PBF Logistics LP
Form 10-K
February 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2018
Or
.. 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: 001-36446
PBF LOGISTICS LP
(Exact name of registrant as specified in its charter)

DELAWARE	35-2470286
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Sylvan Way, Second Floor Parsippany, New Jersey	07054
(Address of principal executive offices)	(Zip Code)

(973) 455-7500
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Units Representing Limited Partnership Interest	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o Emerging growth company þ

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. þ

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

As of June 30, 2018, the aggregate market value of common units held by non-affiliates of the registrant was approximately $487.0 million based upon the closing price of such units on the New York Stock Exchange on such date. Common units held by executive officers and directors of the registrant and its affiliates are not included in the computation. The registrant had 45,348,821 common units outstanding at February 19, 2019.

DOCUMENTS INCORPORATED BY REFERENCE: None

PBF LOGISTICS LP

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

Unless the context otherwise requires, references in this Form 10-K to "PBF Logistics LP," "PBFX," the "Partnership," "we," "us" or "our" may refer to PBF Logistics LP, one or more of its consolidated subsidiaries or all of them taken as a whole.

Glossary of selected terms

Unless otherwise noted or indicated by context, the following terms used in this Form 10-K have the following meanings:
"Aframax" refers a medium-sized crude tanker with a dead weight tonnage between 80,000 and 120,000.
"API" refers to the American Petroleum Institute.
"ASU" refers to Accounting Standards Update issued by the Financial Accounting Standards Board.
"barrel" refers to a common unit of measure in the oil industry, which equates to 42 gallons.
"bpd" refers to an abbreviation for barrels per day.
"CAA" refers to the Clean Air Act.
"CPI-U" refers to the U.S. Consumer Price Index for All Urban Consumers.
"CZA" refers to the Delaware Coastal Zone Act.
"Dated Brent" refers to Brent blend oil, a light, sweet North Sea crude oil, characterized by an API gravity of 38° and a sulfur content of approximately 0.4 weight percent that is used as a benchmark for other crude oils.
"distillates" refers primarily to diesel, heating oil, kerosene and jet fuel.
"DNREC" refers to the Delaware Department of Natural Resources and Environmental Control.
"DOT" refers to the U.S. Department of Transportation.
"dth/d" refers to an abbreviation for dekatherms per day.
"EPA" refers to the U.S. Environmental Protection Agency.
"Ethanol Permit" refers to a Coastal Zone Act permit for ethanol.
"ethanol" refers to a clear, colorless, flammable oxygenated liquid. Ethanol is typically produced chemically from ethylene or biologically from fermentation of various sugars from carbohydrates found in agricultural crops. It is used in the U.S. as a gasoline octane enhancer and oxygenate.
"FASB" refers to the Financial Accounting Standards Board which develops U.S. generally accepted accounting principles.
"FERC" refers to the Federal Energy Regulation Commission.
"FRA" refers to the Federal Railroad Administration.
"GAAP" refers to the U.S. generally accepted accounting principles developed by the Financial Accounting Standards Board for nongovernmental entities.
"GHG" refers to the greenhouse gas carbon dioxide.
"IDRs" refers to incentive distribution rights.
"IPO" refers to PBF Logistics LP's initial public offering completed on May 14, 2014.
"IOW" refers to the Independent Oil Workers union.
"LPG" refers to liquefied petroleum gas.
"MLP" refers to master limited partnership.
"MVCs" refers to minimum volume commitments on certain commercial contracts.
"NYSE" refers to the New York Stock Exchange.
"OPEC" refers to the Organization of Petroleum Exporting Countries.
"OSHA" refers to the Occupational Safety and Health Administration.
"PPI" refers to the U.S. Producer Price Index.
"refined products" refers to petroleum products, such as gasoline, diesel and jet fuel, that are produced by a refinery.
"Savage" refers to the Savage Services Corporation.
"SEC" refers to the U.S. Securities and Exchange Commission.
"throughput" refers to the volume processed through a unit or refinery.
"U.S." refers to the United States of America.
"USW" refers to the United Steel Workers union.
"WCS" refers to Western Canadian Select, a heavy, sour crude oil blend typically characterized by API gravity between 20° and 22° and a sulfur content of approximately 3.5 weight percent that is used as a benchmark for heavy Western Canadian crude oil.

"WTI" refers to West Texas Intermediate crude oil, a light, sweet crude oil, typically characterized by API gravity between 38° and 40° and a sulfur content of approximately 0.3 weight percent that is used as a benchmark for other crude oils.

PART I

ITEM 1. BUSINESS

In this Form 10-K, we make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions, and resources. You should read our forward-looking statements together with our disclosures under the heading: “Important Information Regarding Forward-Looking Statements.” When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements set forth in this Form 10-K under “Risk Factors” in Item 1A.

Available Information

Our website address is www.pbflogistics.com. Information contained on our website is not part of this Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any other materials filed with (or furnished to) the SEC by us are available on our website (under “SEC Filings” in the “Financial Information” section) free of charge, soon after we file or furnish such material. Also available on our website (in the “Governance” section), we post our corporate governance guidelines, code of business conduct and ethics, and the charters of the committees of the board of directors of our general partner. These documents are available free of charge in print to any unitholder that makes a written request to the Secretary, PBF Logistics LP, One Sylvan Way, Second Floor, Parsippany, New Jersey 07054.

Overview

We are a fee-based, growth-oriented, Delaware master limited partnership formed in February 2013 by subsidiaries of PBF Energy Inc. and its indirect subsidiary, PBF Logistics GP LLC (“PBF GP”), our general partner, to own or lease, operate, develop and acquire crude oil and refined petroleum products terminals, pipelines, storage facilities and similar logistics assets. PBF GP is our general partner and is wholly-owned by PBF Energy Company LLC (“PBF LLC”). PBF Energy Inc. is the sole managing member of PBF LLC and as of December 31, 2018 owned 99.0% of the total economic interest in PBF LLC. We refer you to “Organizational Structure” below for an illustration of our relationship with PBF Energy Inc. Unless the context otherwise requires, references in this report to “PBF Energy” refer collectively to PBF Energy Inc. and its subsidiaries, other than PBFX and its subsidiaries, and our general partner. PBFX’s common units trade on the NYSE under the symbol “PBFX,” and as of December 31, 2018, PBF LLC held a 44.0% limited partner interest in us, a non-economic general partner interest and owned all of the IDRs, with the remaining 56.0% limited partner interest held by public unitholders. On February 13, 2019, we entered into an Equity Restructuring Agreement (the “IDR Restructuring Agreement”) with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into newly issued PBFX common units.

Our business includes the assets, liabilities and results of operations of certain crude oil, refined products, natural gas and intermediates transportation, terminaling and storage assets, which include assets previously operated and owned by subsidiaries of PBF Holding Company LLC (“PBF Holding”) and PBF Holding’s previously held subsidiaries.

Business Developments

Knoxville Terminals Purchase

On April 16, 2018, our wholly-owned subsidiary, PBF Logistics Products Terminals LLC (“PLPT”), completed the purchase of two refined product terminals located in Knoxville, Tennessee, which include product tanks with a total shell capacity of approximately 0.5 million barrels, pipeline connections to the Colonial Pipeline Company and Plantation Pipe Line Company pipeline systems and two truck loading facilities with nine loading bays (the “Knoxville

Terminals”) from Cummins Terminals, Inc. (“Cummins”) for total cash consideration of $58.0

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million, excluding working capital adjustments (the "Knoxville Terminals Purchase"). The transaction was financed through a combination of cash on hand and borrowings under the Revolving Credit Facility, as defined below. This acquisition was accounted for as a business combination under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the Knoxville Terminals Purchase.

