subject to adjustment using FERC indexing decreased by approximately 0.2%, the amount of the change in the FERC oil pipeline index. Under certain of our other agreements with Delek and third parties, the fees increased based on the consumer price index or the producer price index, which increased approximately 1.8% and 1.6%, respectively. Any applicable decreases to such fees will not result in a reduction to an amount below the fee initially set forth in such agreements.

6.75% Senior Notes Due 2025. On May 23, 2017, the Partnership and Delek Logistics Finance Corp., a Delaware corporation and a wholly owned subsidiary of the Partnership (“Finance Corp.” and together with the Partnership, the “Issuers”), issued \$250.0 million in aggregate principal amount of 6.750% senior notes due 2025 (the “2025 Notes”) at a discount. The 2025 Notes are general unsecured senior obligations of the Issuers. The net proceeds from the issuance of the 2025 Notes totaled approximately \$242.3 million, after deducting the initial purchasers' discount, commissions and offering expenses. The Partnership used substantially all of the proceeds to pay down a portion of the outstanding balance under the Partnership's revolving credit facility. See Note 4 to our accompanying condensed consolidated financial statements for further discussion.

Caddo Pipeline. In March 2015, we entered into a joint venture to construct a crude oil pipeline system and related ancillary assets, which is serving third parties and subsidiaries of Delek (the "Caddo Pipeline"). We own a 50% membership interest in the entity formed with an affiliate of Plains All American Pipeline, L.P. to construct the Caddo Pipeline. Operations on the Caddo Pipeline began in January 2017.

How We Generate Revenue

The Partnership generates revenue by charging fees to Delek and third parties for gathering, transporting, offloading and storing crude oil and for marketing, distributing, transporting, throughputting and storing intermediate and refined products. We also wholesale market refined products in the west Texas market. A substantial majority of our contribution margin, which we define as net sales less cost of goods sold and operating expenses, is derived from commercial agreements with Delek with initial terms ranging from five to ten years, which gives us a contractual revenue base that we believe enhances the stability of our cash flows. As more fully described below, our commercial agreements with Delek typically include minimum volume or throughput commitments by Delek, which we believe will provide a stable revenue stream in the future. The fees charged under our agreements with Delek and third parties are indexed to inflation-based indices. In addition, the rates charged with respect to our assets that are subject to inflation indexing may increase or decrease, typically on July 1 of each year, by the amount of any change in various inflation-based indices, including FERC, provided that in no event will the fees be adjusted below the amount initially set forth in the applicable agreement.

Commercial Agreements

The Partnership has a number of long-term, fee-based commercial agreements with Delek 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, and Delek 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 our Annual Report on Form 10-K for the year ended December 31, 2016 (our "Annual Report on Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on February 28, 2017 for a discussion of our material commercial agreements with Delek.

How We Evaluate Our Operations

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

Volumes. The amount of revenue we generate primarily depends on the volumes of crude oil, intermediate 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 has committed to minimum volumes under certain of the commercial agreements, as described above, our results of operations will be impacted by:

- Delek's utilization of our assets in excess of its minimum volume commitments;
- our ability to identify and execute acquisitions and organic expansion projects, and capture incremental volume increases from Delek or third parties;
-

our ability to increase throughput volumes at our refined products terminals and provide additional ancillary services at those terminals;

•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 and Gross 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 sales less cost of goods sold and operating expenses.

For our wholesale marketing and terminalling segment, we also measure gross margin per barrel. Gross margin per barrel reflects the gross margin (net sales less cost of goods sold) 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 finished 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 are comprised primarily of labor expenses, lease costs, utility costs, insurance premiums, repairs and maintenance expenses and property taxes. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of these expenses. 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 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.

EBITDA and Distributable Cash Flow. We define EBITDA as net income (loss) before net interest expense, income tax expense, depreciation and amortization expense. During the year ended December 31, 2016, we revised our definition of distributable cash flow to include the reconciliation of this non-GAAP measure from U.S. GAAP net cash from operating activities rather than from EBITDA. Distributable cash flow is derived from 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. We believe this revision is a more appropriate reflection of a liquidity measure by which users of our financial statements can assess our ability to generate cash. Additionally, distributable cash flow and EBITDA are not presentations made in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

EBITDA and distributable cash flow are non-U.S. GAAP supplemental financial measures that management and external users of our condensed 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 useful information to investors in assessing our financial condition and results of operations. EBITDA and distributable cash flow should not be considered alternatives to net income, operating income, cash 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 definition of EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. For a reconciliation of EBITDA and distributable cash flow to its most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, please refer to "Results of Operations—Statement of Operations Data" below.

Financing. The Partnership has declared its intent to make a cash distribution to its unitholders at a distribution rate of \$0.705 per unit for the quarter ended June 30, 2017 (\$2.82 per unit on an annualized basis). Our First Amended and Restated Agreement of Limited Partnership (the "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.

Market Trends

Master Limited Partnerships

Fluctuation 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 companies and smaller producers 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 and the first half of 2017, market conditions improved. The prices of crude oil and related refined products have increased. Drilling activity, particularly in the Permian basin, has escalated as a result of increasing prices and the discovery of a large oil deposit in the area. As market conditions improve and demand for our assets' capacity benefits from increased drilling activity, we expect our operations and results to benefit from the trend, particularly in the west Texas

area where our results are most driven by market factors. Additionally, improving market conditions allow for the development of profitable growth projects that are needed to support future distribution growth in the midstream energy sector and for the Partnership.

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 recently increased, resulting in higher demand for finished 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 in 2016 and for the six months ended June 30, 2017.

Also, the volatility of finished products prices may impact our margin in the west Texas operations when the selling price of finished 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 in 2016 and for the six months ended June 30, 2017.

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 at market prices. We sold approximately \$1.2 million and \$2.3 million of RINs to Delek during the three and six months ended June 30, 2017, respectively, and \$1.3 million and \$2.9 million during the three and six months ended June 30, 2016, respectively. See below for the high, low and average prices of RINs for each of the quarterly periods in 2016 and for the six months ended June 30, 2017.