East Coast Storage Assets Acquisition

On July 16, 2018, we entered into an agreement with Crown Point International, LLC ("Crown Point") to purchase its wholly-owned subsidiary, CPI Operations LLC ("CPI"), whose assets include a storage facility with approximately four million barrels of multi-use storage capacity, an Aframax-capable marine facility, a rail facility, a truck terminal, equipment, contracts and certain other idled assets located on the Delaware River near Paulsboro, New Jersey (the "East Coast Storage Assets"), for total consideration of $127.0 million, including working capital and the Contingent Consideration, as defined below (the "East Coast Storage Assets Acquisition"), comprised of an initial payment at closing of $75.0 million with a remaining balance of $32.0 million being payable one year after closing. Additionally, the East Coast Storage Assets Acquisition includes an earn-out provision related to an existing commercial agreement with a third party, based on the future results of restarting certain of the acquired idled assets (the "Contingent Consideration"). The acquisition date estimated fair value of the Contingent Consideration payable was $21.1 million. The East Coast Storage Assets Acquisition closed on October 1, 2018. The transaction was financed through a combination of cash on hand and borrowings under the Revolving Credit Facility. This acquisition was accounted for as a business combination under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the East Coast Storage Assets Acquisition and the Contingent Consideration.

Registered Direct Offering

On July 16, 2018, we entered into a common unit purchase agreement with certain funds managed by Tortoise Capital Advisors, L.L.C. providing for the issuance and sale in a registered direct offering (the "Registered Direct Offering") of an aggregate of 1,775,750 common units representing limited partner interests in us for gross proceeds of $35.0 million. The Registered Direct Offering closed on July 30, 2018.

Development Assets Acquisition

On July 16, 2018, we entered into four contribution agreements with PBF LLC pursuant to which PBF Energy contributed to us certain of its subsidiaries (the "Development Assets Contribution Agreements"). Pursuant to the Development Assets Contribution Agreements, we acquired from PBF LLC all of the issued and outstanding limited liability company interests of Toledo Rail Logistics Company LLC ("TRLC"), whose assets consist of an unloading and loading rail facility located at PBF Holding's Toledo Refinery (the "Toledo Rail Products Facility"); Chalmette Logistics Company LLC ("CLC"), whose assets consist of a truck loading rack facility (the "Chalmette Truck Rack") and a rail yard facility (the "Chalmette Rosin Yard"), both of which are located at PBF Holding's Chalmette Refinery; Paulsboro Terminaling Company LLC ("PTC"), whose assets consist of a lube oil terminal facility located at PBF Holding's Paulsboro Refinery (the "Paulsboro Lube Oil Terminal"); and DCR Storage and Loading Company LLC ("DSLC"), whose assets consist of an ethanol storage facility located at PBF Holding's Delaware City Refinery (the "Delaware Ethanol Storage Facility" and collectively with the Toledo Rail Products Facility, the Chalmette Truck Rack, the Chalmette Rosin Yard and the Paulsboro Lube Oil Terminal, the "Development Assets"). Total consideration for the acquisition of the Development Assets was $31.6 million, consisting of 1,494,134 common units representing limited partner interests in us issued to PBF LLC (the "Development Assets Acquisition"). The Development Assets Acquisition closed on July 31, 2018 and was accounted for as a transfer of assets between entities under common control under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in

"Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the Development Assets Acquisition.

Revolving Credit Facility

On July 30, 2018, we entered into a $500.0 million amended and restated revolving credit facility (as amended, the “Revolving Credit Facility”) with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of lenders. The Revolving Credit Facility amended and restated our five-year $360.0 million revolving credit facility entered into in connection with the closing of the IPO. Among other things, the Revolving Credit Facility increased the maximum commitment available to us from $360.0 million to $500.0 million and extended the maturity date to July 2023. The commitment fees on the unused portion, the interest rate on advances and the fees for letters of credit are consistent with our original five-year, $360.0 million revolving credit facility. The Revolving Credit Facility contains representations, warranties and covenants by us, as well as customary events of default and indemnification obligations that are consistent with, or more favorable to us, than those in the original facility. Refer to Note 7 “Debt” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for further discussion regarding the Revolving Credit Facility.

IDR Restructuring Agreement

On February 13, 2019, we entered into the IDR Restructuring Agreement with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into 10,000,000 newly issued PBFX common units (the “IDR Restructuring”). The IDR Restructuring is expected to close on February 28, 2019. Subsequent to the close of the IDR Restructuring, no distributions will be made to PBF LLC with respect to the IDRs and the newly issued common units will be entitled to normal distributions.

Rail Agreement Amendments

On February 13, 2019, we amended the existing Amended and Restated Delaware City Rail Terminaling Services Agreement between Delaware City Terminaling Company LLC and PBF Holding (as amended, the “Amended and Restated Delaware City Rail Terminaling Services Agreement”) for the inclusion of services through certain rail infrastructure at the East Coast Storage Assets (the “East Coast Rail Assets”). We also entered into a new Terminaling Services Agreement, between Delaware City Terminaling Company and PBF Holding (the “Terminaling Services Agreement”), with a four-year term starting in 2022 subsequent to the expiration of the Amended and Restated Delaware City Rail Terminaling Services Agreement, related to the DCR Rail Facility (as defined in the table below) and the East Coast Rail Assets, which will reduce the MVC to 95,000 bpd and includes additional services to be provided by us as operator of facilities owned by PBF Holding’s subsidiaries.

Principles of Combination and Consolidation and Basis of Presentation

In connection with, and subsequent to, the IPO, we have acquired certain assets from PBF LLC (collectively referred to as the “Contributed Assets”). Such acquisitions completed subsequent to the IPO were made through a series of drop-down transactions with PBF LLC (collectively referred to as the “Acquisitions from PBF”). The financial statements presented in “Item 6. Selected Financial Data” in this Form 10-K include the consolidated financial results of PBF MLP Predecessor, our predecessor for accounting purposes (our “Predecessor”), for periods presented through May 13, 2014, and our consolidated financial results for the period beginning May 14, 2014, the date of the IPO. The balance sheet as of December 31, 2018 and 2017 presents solely our consolidated financial position. We recorded the Acquisitions from PBF at PBF Energy’s historical book value, as the Acquisitions from PBF were treated as a reorganization of entities under common control. We have retrospectively adjusted the financial information of us and our Predecessor contained herein to include the historical results of the Acquisitions from PBF prior to the effective date of each transaction with the exception of the Delaware Ethanol Storage Facility, which is considered an asset purchase.

Our Predecessor did not historically operate its assets for the purpose of generating revenues independent of other PBF Energy businesses that we support, with the exception of the DCR Products Pipeline (as defined

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below) and the Paulsboro Lube Oil Terminal. In connection with the closing of the IPO and each of the Acquisitions from PBF, we entered into commercial and service agreements with subsidiaries of PBF Energy under which we operate our assets for the purpose of generating fee-based revenues. We receive, handle and transfer crude oil, refined products and natural gas from sources located throughout the U.S. and Canada and store crude oil, refined products and intermediates for PBF Energy in support of its refineries. In addition, we generate third-party revenue from certain of our assets, including the Knoxville Terminals and the East Coast Storage Assets subsequent to our acquisitions in 2018 and the Paulsboro Lube Oil Terminal, which also generated revenue for our Predecessor prior to our acquisition.

Since we do not own any of the crude oil, refined products or natural gas that we handle nor engage in the trading of crude oil, refined products or natural gas, we have minimal direct exposure to risks associated with commodity price fluctuations. However, these risks indirectly influence our activities and results of operations over the long term through their effects on our customer's operations. A substantial majority of our revenue is derived from PBF Energy under various long-term, fee-based commercial agreements that generally include MVCs. Refer to Note 12 "Related Party Transactions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the commercial agreements with PBF Holding.

The Partnership is not a taxable entity for federal income tax purposes or the income taxes of those states that follow the federal income tax treatment of partnerships. Instead, for purposes of these income taxes, each partner of the Partnership is required to take into account his, her or its share of items of income, gain, loss and deduction in computing his, her or 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 PBFX's assets, the acquisition price of such partner's units and the taxable income allocation requirements under the Second Amended and Restated Agreement of Limited Partnership of PBF Logistics LP (as amended, our "partnership agreement").

Organizational Structure

The following simplified diagram depicts our organizational and ownership structure as of December 31, 2018:

Assets and Operations

We prepare segment information on the same basis that we review financial information for operational decision-making purposes. Currently, our business consists of two operating segments: (i) our transportation and terminaling segment and (ii) our storage segment. Additional segment and financial information is contained in our segment results included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 13 “Segment Information” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

The following map details the locations of PBF Holding’s refineries and the location of our assets (each as previously defined, or as defined in the table below):

The following table details our assets (as defined in the table below), including the available throughput or storage capacity per asset:

Asset	Capacity	Products Handled	Location Supported
Transportation and Terminaling			
DCR Rail Facility (a)(b)(c)	various throughput capacity (a)	Crude	Delaware City and Paulsboro refineries
Toledo Truck Terminal (b)(c)	22,500 bpd unloading capacity	Crude	Toledo Refinery
Toledo Storage Facility - propane loading facility (c)	11,000 bpd throughput capacity	Propane	Toledo Refinery
DCR Products Pipeline (c)(d)	125,000 bpd pipeline capacity	Refined products	Delaware City Refinery
DCR Truck Rack (c)(d)	76,000 bpd throughput capacity	Gasoline, distillates and LPGs	Delaware City Refinery
East Coast Terminals	various throughput capacity and approximately 4.2 million barrel aggregate shell capacity	Refined products	Delaware City and Paulsboro refineries
Torrance Valley Pipeline (c)	110,000 bpd pipeline capacity	Crude	Torrance Refinery
Paulsboro Natural Gas Pipeline (c)	60,000 dth/d pipeline capacity	Natural gas	Paulsboro Refinery
Toledo Products Terminal	various throughput capacity and 110,000 barrel aggregate shell capacity	Refined products	Toledo Refinery
Knoxville Terminals	various throughput capacity and 520,000 barrel aggregate shell capacity	Gasoline, distillates and LPGs	Chalmette Refinery
Toledo Rail Products Facility (c)	16,000 bpd loading capacity	Crude, LPGs, gasoline and distillates	Toledo Refinery
Chalmette Truck Rack (c)	20,000 bpd loading capacity	Gasoline and distillates	Chalmette Refinery
Chalmette Rosin Yard (c)	17,000 bpd unloading capacity	LPGs	Chalmette Refinery
Paulsboro Lube Oil Terminal (c)	various throughput capacity and 229,000 barrel aggregate shell capacity	Lubes	Paulsboro Refinery
Delaware Ethanol Storage Facility (c)	various throughput capacity and 100,000 barrel aggregate shell capacity	Ethanol	Delaware Refinery
Storage			
Toledo Storage Facility (c)	approximately 3.9 million barrel aggregate shell capacity (e)	Crude, refined products and intermediates	Toledo Refinery
Chalmette Storage Tank	625,000 barrel shell capacity	Crude	Chalmette Refinery
East Coast Storage Assets	approximately 4.0 million barrel aggregate shell capacity (f)	Crude, feedstock and asphalt	Delaware City and Paulsboro refineries

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(a) Included within the DCR Rail Facility are the “DCR Rail Terminal,” a rail unloading terminal with an unloading capacity of 130,000 bpd, and the “DCR West Rack,” an unloading facility with an unloading capacity of 40,000 bpd.

(b) The Toledo Truck Terminal and the DCR Rail Terminal are collectively referred to as the "Contributed Assets," or "IPO Assets."
(c) These assets are collectively referred to as the "Acquisitions from PBF."
(d) The DCR Products Pipeline and DCR Truck Rack are collectively referred to as the "DCR Products Pipeline and Truck Rack."
(e) Of the approximately 3.9 million barrel aggregate shell capacity, approximately 1.3 million barrels are dedicated to crude and approximately 2.6 million barrels are allocated to refined products and intermediates.
(f) Of the approximately 4.0 million barrel aggregate shell capacity, approximately 3.0 million barrels are dedicated to crude and feedstocks and approximately 1.0 million barrels are allocated to asphalt.

Please see "Agreements with PBF Energy—Commercial Agreements" below for a discussion of our agreements with PBF Energy relating to our transportation and terminaling and storage operations.

Agreements with PBF Energy

Contribution Agreements

The contribution agreements (as defined in the table below and collectively referred to as the "Contribution Agreements") entered into with PBF Holding include:

Contribution Agreement	Effective Date	Assets Contributed	Total Consideration
Contribution Agreement I	5/8/2014	IPO Assets	74,053 common units and 15,886,553 subordinated units (a)
Contribution Agreement II	9/16/2014	DCR West Rack	$135.0 million in cash and $15.0 million through the issuance of 589,536 common units
Contribution Agreement III	12/2/2014	Toledo Storage Facility	$135.0 million in cash and $15.0 million through the issuance of 620,935 common units
Contribution Agreement IV	5/5/2015	DCR Products Pipeline and Truck Rack	$112.5 million in cash and $30.5 million through the issuance of 1,288,420 common units
Contribution Agreement V	8/31/2016	Torrance Valley Pipeline	$175.0 million in cash
Contribution Agreement VI	2/15/2017	Paulsboro Natural Gas Pipeline	$11.6 million intercompany promissory note (b)
Contribution Agreements VII-X	7/16/2018	Development Assets	$31.6 million through the issuance of 1,494,134 common units

(a) In exchange for contributing all of the interests in the IPO Assets, PBF Holding received all of our IDRs (which were subsequently distributed to PBF LLC and, in connection with the closing of the IDR Restructuring in February 2019, the IDRs will be canceled and converted into 10,000,000 newly issued PBFX common units), as well as the right to receive a distribution of $30.0 million from us as reimbursement for certain preformation capital expenditures attributable to the DCR Rail Terminal and Toledo Truck Terminal, and the right to receive a distribution of $298.7 million; and in connection with the foregoing, we redeemed PBF Holding's initial partner interests in us for $1,000.
(b) As a result of the completion of the Paulsboro Natural Gas Pipeline in the fourth quarter of 2017, we fully repaid the promissory note and related accrued interest.

Commercial Agreements

We currently derive the majority of our revenue from long-term, fee-based, MVC agreements with PBF Holding, supported by contractual fee escalations for inflation adjustments and certain increases in operating costs. We believe the terms and conditions under these agreements, as well as the Omnibus Agreement (as defined below) and the Services Agreement (as defined below) each with PBF Holding, are generally no less favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services.

Refer to Note 12 “Related Party Transactions” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for further discussion regarding the commercial agreements with PBF Holding.

Omnibus Agreement

In addition to the commercial agreements described above, we have entered into an omnibus agreement with PBF GP, PBF LLC and PBF Holding, which has been amended and restated in connection with certain of the Acquisitions from PBF for the provision of executive management services and support for accounting and finance, legal, human resources, information technology, environmental, health and safety, and other administrative functions, as well as (i) PBF LLC’s agreement not to compete with us under certain circumstances, subject to certain exceptions, (ii) our right of first offer for ten years to acquire certain logistics assets retained by PBF Energy following the IPO, including certain logistics assets that PBF LLC or its subsidiaries may construct or acquire in the future, subject to certain exceptions, and (iii) a license to use our trademark and name.

On July 31, 2018, in connection with the Development Assets Acquisition, we entered into the Fifth Amended and Restated Omnibus Agreement (the “Omnibus Agreement”), with PBF GP, PBF LLC and PBF Holding, to update the provision of these executive management services and support for the Development Assets, which we expect to result in an increase of the estimated annual fee to $7.0 million.

Services Agreement

Additionally, we have entered into an operation and management services and secondment agreement with PBF Holding and certain of its subsidiaries, pursuant to which PBF Holding and its subsidiaries provide us with the personnel necessary for us to perform our obligations under our commercial agreements. We reimburse PBF Holding for the use of such employees and the provision of certain infrastructure-related services to the extent applicable to our operations, including storm water discharge and waste water treatment, steam, potable water, access to certain roads and grounds, sanitary sewer access, electrical power, emergency response, filter press, fuel gas, API solids treatment, fire water and compressed air.