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.

Seasonality and Customer Maintenance Programs

The volume and throughput of crude oil, intermediate 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 such products in the markets served directly or indirectly by our assets or our customers. 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. In addition, our refining customers, such as Delek, occasionally reduce or suspend operations to perform planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors affect the need for crude oil or finished products by our customers and therefore limit our volumes or throughput during these periods, and our operating results will generally be lower during the first and fourth quarters of the year. We believe, however, that many of the potential effects of seasonality on our revenues and contribution margin will be substantially mitigated due to our commercial agreements with Delek that include minimum volume and throughput commitments.

Contractual Obligations

On May 23, 2017, the Partnership and Finance Corp issued \$250.0 million in aggregate principal amount of 6.750% senior notes due 2025 at a discount. The net proceeds from the issuance of the 2025 Notes totaled approximately \$242.3 million, after deducting the initial purchasers' discount, commissions and offering expenses. The Partnership used substantially all of the proceeds to pay down a portion of the outstanding balance under the Partnership's revolving credit facility. Interest on the 2025 Notes is payable semi-annually in arrears on each May 15 and November 15, commencing November 15, 2017. See Note 4 to our accompanying condensed consolidated financial statements for further discussion of the terms of the issuance, including redemption dates and prices.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The SEC has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results of operations and require our most difficult, complex or subjective judgments or estimates. Based on this definition and as further described in our Annual Report on Form 10-K, we believe our critical accounting policies include the following: (i) evaluating impairment for property, plant and equipment and definite life intangibles, (ii) valuing goodwill and evaluating potential impairment, and (iii) estimating environmental expenditures. For all financial statement periods presented, there have been no material modifications to the application of these critical accounting policies or estimates since our Annual Report on Form 10-K.

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 three and six months ended June 30, 2017 and 2016, including a reconciliation of EBITDA to net income and distributable cash flow to net cash provided by operating activities (in thousands, except unit and per unit amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Statement of Operations Data:				
Net sales:				
Pipelines and transportation	\$30,223	\$ 32,010	\$58,900	\$ 64,793
Wholesale marketing and terminalling	96,546	79,843	197,342	151,116
Total	126,769	111,853	256,242	215,909
Operating costs and expenses:				
Cost of goods sold	85,039	73,101	177,629	139,854
Operating expenses	9,966	8,730	20,324	19,194
General and administrative expenses	2,656	2,698	5,504	5,611
Depreciation and amortization	5,742	4,812	10,935	9,808
Loss (gain) on asset disposals	(5)	—	7	(44)
Total operating costs and expenses	103,398	89,341	214,399	174,423
Operating income	23,371	22,512	41,843	41,486
Interest expense, net	5,462	3,284	9,533	6,483
(Income) loss from equity method investments	(1,176)	206	(1,421)	435
Total non-operating costs and expenses	4,286	3,490	8,112	6,918
Income before income tax expense	19,085	19,022	33,731	34,568
Income tax expense	108	129	159	227
Net income attributable to partners	\$18,977	\$ 18,893	\$33,572	\$ 34,341
Comprehensive income attributable to partners	\$18,977	\$ 18,893	\$33,572	\$ 34,341
EBITDA ⁽¹⁾	\$30,289	\$ 27,118	\$54,199	\$ 50,859
Less: General partner's interest in net income, including incentive distribution rights				
	4,552	2,791	8,661	5,044
Limited partners' interest in net income	\$14,425	\$ 16,102	\$24,911	\$ 29,297
Net income per limited partner unit ⁽²⁾ :				
Common units - (basic)	\$0.59	\$ 0.66	\$1.02	\$ 1.23
Common units - (diluted)	\$0.59	\$ 0.66	\$1.02	\$ 1.22
Subordinated units - Delek (basic and diluted)	\$—	\$ —	\$—	\$ 1.09
Weighted average limited partner units outstanding ⁽²⁾ :				
Common units - (basic)	24,335,338	24,281,930	24,331,992	20,653,210
Common units - (diluted)	24,375,946	24,367,091	24,371,540	20,735,389
Subordinated units - Delek (basic and diluted)	—	—	—	3,626,149

⁽¹⁾ For a definition of EBITDA, see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

⁽²⁾ We base our calculation of net income per unit on the weighted-average number of common and subordinated limited partner units outstanding during the period. The weighted-average number of common and subordinated units reflects the conversion of the subordinated units to common units on February 25, 2016. See Note 6 to our accompanying condensed consolidated financial statements for further discussion.

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Reconciliation of EBITDA to net income:				
Net income	\$18,977	\$18,893	\$33,572	\$34,341
Add:				
Income tax expense	108	129	159	227
Depreciation and amortization	5,742	4,812	10,935	9,808
Interest expense, net	5,462	3,284	9,533	6,483
EBITDA ⁽¹⁾	\$30,289	\$27,118	\$54,199	\$50,859
Reconciliation of net cash from operating activities to distributable cash flow:				
Net cash provided by operating activities	\$23,937	\$31,215	\$47,411	\$57,589
Changes in assets and liabilities	881	(7,133)	(2,681)	(12,534)
Maintenance and regulatory capital expenditures ⁽²⁾	(2,070)	(897)	(4,313)	(1,633)
Reimbursement from Delek for capital expenditures ⁽³⁾	784	593	3,835	802
Accretion of asset retirement obligations	(73)	(64)	(146)	(131)
Deferred income taxes	(94)	—	(119)	—
Gain (loss) on asset disposals	5	—	(7)	44
Distributable cash flow ⁽¹⁾	\$23,370	\$23,714	\$43,980	\$44,137

⁽¹⁾ For a definition of EBITDA and distributable cash flow, please see "How We Evaluate Our Operations—EBITDA and Distributable Cash Flow" above.

⁽²⁾ 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.

⁽³⁾ For the three and six month periods ended June 30, 2017 and 2016, Delek reimbursed us for certain capital expenditures pursuant to the terms of the Omnibus Agreement (as defined in Note 2 to our condensed consolidated financial statements).