On July 31, 2018, in connection with the Development Assets Acquisition, we entered into the Sixth Amended and Restated Operation and Management Services and Secondment Agreement with PBF Holdings and certain of its subsidiaries (the “Services Agreement”) to update the provision of these operation and management services for the Development Assets, resulting in an increase of the annual fee to $8.6 million. The Services Agreement will terminate upon the termination of the Omnibus Agreement, provided that we may terminate any service on 30-days’ notice.

Properties

Our principal properties are described above in “Assets and Operations.” We believe that our properties and facilities are adequate for our operations and that our facilities are adequately maintained. Our corporate office is located in the same office as PBF Energy. PBF Energy leases approximately 58,000 square feet for its principal corporate offices in

Parsippany, New Jersey. The lease for PBF Energy's principal corporate offices expires in 2022. Functions performed in the Parsippany office include overall corporate management, refinery and health, safety and environmental management, planning and strategy, corporate finance, commercial operations, logistics, contract administration, marketing, investor relations, governmental affairs, accounting, tax, treasury, information technology, legal and human resources support functions.

Additionally, we lease approximately 5,000 square feet for our regional corporate office in The Woodlands, Texas. The lease for The Woodlands office expires in 2022. Functions performed in The Woodlands include pipeline control center operations and logistics operations, engineering and regulatory support functions.

Under the Contribution Agreements, PBF Energy, through certain of its subsidiaries, indemnifies us for certain environmental liabilities associated with the ownership and operation of the Contributed Assets arising at or before the closing of the IPO and the Acquisitions from PBF. See "Environmental Regulations, Environmental Liabilities" below for a more detailed discussion of PBF Energy's indemnification obligations.

Competition

As a result of our contractual relationship with PBF Energy and our direct connection to all of its refineries, we believe that our terminals, pipelines and storage facilities will not face significant competition from other terminals, pipelines and storage facilities for PBF Energy's transportation and storage requirements with respect to the services provided under our commercial agreements.

If PBF Energy reduces its purchases of crude oil shipped via rail or truck, PBF Energy may only receive the minimum volumes through our crude oil unloading terminals (or pay the shortfall payment if it does not receive the minimum volumes), which may cause a decrease in our revenues. PBF Energy may elect to ship crude oil to its refineries via pipeline or through its refinery marine facilities, which PBFX does not own, as an alternative mode of crude oil transportation. PBF Energy competes with integrated petroleum companies, which have their own crude oil storage, supplies and distribution and marketing systems, as well as with independent refiners, many of which also have their own storage, distribution and marketing systems. PBF Energy also competes with other suppliers that purchase refined petroleum products for resale. Competition in any particular geographic area is affected significantly by the volume of products produced by refineries in that area and by the availability of products and the cost of transportation to that area from distant refineries.

The East Coast Terminals, the Knoxville Terminals and the East Coast Storage Assets compete with other terminal and storage facilities, in terms of fees, and other qualitative factors, including those affiliated with integrated petroleum companies. Competition related to the East Coast Terminals, the Knoxville Terminals and the East Coast Storage Assets is affected significantly by the volume of products produced, transported and available in the geographic area and the cost to transport products from distant locations.

Safety and Maintenance

We perform preventive and normal maintenance on all of our facilities and make repairs and replacements when necessary or appropriate. We also conduct routine and required inspections of those assets in accordance with good industry practices and as required by regulation.

Our terminal, pipeline and storage facilities have response plans, spill prevention and control plans, fire response plans, and other programs designed to effectively respond to emergencies. We continually strive to maintain compliance with applicable air, solid waste, and wastewater regulations.

Our pipelines are subject to strict safety laws and regulations for the transportation of crude oil, natural gas and petroleum products. Transportation involves a risk that hazardous liquids or gases may be released into the environment, which could cause harm to the public or the environment. The DOT has adopted safety regulations with respect to the design, construction, operation, maintenance, inspection and management of pipeline assets, which affect our pipelines. These regulations contain requirements for pipeline integrity management programs, which include the inspection, testing and maintenance or repairs of the pipelines. The DOT regulations also require pipeline operation and maintenance personnel to meet certain qualifications and that pipeline operators develop comprehensive spill response plans. We believe that we are in compliance with all of the DOT's Pipeline and Hazardous Materials Safety Administration regulations on pipeline safety.

Employee Safety

We are subject to the requirements of OSHA and comparable state statutes that regulate the protection of the health and safety of workers. In addition, OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state, and local government authorities and citizens. We believe that our operations are in compliance with OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

Insurance

Terminals and storage facilities may experience damage as a result of an accident or natural disaster. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. We maintain insurance and/or are insured under the property, liability and business interruption policies of PBF Energy and/or certain of its subsidiaries, subject to the deductibles and limits applicable to us, which we believe are reasonable and prudent under the circumstances to cover our operations and assets. However, such insurance does not cover every potential risk associated with our assets, and we cannot ensure that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage, or that these levels of insurance will be available in the future at commercially reasonable prices. As we continue to grow, we will continue to monitor limits and retentions under our policies and those of PBF Energy and/or its subsidiaries as they relate to the overall cost and scope of our insurance program.

Terminal and Pipeline Control Operations

Our terminals, facilities and pipelines are generally automated, but are continuously supervised by either our employees (including our employees located at The Woodlands office), or PBF Energy employees. At the terminals, our customers' truck drivers are provided with security badges or other credentials to access and use these facilities. In addition, individual trucks are required to be registered in either our, or PBF Energy's system to ensure that required regulatory inspections are maintained by either our customers, PBF Energy's customers, or their common carriers.

Environmental Regulation

Endangered Species Act

The Endangered Species Act restricts certain activities that may affect endangered species or their environments. While some of our facilities are in areas that may be designated as habitats for endangered species, we believe that we are in substantial compliance with the Endangered Species Act. However, the discovery of previously unidentified endangered species or habitats could cause us to incur additional costs or become subject to operating limitations or bans in the affected area.

Environmental Liabilities

Contaminations resulting from spills of crude oil or petroleum products are not unusual within the petroleum terminaling or transportation industries. Historic spills at truck and rail racks and terminals, as a result of past operations, have resulted in contamination of the environment, including soils and groundwater.

Pursuant to the Contribution Agreements entered into in connection with the IPO and the Acquisitions from PBF, PBF Energy has agreed to indemnify us for certain known and unknown environmental liabilities that are based on conditions in existence at our Predecessor's properties and associated with the ownership or operation of the Contributed Assets and arising from the conditions that existed prior to the closings of the IPO and the Acquisitions from PBF. In addition, we have agreed to indemnify PBF Energy for (i) certain events and conditions associated with the ownership or operation of our assets that occur, as applicable, after the closing of the each Acquisition from PBF (including the IPO), and (ii) environmental liabilities related to our assets if the environmental liability is the result of the negligence, willful misconduct or criminal conduct of us or our employees, including those seconded to us. As a result, we may incur environmental expenses in the future, which may be substantial.

In connection with the acquisition of the East Coast Terminals (the "Plains Asset Purchase"), we are responsible for the environmental remediation costs for conditions that existed on the closing date up to a maximum of $0.3 million per year for ten years, with Plains All American Pipeline, L.P. remaining responsible for any and all additional costs above such amounts during such period.

In connection with the acquisition of the Toledo Products Terminal (the "Toledo Products Terminal Acquisition"), we did not assume, and are currently not aware of, any pre-existing environmental obligations. If pre-acquisition environmental obligations are identified, Sunoco Logistics Partners L.P. ("Sunoco") is responsible for any liabilities up to $2.0 million identified to have occurred since 2002. For liabilities arising prior to 2002, Sunoco is indemnified by the prior owner under an agreement between Sunoco and the prior owner, and we are entitled to be reimbursed for all amounts paid related to such liabilities on a full pass-through basis.