Segment Data:

The following is a summary of business segment capital expenditures for the periods indicated (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Capital spending (excluding business combinations)				
Pipelines and Transportation	\$1,660	\$718	\$3,797	\$1,424

Wholesale Marketing and Terminalling	\$459	\$130	\$1,113	\$508
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Consolidated Results of Operations — Comparison of the Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

The table below presents a summary of our consolidated results of operations and our segment operating performance for the three months ended June 30, 2017 and 2016. The discussion immediately following presents the consolidated results of operations (in thousands).

	Three Months Ended June 30,	
	2017	2016
Pipelines and Transportation		
Net Sales:		
Affiliate	\$27,668	\$26,136
Third-Party	2,555	5,874
Total Pipelines and Transportation	30,223	32,010
Operating costs and expenses:		
Cost of goods sold	4,403	4,814
Operating expenses	7,933	6,899
Segment contribution margin	\$17,887	\$20,297

Wholesale Marketing and Terminalling		
Net Sales:		
Affiliate	\$12,156	\$10,558
Third-Party	84,390	69,285
Total Wholesale Marketing and Terminalling	96,546	79,843
Operating costs and expenses:		
Cost of goods sold	80,636	68,287
Operating expenses	2,033	1,831
Segment contribution margin	\$13,877	\$9,725

Consolidated		
Net Sales:		
Affiliate	\$39,824	\$36,694
Third-Party	86,945	75,159
Net sales	126,769	111,853
Operating costs and expenses:		
Cost of goods sold	85,039	73,101
Operating expenses	9,966	8,730
Contribution margin	31,764	30,022
General and administrative expenses	2,656	2,698
Depreciation and amortization	5,742	4,812
Gain on asset disposals	(5)	—
Operating income	\$23,371	\$22,512

Net Sales

We generated net sales of \$126.8 million for the second quarter of 2017 compared to \$111.9 million for the second quarter of 2016, an increase of \$14.9 million, or 13.3%. The increase was primarily attributable to increases in the average sales prices per gallon of gasoline and diesel and in volumes sold in our west Texas marketing operations. The average sales prices per gallon of gasoline and diesel sold increased \$0.18 per gallon and \$0.23 per gallon, respectively, during the second quarter of 2017 compared to the second quarter of 2016. The net increase of gasoline and diesel volumes sold was 3.3 million gallons. Partially offsetting the increase was a decline in fees on our Paline Pipeline System relative to the prior year period. During the second quarter of 2017, the Paline Pipeline System was a FERC regulated pipeline with a tariff established for potential shippers, compared to the second quarter of 2016, when the pipeline capacity was under contract with two third parties for a monthly fee.

Cost of Goods Sold

Cost of goods sold was \$85.0 million for the second quarter of 2017 compared to \$73.1 million for the second quarter of 2016, an increase of \$11.9 million, or 16.3%. The increase in cost of goods sold was primarily attributable to increases in the average cost per gallon of gasoline and diesel and in volumes purchased in our west Texas marketing operations. The average cost per gallon of gasoline and diesel purchased increased \$0.17 per gallon and \$0.18 per gallon, respectively, during the second quarter of 2017 compared to the second quarter of 2016. The net increase of gasoline and diesel volumes purchased was 3.3 million gallons.

Operating Expenses

Operating expenses were \$10.0 million for the second quarter of 2017 compared to \$8.7 million for the second quarter of 2016, an increase of \$1.3 million, or 14.2%. The increase in operating expenses was primarily due to increases in labor and utilities costs associated with certain of our pipelines as a result of increased usage due to additional customers using our pipeline assets.

Contribution Margin

Contribution margin for the second quarter of 2017 was \$31.8 million compared to \$30.0 million for the second quarter of 2016, an increase of \$1.8 million, or 5.8%. The increase in contribution margin was primarily attributable to improved contribution margin in our west Texas operations as a result of increased drilling activity in the region, which has improved market conditions and increased demand. Also contributing to the increase were increased fees associated with our marketing agreement with Delek as a result of increased throughput. These increases were partially offset by a decline in fees on our Paline Pipeline System as described above.

General and Administrative Expenses

General and administrative expenses were \$2.7 million for each of the second quarters of 2017 and 2016.

Depreciation and Amortization

Depreciation and amortization was \$5.7 million for the second quarter of 2017 compared to \$4.8 million for the second quarter of 2016, an increase of \$0.9 million, or 19.3%. The increase in depreciation and amortization was primarily due to the addition of assets to our asset base as a result of the completion of capital projects that were placed into service throughout 2016 and the first two quarters of 2017.

Interest Expense

Interest expense was \$5.5 million for the second quarter of 2017 compared to \$3.3 million for the second quarter of 2016, an increase of \$2.2 million, or 66.3%. This increase was primarily attributable to increases in interest costs associated with the issuance of the 2025 Notes and higher interest rates under our revolver.

Income Tax Expense

Income tax expense was \$0.1 million for each of the second quarters of 2017 and 2016. Our effective tax rate was 0.6% for the second quarter of 2017, compared to 0.7% for the second quarter of 2016. The Partnership is not subject to federal income taxes as a limited partnership. Accordingly, our taxable income or loss is included in the federal and state income tax returns of our partners. Income tax expense represents amounts incurred for state income taxes.

Consolidated Results of Operations — Comparison of the Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

The table below presents a summary of our consolidated results of operations and our segment operating performance for the six months June 30, 2017 and 2016. The discussion immediately following presents the consolidated results of operations.

	Six Months Ended June 30,	
	2017	2016
Pipelines and Transportation		
Net Sales:		
Affiliate	\$54,168	\$52,442
Third-Party	4,732	12,351
Total Pipelines and Transportation	58,900	64,793
Operating costs and expenses:		
Cost of goods sold	8,808	9,590
Operating expenses	16,088	14,639
Segment contribution margin	\$34,004	\$40,564

Wholesale Marketing and Terminalling

Net Sales:		
Affiliate	\$22,275	\$23,012
Third-Party	175,067	128,104
Total Wholesale Marketing and Terminalling	197,342	151,116
Operating costs and expenses:		

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Cost of goods sold	168,821	130,264
Operating expenses	4,236	4,555
Segment contribution margin	\$24,285	\$16,297

Consolidated

Net Sales:

Affiliate	\$76,443	\$75,454
Third-Party	179,799	140,455
Net sales	256,242	215,909
Operating costs and expenses:		
Cost of goods sold	177,629	139,854
Operating expenses	20,324	19,194
Contribution margin	58,289	56,861
General and administrative expenses	5,504	5,611
Depreciation and amortization	10,935	9,808
Gain on asset disposals	7	(44)
Operating income	\$41,843	\$41,486

Net Sales

We generated net sales of \$256.2 million for the six months ended June 30, 2017 compared to \$215.9 million for the six months ended June 30, 2016, an increase of \$40.3 million, or 18.7%. The increase was primarily attributable to increases in the average sales prices per gallon of gasoline and diesel and in volumes sold in our west Texas marketing operations. The average sales prices per gallon of gasoline and diesel sold increased \$0.35 per gallon and \$0.40 per gallon, respectively, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Gallons of gasoline and diesel sold in west Texas increased 2.7 million gallons and 0.9 million gallons, respectively, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Partially offsetting the increase was a decline in fees on our Paline Pipeline System. During the six months ended June 30, 2017, the Paline Pipeline System was a FERC regulated pipeline with a tariff established for potential shippers, compared to the six months ended June 30, 2016, when the pipeline capacity was under contract with two third parties for a monthly fee.

Cost of Goods Sold

Cost of goods sold was \$177.6 million for the six months ended June 30, 2017 compared to \$139.9 million for the six months ended June 30, 2016, an increase of \$37.7 million, or 27.0%. The increase in cost of goods sold was primarily attributable to increases in the average cost per gallon of gasoline and diesel and in volumes purchased in our west Texas marketing operations. The average cost per gallon of gasoline and diesel purchased increased \$0.32 per gallon and \$0.36 per gallon, respectively, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. Gallons of gasoline and diesel purchased in west Texas increased 2.7 million gallons and 0.9 million gallons, respectively, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Operating Expenses

Operating expenses were \$20.3 million for the six months ended June 30, 2017 compared to \$19.2 million for the six months ended June 30, 2016, an increase of \$1.1 million, or 5.9%. The increase in operating expenses was primarily due to increases in labor and utilities costs associated with certain of our pipelines as a result of increased usage and higher maintenance costs associated with certain of our tanks at our tank farms. Partially offsetting these increases were a reduction in operating expenses for one of our terminal locations at which we incurred costs related to internal tank contamination during the six months ended June 30, 2016 and decreases in maintenance costs at our Memphis Terminal.

Contribution Margin

Contribution margin for the six months ended June 30, 2017 was \$58.3 million compared to \$56.9 million for the six months ended June 30, 2016, an increase of \$1.4 million, or 2.5%. The increase in contribution margin was primarily attributable to improved contribution margin in our west Texas operations as a result of increased drilling activity in the region, which has improved market conditions and increased demand. Also contributing to the increase were increased fees associated with our marketing agreement with Delek as a result of increased throughput, volume increases at our Nashville and Tyler Terminals and a reduction in operating expenses at our Memphis and El Dorado Terminals. Partially offsetting these increases was a decline in fees on our Paline Pipeline System as described above.

General and Administrative Expenses

General and administrative expenses were \$5.5 million for the six months ended June 30, 2017 compared to \$5.6 million for the six months ended June 30, 2016, a decrease of \$0.1 million, or 1.9%. The decrease in general and administrative expense was primarily due to decreases in professional services fees and certain direct employee costs

allocated to us.

Depreciation and Amortization

Depreciation and amortization was \$10.9 million for the six months ended June 30, 2017 compared to \$9.8 million for the six months ended June 30, 2016, an increase of \$1.1 million, or 11.5%. The increase in depreciation and amortization was primarily due to the addition of assets to our asset base as a result of the completion of capital projects that were placed into service throughout 2016 and during the six months ended June 30, 2017.

Interest Expense

Interest expense was \$9.5 million for the six months ended June 30, 2017 compared to \$6.5 million for the six months ended June 30, 2016, an increase of \$3.1 million, or 47.0%. This increase was primarily attributable to increases in interest costs associated with the issuance of the 2025 Notes and higher interest rates and higher average debt levels under our revolver.

Income Tax Expense

Income tax expense was \$0.2 million for each of the six months ended June 30, 2017 and 2016. Our effective tax rate was 0.5% for the six months ended June 30, 2017, compared to 0.7% for the six months ended June 30, 2016. The Partnership is not subject to federal income taxes as a limited partnership. Accordingly, our taxable income or loss is included in the federal and state income tax returns of our partners. Income tax expense represents amounts incurred for state income taxes.

Operating Segments

We review operating results in two reportable segments: (i) pipelines and transportation and (ii) wholesale marketing and terminalling. Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each reportable segment based on the segment contribution margin. Segment contribution margin is defined as net sales less cost of goods sold and operating expenses, excluding depreciation and amortization. Segment reporting is more fully discussed in Note 10 to our accompanying condensed consolidated financial statements.

Pipelines and Transportation Segment

Our pipelines and transportation segment assets provide crude oil gathering and crude oil, intermediate and refined products transportation and storage services to Delek and third parties. These assets include the Lion Pipeline System, the SALA Gathering System, the Paline Pipeline System, the East Texas Crude Logistics System, the Tyler-Big Sandy Pipeline, the El Dorado Tank Assets, the Tyler Tank Assets, the Greenville-Mount Pleasant Pipeline and Greenville Storage Facility, the El Dorado Rail Offloading Racks, the Tyler Crude Tank and refined product pipeline capacity leased from Enterprise TE Products Pipeline Company LLC that runs from El Dorado, Arkansas to our Memphis terminal. In addition to these operating systems, we own 123 trucks and 205 trailers used to haul primarily crude oil and other products for related and third parties.