In connection with the Knoxville Terminals Purchase, we did not assume, and are currently not aware of, any pre-existing environmental obligations. Additionally, we and Cummins purchased a ten-year, $30.0 million environmental insurance policy against unknown environmental liabilities. For items not covered by the insurance policy, Cummins remains responsible for pre-acquisition environmental obligations up to $5.8 million.

In connection with the East Coast Storage Assets Acquisition, we assumed the pre-existing environmental obligations associated with the East Coast Storage Assets. Additionally, we and Crown Point purchased a ten-year, $30.0 million environmental insurance policy with a retention of not less than $0.5 million against unknown environmental liabilities.

As of December 31, 2018, we have recorded a total liability related to environmental remediation costs of $2.6 million related to the acquisitions of the East Coast Terminals, the Torrance Valley Pipeline and the East Coast Storage Assets. Refer to Note 11 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional information.

Seasonality

The crude oil, refined products and natural gas throughput and stored at our facilities are affected by the level of supply and demand for crude oil, refined products and natural gas in the markets served directly or indirectly by our assets. However, many effects of seasonality on our revenues will be substantially mitigated due to our commercial agreements with PBF Energy that include MVCs, and are constant each calendar quarter or year.

Employees

As of December 31, 2018, we and certain of our wholly-owned subsidiaries employ 82 employees at our East Coast Terminals, at our Toledo Products Terminal, in The Woodlands office, at our Knoxville Terminals and at our East Coast Storage Assets. Through our wholly-owned subsidiary, PLPT, we employ 30 employees located at the East

Coast Terminals, 6 employees located at the Toledo Products Terminal and 11 employees located at the Knoxville Terminals. Through our wholly-owned subsidiary, PBFX Op Co, we employ 9 employees in The

Woodlands office. Through our wholly-owned subsidiary, CPI, we employ 26 employees located at the East Coast Storage Assets.

Of the 30 employees at our East Coast Terminals, 10 are covered by a collective bargaining agreement through the USW. The agreement with the USW covering the East Coast Terminals is scheduled to expire in April 2021. Of the 26 employees at our East Coast Storage Assets, 19 are covered by a collective bargaining agreement through the USW. The agreement with the USW covering the East Coast Storage Assets is scheduled to expire in February 2022. We consider our relations with the represented employees to be satisfactory.

All of our executive management personnel are currently employees of PBF Energy or subsidiaries of PBF Energy and devote a portion of their time to our business and affairs that is required to manage and conduct our operations. The other personnel that conduct our operations are employees of PBF Holding or its subsidiaries. Pursuant to the Omnibus Agreement, we pay an annual fee to PBF Energy for the provision of various centralized administrative services and reimburse PBF Energy for direct or allocated costs and expenses incurred by PBF Energy on our behalf. Pursuant to the Services Agreement, we use employees of PBF Energy to operate certain of our assets and PBF Energy is reimbursed for such employees through an annual fee, which also includes provisions of certain utilities and other infrastructure-related services. Please read “Agreements with PBF Energy.”

In addition, PBF Energy and its affiliates have entered into a rail operations services agreement with Savage, an unaffiliated third party, to provide crude oil unloading and other operations services for the Delaware City and Toledo refineries. Under the rail operations services agreement, Savage is responsible for providing the personnel necessary for the performance of our operations services. Savage is at all times considered an independent contractor and none of Savage’s employees or contractors are considered an employee, representative or agent of us or PBF Energy or its subsidiaries. The costs of Savage’s services provided to us are passed through to us by PBF Holding and its subsidiaries. From time to time, certain other third parties may provide operating services to us in a capacity as independent contractors.

ITEM 1A. RISK FACTORS

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject to are similar to those that would be faced by a corporation engaged in a similar business. If any of the following risks were actually to occur, our business, financial condition, results of operations and our cash flows could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, or the trading price of our common units could decline.

Risks Related to Our Business

PBF Energy accounts for the substantial majority of our revenues, and we are substantially dependent on PBF Energy’s refineries particularly at its Delaware City, Toledo and Torrance refineries. Therefore, we are subject to its business risks. If PBF Energy changes its business strategy, fails to satisfy its obligations under our commercial agreements for any reason or significantly reduces the volumes throughput at our facilities, our revenues could decline, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

PBF Energy is our largest customer and accounted for the majority of our revenue for the year ended December 31, 2018. We are substantially dependent on PBF Energy’s refineries particularly at its Delaware City, Toledo and Torrance refineries. We expect PBF Energy will continue to provide a substantial majority of our revenues for the foreseeable future, and as a result, we are subject to the risk of nonpayment or nonperformance under our commercial agreements. If PBF Energy were to significantly decrease its use of our logistics assets, because of business or operational difficulties, including labor difficulties, strategic decisions by management or due to catastrophic events, weather and regulatory actions, it is unlikely that we would be able to utilize any additional capacity as a result of this decreased use to service third-party customers without substantial capital

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outlays and delays, if at all, which could materially and adversely affect our results of operations, financial condition and cash flows. Additionally, any event, whether in our areas of operation or otherwise, that materially and adversely affects PBF Energy's financial condition, results of operations or cash flows may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are subject to the operational and business risks of PBF Energy, including:

- supply, demand, prices and other market conditions for PBF Energy's products, including volatility in commodity prices;
- the effects of competition in PBF Energy's markets;
- changes in currency exchange rates, interest rates and capital costs;
- adverse developments in PBF Energy's relationship with both its key employees and unionized employees;
- PBF Energy's ability to operate its business efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow;
- PBF Energy's level of indebtedness;
- PBF Energy's expectations and timing with respect to its acquisition activity and whether such acquisitions are accretive or dilutive to shareholders;
- PBF Energy's expectations with respect to its capital improvement and turnaround projects;
- PBF Energy's supply and inventory intermediation arrangements expose it to counterparty credit and performance risk;
- termination of PBF Energy's inventory intermediation agreements, which could have a material adverse effect on their liquidity, as PBF Energy would be required to finance its intermediate and refined products inventory covered by the agreements. Additionally, PBF Energy is obligated to repurchase from the counterparty certain intermediates and finished products located at its Paulsboro and Delaware City refineries' storage tanks upon termination of these agreements;
- restrictive covenants in PBF Energy's indebtedness that may adversely affect its operational flexibility;
- PBF Energy's obligations under its tax receivable agreement for certain tax benefits it may claim; and in particular that PBF Energy's assumptions regarding such payments are subject to change due to various factors outside of its control;
- the impact of disruptions to crude or feedstock supply to any of PBF Energy's refineries, including disruptions due to problems with third-party logistics infrastructure or operations, including pipeline, marine and rail transportation;
- the possibility that PBF Energy might reduce or not make further dividend payments;
- the inability of PBF Energy's subsidiaries to freely pay dividends or make distributions to PBF Energy;
- the impact of current and future laws, rulings and governmental regulations, including the implementation of rules and regulations regarding transportation of crude oil by rail;
- the effectiveness of PBF Energy's crude oil sourcing strategies, including PBF Energy's crude by rail strategy and related commitments;
- adverse impact related to regulation by the federal government lifting the restrictions on exporting U.S. crude oil;
- adverse impacts from changes in PBF Energy's regulatory environment, such as the effects of compliance with the California Global Warming Solutions Act (also referred to as "AB32"), or from actions taken by environmental interest groups;
- market risks related to the volatility in the price of renewable identification numbers required to comply with the Renewable Fuel Standards and GHG emission credits required to comply with various GHG emission programs, such as AB32;

- PBF Energy's ability to successfully integrate acquisitions into its business and realize the benefits from such acquisitions;
- liabilities arising from acquisitions that are unforeseen or exceed PBF Energy's expectations;
- risk associated with our operations as a separate, publicly-traded entity;
- potential tax consequences related to PBF Energy's investment in us; and
- any decisions PBF Energy continues to make with respect to its energy-related logistical assets that may be transferred to us.