The following table and discussion present the results of operations and certain operating statistics of the pipelines and transportation segment for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Throughputs (average bpd)				
Lion Pipeline System:				
Crude pipelines (non-gathered)	59,953	56,302	59,351	56,322
Refined products pipelines to Enterprise Systems	49,820	53,670	50,583	53,725
SALA Gathering System	15,957	18,288	16,242	18,645
East Texas Crude Logistics System	13,591	12,909	14,876	11,127

Comparison of the Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Net Sales

Net sales for the pipelines and transportation segment were \$30.2 million for the second quarter of 2017 compared to \$32.0 million for the second quarter of 2016, a decrease of \$1.8 million, or 5.6%. The decrease was primarily attributable to declines in fees on our Paline Pipeline System, as described above.

Cost of Goods Sold

Cost of goods sold was \$4.4 million for the second quarter of 2017 compared to \$4.8 million for the second quarter of 2016, a decrease of 0.4 million, or 8.5%. The decrease in cost of goods sold was attributable to decreases in transportation costs related to our trucking assets and reduced costs associated with our leased refined products pipeline capacity as a result of lower volumes on the pipeline.

Operating Expenses

Operating expenses were \$7.9 million for the second quarter of 2017 compared to \$6.9 million for the second quarter of 2016, an increase of \$1.0 million, or 15.0%. The increase in operating expenses was primarily due to increases in labor and utilities costs associated with certain of our pipelines as a result of increased usage.

Contribution Margin

Contribution margin for the pipelines and transportation segment was \$17.9 million, or 56.3% of our consolidated segment contribution margin in the second quarter of 2017, compared to \$20.3 million, or 67.6% of our consolidated segment contribution margin, in the second quarter of 2016, a decrease of 2.4 million, or 11.9%. The decrease in the pipelines and transportation segment contribution margin was primarily attributable to decreases in net sales related to our Paline Pipeline System as described above.

Comparison of the Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Net Sales

Net sales for the pipelines and transportation segment were \$58.9 million for the six months ended June 30, 2017 compared to \$64.8 million for the six months ended June 30, 2016, a decrease of \$5.9 million, or 9.1%. The decrease was primarily attributable to declines in fees on our Paline Pipeline System as described above.

Cost of Goods Sold

Cost of goods sold was \$8.8 million for the six months ended June 30, 2017 compared to \$9.6 million for the six months ended June 30, 2016, a decrease of \$0.8 million, or 8.2%. The decrease in cost of goods sold was attributable to decreases in transportation costs related to our trucking assets, lower pipeline allowance losses on our Paline Pipeline System and reduced costs associated with our leased refined product pipeline capacity as a result of lower volumes on the pipeline.

Operating Expenses

Operating expenses were \$16.1 million for the six months ended June 30, 2017 compared to \$14.6 million for the six months ended June 30, 2016, an increase of \$1.5 million, or 9.9%. The increase in operating expenses was primarily due to increases in labor and utilities costs associated with certain of our pipelines as a result of increased usage. Also contributing to the increase were higher maintenance costs associated with certain of our tanks at our tank farms.

Contribution Margin

Contribution margin for the pipelines and transportation segment was \$34.0 million, or 58.3% of our consolidated segment contribution margin, in the six months ended June 30, 2017, compared to \$40.6 million, or 71.3% of our consolidated segment contribution margin, in the six months ended June 30, 2016, a decrease of \$6.6 million, or 16.2%. The decrease in the pipelines and transportation segment contribution margin was primarily attributable to decreases in net sales related to our Paline Pipeline System as described above.

Wholesale Marketing and Terminalling Segment

We use our wholesale marketing and terminalling assets to generate revenue by providing wholesale marketing and terminalling services to Delek's refining operations and to independent third parties.

The table and discussion below present the results of operations and certain operating statistics of the wholesale marketing and terminalling segment for the three and six months ended June 30, 2017 and 2016:

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	Three Months Ended June 30, 2017		Six Months Ended June 30, 2016	
Operating Information:				
East Texas - Tyler Refinery sales volumes (average bpd)	77,878	70,188	70,677	68,301
West Texas marketing throughputs (average bpd)	13,422	12,594	13,942	13,482
West Texas marketing margin per barrel	\$4.26	\$ 2.13	\$3.44	\$ 1.00
Terminalling throughputs (average bpd)	128,111	126,476	122,026	122,645

Comparison of the Three Months Ended June 30, 2017 compared to the Three Months Ended June 30, 2016

Net Sales

Net sales for the wholesale marketing and terminalling segment were \$96.5 million for the second quarter of 2017 compared to \$79.8 million for the second quarter of 2016, an increase of \$16.7 million, or 20.9%. The increase was primarily attributable to increases in the average sales prices per gallon of gasoline and diesel and in volumes sold in our west Texas marketing operations. The following charts show summaries of the average sales prices per gallon of gasoline and diesel and finished products volume impacting our west Texas operations.

Cost of Goods Sold

Cost of goods sold for our wholesale marketing and terminalling segment was \$80.6 million in the second quarter of 2017, compared to \$68.3 million in the second quarter of 2016, an increase of \$12.3 million, or 18.1%. The increase in cost of goods sold was attributable to increases in the average cost per gallon of gasoline and diesel and in volumes purchased in our west Texas marketing operations. See the following chart for a summary of the average purchase prices per gallon of gasoline and diesel impacting our west Texas operations.

Operating Expenses

Operating expenses were \$2.0 million in the second quarter of 2017, compared to \$1.8 million in the second quarter of 2016, an increase of \$0.2 million, or 11.0%. The increase in operating expenses was primarily due to lower operating expenses in the second quarter of 2016 as a result of insurance refunds received in that quarter for two of our terminal locations.

Contribution Margin

Contribution margin for the wholesale marketing and terminalling segment was \$13.9 million, or 43.7% of our consolidated contribution margin, in the second quarter of 2017, compared to \$9.7 million, or 32.4% of our consolidated contribution margin, in the second quarter of 2016, an increase of \$4.2 million, or 42.7%. The increase in contribution margin was primarily attributable to improved contribution margin in our west Texas operations as a result of increased drilling activity in the region, which has improved market conditions and increased demand. Also contributing to the increase were increased fees associated with our marketing agreement with Delek as a result of increased throughput.

Comparison of the Six Months Ended June 30, 2017 compared to the Six Months Ended June 30, 2016

Net Sales

Net sales for the wholesale marketing and terminalling segment were \$197.3 million for the six months ended June 30, 2017 compared to \$151.1 million for the six months ended June 30, 2016, an increase of \$46.2 million, or 30.6%. The increase was primarily attributable to increases in the average sales prices per gallon of gasoline and diesel and in volumes sold in our west Texas marketing operations. The following charts show summaries of the average sales prices per gallon of gasoline and diesel and finished products volume impacting our west Texas operations during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Cost of Goods Sold

Cost of goods sold for our wholesale marketing and terminalling segment was \$168.8 million for the six months ended June 30, 2017, compared to \$130.3 million for the six months ended June 30, 2016, an increase of \$38.5 million, or 29.6%. The increase in cost of goods sold was attributable to increases in the average cost per gallon of gasoline and diesel and in volumes purchased in our west Texas marketing operations. See the chart below for a summary of the average purchase prices per gallon of gasoline and diesel impacting our west Texas operations during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Operating Expenses

Operating expenses were \$4.2 million in the six months ended June 30, 2017, compared to \$4.6 million in the six months ended June 30, 2016, a decrease of \$0.4 million or 7.0%. The decrease in operating expenses in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 was primarily due to a reduction in operating expenses for one of our terminal locations at which we incurred costs related to internal tank contamination during the second quarter of 2016 and decreases in maintenance costs at our Memphis Terminal.

Contribution Margin

Contribution margin for the wholesale marketing and terminalling segment was \$24.3 million, or 41.7% of our consolidated contribution margin, for the six months ended June 30, 2017, compared to \$16.3 million, or 28.7% of our consolidated contribution margin, for the six months ended June 30, 2016, an increase of \$8.0 million, or 49.0%. The increase in contribution margin was primarily attributable to improved contribution margin in our west Texas operations as a result of increased drilling activity in the region, which has improved market conditions and increased

demand. Also contributing to the increase were increased fees associated with our marketing agreement with Delek as a result of increased throughput and increases in contribution margin at our terminals as a result of volume increases at our Nashville and Tyler Terminals and a reduction in operating expenses at our Memphis and El Dorado Terminals.

Liquidity and Capital Resources

We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and potential issuances of additional equity and debt securities. We believe that cash generated from these sources will be sufficient to satisfy the anticipated cash requirements associated with our existing operations, including minimum quarterly cash distributions, for at least the next 12 months.

The table below summarizes the quarterly distributions related to our quarterly financial results:

Quarter Ended	Total Quarterly Distribution Per Limited Partner Unit	Total Quarterly Distribution Per Limited Partner Unit, Annualized	Total Cash Distribution, including general partner interest and IDRs (in thousands)	Date of Distribution	Unitholders Record Date
June 30, 2016	\$ 0.630	\$ 2.52	\$ 18,085	August 12, 2016	August 5, 2016
September 30, 2016	\$ 0.655	\$ 2.62	\$ 19,302	November 14, 2016	November 7, 2016
December 31, 2016	\$ 0.680	\$ 2.72	\$ 20,537	February 14, 2017	February 3, 2017
March 31, 2017	\$ 0.690	\$ 2.76	\$ 21,024	May 12, 2017	May 5, 2017
June 30, 2017	\$ 0.705	\$ 2.82	\$ 21,783	August 11, 2017 ⁽¹⁾	August 4, 2017

⁽¹⁾ Expected date of distribution.

Expiration of Subordination Period

In the first quarter of 2016, each of the Partnership's 11,999,258 outstanding subordinated units converted into common units and began participating pro rata with the other common units in distributions of available cash. See Note 6 to the condensed consolidated financial statements in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q for additional information.

Cash Flows

The following table sets forth a summary of our consolidated cash flows for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,	
	2017	2016
Cash Flow Data:		
Cash flows provided by operating activities	\$47,411	\$57,589
Cash flows used in investing activities	(8,804)	(35,919)
Cash flows used in financing activities	(33,767)	(21,670)
Net increase in cash and cash equivalents	\$4,840	\$—

Cash Flows from Operating Activities

Net cash provided by operating activities was \$47.4 million for the six months ended June 30, 2017, compared to cash provided of \$57.6 million for the six months ended June 30, 2016. The decrease in cash flows provided by operations was due to increases in accounts receivable from related parties and income from equity method investments.

Accounts receivable from related parties increased as a result of increases to net sales to affiliates. Income from equity method investments was \$1.4 million during the first six months of 2017, compared to a loss of \$0.4 million during the first six months of 2016. Partially offsetting these increases were decreases in inventory. Net income for the six months ended June 30, 2017 was \$33.6 million, compared to \$34.3 million in the same period of 2016.

Cash Flows from Investing Activities

Net cash used in investing activities was \$8.8 million for the first six months of 2017, compared to \$35.9 million used in the six months ended June 30, 2016. The decrease in cash used in investing activities was primarily due to decreases in contributions made to our joint ventures. Partially offsetting these decreases were increases in our capital expenditures. We contributed approximately \$2.9 million in cash to our joint ventures during the six months ended June 30, 2017, compared to contributions of approximately \$33.1 million during the six months ended June 30, 2016 for the construction of two pipeline systems and ancillary assets. Cash used in investing activities during the six months ended June 30, 2016 includes the cash portion of our capital expenditures, which was \$5.9 million. Total capital expenditures during the first six months of 2017 were approximately \$4.9 million, compared to capital expenditures of \$1.9 million made during the six months ended June 30, 2016. Capital expenditures made during the six months ended June 30, 2017 related primarily to maintenance projects on certain of our tanks, discretionary projects on our terminalling assets and a discretionary project on a crude oil pipeline connection. Capital expenditures made during the six months ended June 30, 2016 related primarily to maintenance projects on certain of our tanks and crude pipelines, discretionary projects on our terminalling assets and maintenance projects on our Lion Pipeline System.