Such risks may impact us as we significantly rely on revenues generated from our transportation, terminaling and storage operations that are located in PBF Energy's facilities, particularly such operations related to its Toledo, Torrance and Delaware City refineries. Due to our lack of diversification in assets and geographic location, an adverse development in our businesses or areas of operations, including adverse developments due to catastrophic events, weather, regulatory action and decreases in demand for crude oil and refined products, could have a significantly greater impact on our results of operations and cash available for distribution to our common unitholders than if we maintained more diverse assets and locations. Such events may constitute force majeure events under our commercial agreements, potentially resulting in the suspension, reduction or termination of one or more commercial agreements in the impacted geographic area.

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

In order to pay the minimum quarterly distribution of $0.30 per unit, or $1.20 per unit on an annualized basis, we will require available cash of approximately $13.8 million per quarter, or approximately $55.2 million per year, based on the number of common units outstanding at December 31, 2018. Immediately following the closing of the IDR Restructuring, we will require available cash of approximately $16.8 million per quarter, or approximately $67.2 million on an annualized basis, to pay the minimum quarterly distributions. We may not have sufficient available cash from operating surplus each quarter to enable us to pay the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the volume of crude oil throughput;
- our entitlement to payments associated with MVCs;
- the fees we charge for the volumes throughput;
- the level of our operating, maintenance and general and administrative costs;
- prevailing economic conditions; and
- continued operation of our facilities.

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

- the level and timing of capital expenditures we make;
- the amount of our operating expenses and general and administrative expenses, including reimbursements to our general partner and its affiliates, including PBF Energy, in respect of those expenses and payment of the administrative fees under the Omnibus Agreement and Services Agreement for services provided to us by our general partner and its affiliates, including PBF Energy;
- the cost of acquisitions, if any;
- our debt service requirements and other liabilities;

- fluctuations in our working capital needs;

- our ability to borrow funds and access capital markets;
- restrictions contained in the 2023 Notes (as defined below) and the Revolving Credit Facility and other debt service requirements;
- the amount of cash reserves established by our general partner; and
- other business risks affecting our cash levels.

For purposes of this Form 10-K, we refer to the $350.0 million in aggregate principal amount of 6.875% senior notes due 2023 issued by us and our wholly-owned subsidiary PBF Logistics Finance Corporation (“PBF Finance”) in 2015 as the “initial 2023 Notes,” we refer to the $175.0 million in aggregate principal amount of 6.875% senior notes due 2023 issued by us and PBF Finance in 2017 as the “additional 2023 Notes,” and we refer to the initial 2023 Notes and the additional 2023 Notes collectively as the “2023 Notes.”

Certain of our commercial agreements with PBF Energy and the Services Agreement contain provisions that allow our counterparty to such agreement to suspend, reduce or terminate its obligations under such agreement in certain circumstances, including events of force majeure, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

Certain of our commercial agreements with PBF Energy and the Services Agreement contain provisions that allow our counterparty to such agreement to suspend, reduce or terminate its obligations to us under such agreement, including the requirement to pay the fees associated with the applicable MVCs, if certain events occur, including (i) a material breach of the agreement by us, (ii) PBF Energy deciding to permanently or indefinitely suspend crude oil refining operations at certain of its refineries for which we provide services or (iii) the occurrence of certain force majeure events that would prevent us or PBF Energy from performing our or its obligations under the applicable agreement (in the case of PBF Energy, or with respect to the Services Agreement, us). In such circumstances, PBF Energy has the discretion to decide to suspend, reduce or terminate its obligations notwithstanding the fact that its decision may significantly and adversely affect us. For instance, under certain of our commercial agreements with PBF Energy, if PBF Energy decides to permanently or indefinitely suspend refining operations at the refinery served under the applicable agreement for a period that will continue for at least twelve consecutive months, then it may terminate the agreement on no less than twelve months’ prior written notice to us. Furthermore, under such agreements, PBF Energy has the right to suspend or reduce its obligations at the refinery served under the applicable agreement for the duration of a force majeure event affecting its assets with respect to any affected services, and may terminate the agreements with respect to such services if the force majeure event lasts in excess of twelve months. In addition, if the force majeure event occurs on our assets at any time, PBF Energy has the right to suspend or reduce its obligations for the duration of the force majeure event with respect to any affected services. As defined in our commercial agreements with PBF Energy, force majeure events include any acts or occurrences that prevent services from being performed either by us or PBF Energy under the applicable agreement, such as:

- acts of God;
- strikes, lockouts or other industrial disturbances;
- acts of the public enemy, wars, terrorism, blockades, insurrections, riots or civil disturbances;
- storms, floods or washouts; or other interruptions caused by acts of nature or the environment;
- arrests or the order of any court or governmental authority claiming or having jurisdiction while the same is in force and effect;
- civil disturbances, explosions, fires, breakage leaks, releases, accidents to machinery, vessels, storage tanks, lines of pipe, rail lines and equipment;
- any inability to obtain or unavoidable delay in obtaining material or equipment;
- any inability to receive crude oil because of a failure of third-party logistics systems; and

- any other causes not reasonably within the control of the party claiming suspension and which by the exercise of commercially reasonable efforts such party is unable to prevent or overcome.

Accordingly, under our commercial agreements with PBF Energy there exists a broad range of events that could result in our no longer being able to utilize our facilities and PBF Energy no longer having an obligation to meet its MVCs or pay the full amount of fees or other amounts otherwise owing under these agreements. Furthermore, a single event relating to one of PBF Energy's refineries could have such an impact on a number of our commercial agreements with PBF Energy. Any reduction, suspension or termination of any of our commercial agreements would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

If we are unable to renew or extend the various commercial agreements we have with PBF Energy, our ability to make distributions to our unitholders may be reduced.

The term of PBF Energy's obligations under each of our commercial agreements ranges from one to fifteen years. If we are unable to renew or extend such commercial agreements or if we are unable to generate additional revenues from third parties, our ability to make cash distributions to unitholders may be reduced. Additionally, even if we were to renew or extend our commercial agreements, PBF Energy is under no obligation to renew or extend such agreements on the same terms. The renewal or extension of such agreements with reduced MVCs or rates could also have an impact on our ability to make cash distributions to unitholders. For example, throughput volumes at certain of our assets have been below MVCs in recent periods. PBF Energy may seek to renew or extend its commercial agreements with us for these assets with reduced MVCs or rates, or may not seek to renew or extend these commercial agreements upon expiration. Any such change in these or our other commercial agreements that would reduce the MVCs or include other less favorable terms could have a material adverse effect on our financial condition, results of operations, cash flows and our ability to make distributions to unitholders.

A material decrease in the supply of attractively priced crude oil or a material decrease in the refining margins at PBF Energy could significantly reduce the volumes of crude oil that are throughput, which could materially adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

The volumes of crude oil that are throughput depend substantially on PBF Energy's refining margins and the differentials for crude oils that are throughput at our facilities. This volume of crude oil purchased depends, in part, on the availability of attractively priced crude oil that can be transported to PBF Energy's refineries by pipelines, rail or truck.

Refining margins are dependent mostly upon the price of crude oil or other refinery feedstocks and the price of refined products. These prices are affected by numerous factors beyond our or PBF Energy's control, including the global supply and demand for crude oil and gasoline and other refined products. Global economic weakness and high unemployment in the U.S. and/or globally could depress demand for refined products. The impact of low demand may be further compounded by excess global refining capacity and high inventory levels. Several refineries in North America and Europe have been temporarily or permanently shut down in response to falling demand and excess refining capacity in the recent past.

In addition to such market conditions, there are long-term factors that may impact the supply and demand of refined products in the U.S., including:

- changes in capacity and utilization rates of refineries worldwide;
- increased fuel efficiency standards for vehicles, including greater acceptance of electric and alternative fuel vehicles;
- development and marketing of alternative and competing fuels, such as ethanol and biodiesel;

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- changes in fuel specifications required by environmental and other laws, particularly with respect to renewable fuel content requirements;
- potential and enacted climate change legislation;
- the EPA regulation of greenhouse gas emissions under the CAA; and
- other U.S. or state government regulations and policies.