Cash Flows from Financing Activities

Net cash used in financing activities was \$33.8 million in the six months ended June 30, 2017, compared to cash used of \$21.7 million in the six months ended June 30, 2016. The increase in cash used in financing activities was primarily due to increases in our quarterly cash distributions and net payments under the Second Amended and Restated Credit Agreement, as defined below. We paid quarterly cash distributions totaling \$41.6 million during the six months ended June 30, 2017, compared to quarterly cash distributions totaling \$33.4 million during the six months ended June 30, 2016. We made net payments of \$238.1 million under our Second Amended and Restated Credit Agreement (defined below) during the six months ended June 30, 2017, compared to net proceeds of \$11.0 million in the six months ended June 30, 2016. Offsetting the cash used in financing activities during the six months ended June 30, 2017 were net proceeds under the 2025 Notes and reimbursement of capital expenditures by Delek. The Partnership received net proceeds, after deducting the initial purchasers' discounts, commissions and offering expenses, of \$242.3 million from the issuance of the 2025 Notes. Reimbursements of capital expenditures from Delek amounted to \$3.8 million during the six months ended June 30, 2017, compared to \$0.8 million in the six months ended June 30, 2016.

Cash Position and Indebtedness

As of June 30, 2017, we had \$4.9 million cash and cash equivalents and we had total indebtedness of \$396.9 million. Unused credit commitments under the Second Amended and Restated Credit Agreement were \$538.5 million and we had letters of credit issued of \$7.0 million. We believe we were in compliance with the applicable covenants in the Second Amended and Restated Credit Agreement (as defined below) as of June 30, 2017.

We entered into a senior secured revolving credit agreement on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders. The agreement was amended and restated on July 9, 2013 and was most recently amended and restated on December 30, 2014 (the "Second Amended and Restated Credit Agreement"). Under the terms of the Second Amended and Restated Credit Agreement, the lender commitments are \$700.0 million. The Second Amended and Restated Credit Agreement also contains an accordion feature whereby the Partnership can increase the size of the credit facility to an aggregate of \$800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. The Second Amended and Restated Credit Agreement contains an option for Canadian dollar denominated borrowings. The Second Amended and Restated Credit Agreement matures on December 30, 2019.

On May 23, 2017, the Partnership and Finance Corp issued \$250.0 million in aggregate principal amount of 6.750% senior notes due 2025 at a discount. The 2025 Notes are general unsecured senior obligations of the Issuers. The net proceeds from the issuance of the 2025 Notes totaled approximately \$242.3 million, after deducting the initial purchasers' discount, commissions and offering expenses. The Partnership used substantially all of the proceeds to pay down a portion of the outstanding balance under the Partnership's revolving credit facility.

See Note 4 to our accompanying condensed consolidated financial statements in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q for a complete discussion of our third-party indebtedness.

Agreements Governing Certain Indebtedness of Delek

Although we are not contractually bound by and are not liable for Delek's debt under its credit arrangements, we are indirectly affected by certain prohibitions and limitations contained therein. Specifically, certain of Delek's credit arrangements require that Delek meet certain minimum levels for (i) consolidated shareholders' equity and (ii) a ratio of consolidated shareholders' equity to adjusted total assets. We cannot assure you that such covenants will not impact our ability to use the full capacity under our revolving credit facility in the future. Delek, due to its majority ownership and control of our general partner, has the ability to prevent us from taking actions that would cause Delek to violate any covenant in its credit arrangements or otherwise be in default under any of its credit arrangements.

Capital Spending

A key component of our long-term strategy is our capital expenditure program. Our capital expenditures for the six months ended June 30, 2017 were \$4.9 million, of which approximately \$3.8 million was spent in our pipelines and transportation segment and \$1.1 million was spent in our wholesale marketing and terminalling segment. Our capital expenditure budget is approximately \$21.5 million for 2017.

The following table summarizes our actual capital expenditures for the six months ended June 30, 2017 and planned capital expenditures for the full year 2017 by major category (in thousands):

	Full Year 2017 Forecast	Six Months Ended June 30, 2017
Regulatory	\$5,633	\$ 294
Maintenance ⁽¹⁾	8,755	3,166
Discretionary projects	7,075	1,450
Total capital spending	\$21,463	\$4,910

Maintenance 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.

⁽¹⁾ Examples of maintenance 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. Delek has agreed to reimburse us with respect to certain assets it has transferred to us pursuant to the terms of the Omnibus Agreement (as defined in Note 2 to our condensed consolidated financial statements).

In the second quarter of 2017, we increased our capital spending forecast for 2017 to \$21.5 million, up from the prior forecast of \$18.3 million. We increased our forecast as a result of additions to discretionary projects associated primarily with the upgrade and expansion of certain of our pipeline and truck unloading assets. For the full year 2017, we plan to spend approximately \$21.5 million, of which \$16.8 million is budgeted to the pipelines and transportation segment and \$4.7 million to the wholesale marketing and terminalling segment. We plan to spend approximately \$7.1 million for discretionary projects in 2017, of which \$5.5 million will be spent in the pipelines and transportation segment and \$1.6 million in the wholesale marketing and terminalling segment. The majority of the \$5.5 million budgeted to discretionary projects in the pipelines and transportation segment relates to business development projects on certain of our pipeline and trucking assets, as indicated above. We plan to spend approximately \$8.8 million for maintenance projects in 2017, of which \$7.8 million is expected to be spent in the pipelines and transportation segment and \$1.0 million in the wholesale marketing and terminalling segment. The majority of the \$7.8 million budgeted for maintenance projects in the pipelines and transportation segment relates to the improvement and replacement of certain of our tanks.

Under the Omnibus Agreement, Delek reimburses us for (i) certain expenses that we incur for inspections, maintenance, repairs and failures of certain assets we acquired from Delek to cause such assets to comply with applicable regulatory and/or industry standards, (ii) certain expenses that we incur for inspections, maintenance, repairs and failures of most of the storage tanks and pipelines contributed to us by Delek (subject to a deductible of \$0.5 million per year for certain assets as specified) that are necessary to comply with minimum standards under certain United States Department of Transportation pipeline integrity rules and certain American Petroleum Institute storage tank standards for a period of five years from the date of the purchase of the affected assets, and (iii) for

certain non-discretionary maintenance capital expenditures with respect to certain of our assets in excess of specified amounts, as disclosed in the full agreement filed as Exhibit 10.3 to our Current Report on Form 8-K, filed with the SEC on April 6, 2015 and in the amendment filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, filed with the SEC on August 5, 2015.

The amount of our capital expenditure budget is subject to change due to unanticipated increases in the cost, scope and completion time for our capital projects. For example, we may experience increases in the cost of and/or timing to obtain necessary equipment required for our continued compliance with government regulations or to complete improvement projects. Additionally, the scope and cost of employee or contractor labor expense related to installation of that equipment could increase from our projections.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements through the date of the filing of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk. Market risk is the risk of loss arising from adverse changes in market rates and prices. As we do not take title to any of the crude oil that we handle, and typically we take title to only limited volumes of light products in our marketing business, we have limited direct exposure to risks associated with fluctuating commodity prices. However, from time to time, we enter into Gulf Coast product swap arrangements with respect to the products we purchase to hedge our exposure to fluctuations in commodity prices for the period between our purchase of products and subsequent sales to our customers. At June 30, 2017 and December 31, 2016, we had open derivative contracts representing 91,000 barrels and 93,000 barrels of refined petroleum products, respectively. We recognized gains (losses) associated with commodity derivatives not designated as hedging instruments of \$0.6 million and \$1.1 million for the three and six months ended June 30, 2017, respectively, and \$(1.3) million and \$(1.5) million for the three and six months ended June 30, 2016, respectively. These amounts were recorded to cost of goods sold in the accompanying condensed consolidated statements of income. Please see Note 12 to our accompanying condensed consolidated financial statements for additional detail related to our derivative instruments.

Impact of Changing Prices. Our revenues and cash flows, as well as estimates of future cash flows, are sensitive to changes in energy prices. Shifts in the cost of crude oil, the prices of refined products and the cost of ethanol can generate changes in the operating margin in our wholesale marketing and terminalling segment. A hypothetical ten percent adverse change in year-end market prices of the underlying commodities being hedged by derivative contracts would result in a nominal decrease in market value of the hedge contracts at June 30, 2017. This hypothetical loss was estimated by multiplying the difference between the hypothetical and the actual year-end market prices of the underlying commodities by the contract volume amounts.

Interest Rate Risk. Debt that we incur under our revolving credit facility bears interest at floating rates and will expose us to interest rate risk. The annualized impact of a hypothetical one percent change in interest rates on our floating rate debt outstanding as of June 30, 2017 would be to change interest expense by approximately \$1.5 million.

From time to time, we may use certain derivative instruments to hedge our exposure to floating interest rates. Additionally, our prior revolving credit facility required us to maintain interest rate hedging arrangements with respect to at least 50% of the amount funded on November 7, 2012 under the credit facility, which was required to be in place for at least a three-year period beginning no later than March 7, 2013. Accordingly, effective February 25, 2013, we entered into an interest rate hedge in the form of a London Interbank Offered Rate interest rate cap for a term of three years for a total notional amount of \$45.0 million, thereby meeting the requirements in effect at that time. These requirements were eliminated in connection with the amendment and restatement of our revolving credit facility in July 2013, but the interest rate hedge remained in place in accordance with its terms through its maturity date in February 2016. In accordance with ASC 815, Derivatives and Hedging, we recorded no non-cash expense representing the change in estimated fair value of the interest rate hedge agreement for the three and six months ended June 30, 2016.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our principal executive and principal financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, and has, based on this evaluation, concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms including, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit

under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

Unregistered Sales of Equity Securities

Pursuant to the terms of our limited Partnership Agreement, our general partner has the right to maintain its proportionate 2% general partner interest in the Partnership. The following table provides information regarding the exercise of such right by our general partner during the three months ended June 30, 2017. The 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
June 14, 2017	670	\$31.90	\$21,386

ITEM 6. EXHIBITS

Exhibit No.	Description
4.1	Indenture, dated as of May 23, 2017, among Delek Logistics, LP, Delek Logistics Finance Corp., the Guarantors named therein and U.S. Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Partnership's Form 8-K filed on May 24, 2017).
4.2	Form of 6.750% Senior Notes due 2025 (included as Exhibit A in Exhibit 4.1).
4.3	Registration Rights Agreement, dated as of May 23, 2017, among Delek Logistics, LP, Delek Logistics Finance Corp., the Guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers (incorporated by reference to Exhibit 4.3 to the Partnership's Form 8-K filed on May 24, 2017).
31.1 *	Certification of Delek Logistics GP, LLC's Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as amended.
31.2 *	Certification of Delek Logistics GP, LLC's Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as amended.
32.1 **	Certification of Delek Logistics GP, LLC's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 **	Certification of Delek Logistics GP, LLC's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Delek Logistics Partners, LP's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016 (Unaudited), (ii) Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2017 and 2016 (Unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 (Unaudited), and (iv) Notes to Condensed Consolidated Financial Statements (Unaudited).
*	Filed herewith
**	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Delek Logistics Partners, LP

By: Delek Logistics GP, LLC

Its General Partner

By: /s/ Ezra Uzi Yemin

Ezra Uzi Yemin

Chairman and Chief Executive Officer

(Principal Executive Officer)

By: /s/ Kevin Kremke

Kevin Kremke

Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Dated: August 4, 2017

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* Filed herewith

** Furnished herewith