In order to maintain or increase production levels at PBF Energy's refineries, PBF Energy must continually contract for new crude oil supplies or consider connecting to alternative sources of crude oil. Adverse developments in major oil producing regions around the world could have a significantly greater impact on our financial condition, results of operations and cash flows because of our lack of industry and geographic diversity and substantial reliance on PBF Energy as a customer. Accordingly, in addition to risks related to accessing and transporting crude oil, we are disproportionately exposed to risks inherent in the broader oil and gas industry, including:

- the volatility and uncertainty of regional pricing differentials for crude oil and refined products;
- the ability of the members of the OPEC, and certain other oil exporting countries, to agree to and maintain production controls;
- the nature and extent of governmental regulation and taxation; and
- the anticipated future prices of crude oil and refined products in markets served by PBF Energy's refineries.

If, as a result of any of these or other factors, the demand for refined products decreases significantly, if crude oil differentials for the crude run by PBF Energy narrow, or if there is a material increase in the price of crude oil supplied to PBF Energy's refineries without an increase in the value of the refined products produced by those refineries, either temporary or permanent, which causes PBF Energy to reduce production of refined products at its refineries, there would likely be a reduction in the volumes of crude oil we handle for PBF Energy. Any such reduction could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Any cyber-attacks, political instability, military strikes, sustained military campaigns, terrorist activity, or changes in foreign policy may negatively affect our and PBF Energy's operations, financial condition, results of operations, cash flows, and our ability to make distributions to our unitholders.

We and PBF Energy are dependent on technology infrastructure and maintain and rely upon certain critical information systems for the effective operation of our respective businesses. These information systems include data network and telecommunications, internet access and our websites, and various computer hardware equipment and software applications, including those that are critical to the safe operation of our pipelines and terminals. These information systems are subject to damage or interruption from a number of potential sources including natural disasters, software viruses or other malware, power failures, cyber-attacks, and other events. To the extent that these information systems are under our control, we and PBF Energy have implemented measures such as virus protection software and emergency recovery processes to address the outlined risks. However, security measures for information systems cannot be guaranteed to be failsafe. Any compromise of our data security or our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business and subject us to additional costs and liabilities.

Any political instability, military strikes, sustained military campaigns, terrorist activity, or changes in foreign policy in areas or regions of the world where we operate or where PBF Energy acquires crude oil and other raw materials or sells its refined petroleum products may affect our business in unpredictable ways, including forcing us to increase security measures and causing disruptions of supplies and distribution markets. We may also be subject to U.S. trade and economic sanctions laws, which change frequently as a result of foreign policy developments, and which may necessitate changes to PBF Energy's crude oil acquisition activities. Further, like other industrial companies, our facilities or PBF Energy’s facilities may be the target of terrorist activity. Any act of war or terrorism that results in damage to any of our logistics assets or PBF Energy's refineries or third-party facilities upon which we or PBF Energy are dependent for our business operations could have a material adverse effect on our business, results of operations and financial condition.

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

Part of our growth strategy depends on the growth of PBF Energy's business. We believe our growth will be driven in part by identifying and executing organic expansion projects that will result in increased throughput volumes from PBF Energy and third parties. Our prospects for organic growth currently include projects that we expect PBF Energy to undertake, and that we expect to have an opportunity to purchase from PBF Energy. In addition, our organic growth opportunities will be limited if PBF Energy is unable to successfully acquire new assets for which our execution of organic projects is needed. Additionally, if PBF Energy focuses on other growth areas or does not make capital expenditures to fund the organic growth of its logistics operations, we may not be able to fully execute our growth strategy.

We may not be able to significantly develop third-party revenue due to competition and other factors, which could limit our ability to grow and may extend our dependence on PBF Energy.

Our ability to develop third-party revenue is subject to numerous factors beyond our control, including competition from third parties and the extent to which we have available capacity when third-party customers require it.

In addition, with respect to our facilities collocated at a PBF Energy refinery, our ability to obtain third-party customers will be partially dependent on our ability to make connections to third-party facilities and pipelines. If we do not or are unable to make connections to third-party facilities and pipelines, the throughput at our facilities may be limited to the demand from PBF Energy's refineries. Furthermore, to the extent that we have capacity at our products terminals available for third-party volumes, competition from other products terminals owned by our competitors may limit our ability to utilize this available capacity.

We can provide no assurance that we will be able to attract material third-party revenues to our existing or future assets. Our efforts to establish our reputation and attract new unaffiliated customers may be adversely affected by our relationship with PBF Energy and our desire to provide services pursuant to fee-based contracts. Our existing and potential third-party customers may prefer to obtain services under contracts through which we could be required to assume direct commodity exposure.

If we are unable to obtain needed capital or financing on satisfactory terms to fund expansions of our asset base, our ability to make quarterly cash distributions may be diminished or our financial leverage could increase. We do not have any commitment with any of our affiliates to provide direct or indirect financial assistance to us.

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

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

PBF Energy has a significant amount of debt. As of December 31, 2018, PBF Energy had total debt of $1,974.7 million, excluding debt issuance costs of $41.0 million. In addition to its outstanding debt, as of December 31, 2018, PBF Energy could have incurred an additional $1,420.1 million of indebtedness based on the available capacity under existing debt agreements. PBF Energy's significant level of debt could increase its and our vulnerability to general adverse economic and industry conditions and require PBF Energy to dedicate a substantial portion of its cash flow from operations to service its debt and lease obligations, thereby reducing the availability of its cash flow to fund its growth strategy, including capital expenditures, acquisitions and other business opportunities. Furthermore, a higher level of indebtedness at PBF Energy increases the risk that it may default on its obligations, including under its commercial agreements with us. The covenants contained in the agreements governing PBF Energy's outstanding and future indebtedness may limit its ability to borrow additional funds for development and make certain investments and may directly or indirectly impact our operations in a similar manner. For example, PBF Energy's indebtedness requires that any transactions PBF Energy enters into with us must be on terms no less favorable to PBF Energy than those that could have been obtained with an unrelated person.

Our credit rating may be adversely affected by the leverage or any change in the credit rating of PBF Energy, or its subsidiaries, or of the debt held by such entities, as credit rating agencies such as Standard & Poor's Ratings Services and Moody's Investors Service, Inc. may consider the leverage and credit profile of PBF Energy and its affiliates because of their ownership interest in and control of us and because PBF Energy currently accounts for a substantial majority of our revenues. Any adverse effect on our credit rating would increase our cost of borrowing or hinder our ability to raise financing in the capital markets, which would impair our ability to grow our business and make cash distributions to our unitholders.

In the event PBF Energy were to default under certain of its debt obligations, we could be materially adversely affected. We have no control over whether PBF Energy remains in compliance with the provisions of its debt obligations, except as such provisions may otherwise directly pertain to us. Further, any debt instruments that PBF Energy or any of its affiliates enter into in the future, including any amendments to existing credit facilities, may include additional or more restrictive limitations on PBF Energy that may impact our ability to conduct our business. These additional restrictions could adversely affect our ability to finance our future operations or capital needs or engage in, expand or pursue our business activities.

PBF LLC has obligations to make tax distributions to the members of PBF LLC and these amounts could be material and adversely impact their ability to meet their obligations to us. PBF Energy has obligations to make certain payments under its tax receivable agreement to the current and former members of PBF LLC other than PBF Energy, and the amounts PBF Energy has to pay could be significant and, in certain cases, may be accelerated and/or significantly exceed the actual benefits realized by PBF Energy.

PBF LLC is required to make periodic tax distributions to the members of PBF LLC, including PBF Energy, prorated in accordance with their respective percentage interests, subject to the terms and conditions of its limited liability company agreement. These amounts could be material to PBF LLC. PBF Energy is also party to a tax receivable agreement that provides for the payment from time to time by PBF Energy to the current and former members of PBF

LLC other than PBF Energy of 85% of the benefits, if any, that PBF Energy is deemed to realize as a result of (i) the increases in tax basis resulting from its acquisitions of PBF LLC Series A Units, and (ii) certain other tax benefits related to its entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. The payments that PBF Energy may make under the tax receivable agreement will be substantial and there may be a material negative effect on PBF Energy's liquidity if, as a result of timing discrepancies or otherwise, (i) the payments under the tax receivable agreement exceed the actual benefits it realizes in respect of the tax attributes subject to the tax receivable agreement, and/or (ii) distributions to PBF Energy by PBF LLC are not sufficient to permit PBF Energy, after it has paid its taxes and other obligations, to make payments under the tax receivable agreement. In addition, in certain cases, payments owed by PBF Energy under the tax receivable agreement may be accelerated and/or significantly exceed the actual benefits it realizes. PBF Energy's payment obligations under the tax receivable agreement are PBF Energy's obligation and not our obligation or any of the other subsidiaries of PBF Energy. However, PBF Energy may not be able to finance its obligations under the tax receivable agreement and its existing indebtedness may limit its subsidiaries' ability to make distributions to it to pay these obligations. These provisions could materially adversely affect PBF Energy and its ability to meet its obligations to us.

Our logistics operations and PBF Energy's refining operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our or PBF Energy's facilities and liability for damages, particularly if not fully covered by insurance. If a significant accident or event occurs that results in business interruption or shutdown for which we are not adequately insured, our operations and financial results could be adversely affected.

Our logistics operations are subject to all of the risks and operational hazards inherent in receiving, handling, storing and transferring crude oil, natural gas and refined products, including:

- damages to our facilities, related equipment and surrounding properties caused by floods, fires, severe weather, explosions and other natural disasters and acts of terrorism;
- the inability of third-party facilities on which our operations are dependent, including PBF Energy's facilities, to complete capital projects and to restart timely refining operations following a suspension or shutdown;
- mechanical or structural failures at our facilities or at third-party facilities on which our operations are dependent, including PBF Energy's facilities;
- curtailments of operations relative to severe seasonal weather;
- inadvertent damage to our facilities from construction, farm and utility equipment; and
- other hazards.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, as well as business interruptions or shutdowns of our facilities. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition and results of operations. In addition, PBF Energy's refining operations, on which our operations are substantially dependent and over which we have no control, are subject to similar operational hazards and risks inherent in refining crude oil. A significant accident at our facilities or at PBF Energy's facilities could result in serious injury or death to employees of PBF Energy or its affiliates or contractors, could expose us to significant liability for personal injury claims and reputational risk and could affect PBF Energy's ability and/or requirement to satisfy the MVCs under our commercial agreements.

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

We maintain insurance or are covered by insurance policies maintained by PBF Energy or its affiliates. These insurance policies provide limited coverage for some, but not all, of the potential risks and liabilities associated with our business. To the extent we are covered by insurance policies maintained by PBF Energy or its affiliates, our coverage is subject to the deductibles and limits under those policies and to the extent PBF Energy or its affiliates experience losses under these insurance policies, the limits of our coverage may be decreased. In addition, we are not insured against all potential losses, costs or liabilities. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. We and PBF Energy may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our or PBF Energy's insurance policies may increase substantially. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, coverage for hurricane damage can be limited, and coverage for terrorism risks can include broad exclusions. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position.

The energy industry is highly capital intensive, and the entire or partial loss of individual facilities or multiple facilities can result in significant costs to both energy industry companies, such as us, and their insurance carriers. In recent years, several large energy industry claims have resulted in significant increases in the level of premium costs and deductible periods for participants in the energy industry. As a result of large energy industry claims, insurance companies that have historically participated in underwriting energy-related facilities may discontinue that practice, may reduce the insurance capacity they are willing to offer or demand significantly higher premiums or deductible periods to cover these facilities. If significant changes in the number or financial solvency of insurance underwriters for the energy industry occur, or if other adverse conditions over which we have no control prevail in the insurance market, we may be unable to obtain and maintain adequate insurance at a reasonable cost.

Our insurance program may include a number of insurance carriers. Significant disruptions in financial markets could lead to a deterioration in the financial condition of many financial institutions, including insurance companies; therefore, we may not be able to obtain the full amount of our insurance coverage for insured events.

Our right of first offer to acquire the right of first offer assets and certain assets that PBF Energy may acquire or construct in the future is subject to risks and uncertainty, and ultimately we may not acquire any of those assets.

The Omnibus Agreement provides us with a right of first offer for a period of 10 years after the closing of the IPO on certain of PBF Energy's existing logistics assets and certain assets that it may acquire or construct in the future, subject to certain exceptions. The consummation and timing of any future acquisitions pursuant to this right will depend upon, among other things, PBF Energy's willingness to offer subject assets for sale and obtain any necessary consents, our ability to negotiate acceptable purchase agreements and commercial agreements with respect to such assets and our ability to obtain financing on acceptable terms. We can offer no assurance that we will be able to successfully consummate any future acquisitions pursuant to our right of first offer, and PBF Energy is under no obligation to accept any offer that we may choose to make. In addition, certain of the right of first offer assets may require substantial capital expenditures in order to maintain compliance with applicable regulatory requirements or otherwise make them suitable for our commercial needs. For these or a variety of other reasons, we may decide not to exercise our right of first offer if and when any assets are offered for sale, and our decision will not be subject to unitholder approval. In addition, the Omnibus Agreement and our right of first offer may be terminated by PBF Energy at any time in the event that PBF LLC or its affiliates no longer controls our general partner. Please read "Item 1. Business—Agreements with PBF Energy—Omnibus Agreement."

Our purchase option under certain circumstances to acquire and our right to use certain of PBF Energy's existing assets is subject to risks and uncertainty, and ultimately we may not acquire or have a right to use any of those assets.

Our commercial agreements provide us with options to purchase and use certain assets at PBF Energy's refineries related to our business in the event PBF Energy were to shut them down. In the event PBF Energy shuts down any of the refineries and our option becomes exercisable, the consummation and timing of any future acquisitions pursuant to our purchase option will depend upon, among other things, our ability to obtain any necessary consents, to negotiate acceptable purchase agreements and commercial agreements with respect to such assets and to obtain financing on acceptable terms. We can offer no assurance that we will be able to successfully consummate any future acquisitions pursuant to this purchase option. In addition, certain of the assets covered by this purchase option and our right of use may require substantial capital expenditures in order to maintain compliance with applicable regulatory requirements or otherwise make them suitable for our commercial needs. For these or a variety of other reasons, we may decide not to exercise this purchase option if PBF Energy permanently shuts down any of its refineries, or to exercise our right of use if and when we have capacity in excess of PBF Energy's throughput volumes, as applicable, and our decision to exercise any purchase options or right of use will not be subject to unitholder approval. Refer to Note 12 "Related Party Transactions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the commercial agreements with PBF Holding.

We may not be able to fully execute our growth plan if we are unable to access the capital markets on economically acceptable terms or experience increased competition for investment opportunities.

Our growth plan includes growing through strategic acquisitions, whether through acquisitions from PBF Energy or third parties, and through strategic organic projects. In order to fund our growth plan, we may, from time to time, have to acquire substantial new capital to finance our acquisitions or organic growth projects. If we are unable to access the capital markets on economically acceptable terms, we may not be able to fully execute our growth plan.

Additionally, we may not be able to execute our growth plan if we experience increased competition for third-party investment opportunities, or if our organic growth projects are no longer economical due to market influences.

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

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

- mistaken assumptions about revenues and costs, including synergies;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt;
- the diversion of management's attention from other business concerns;
- unforeseen difficulties operating in new product areas or new geographic areas; and
- customer or key employee losses at the acquired businesses.

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

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

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

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

A portion of our strategy to grow and increase distributions to unitholders is dependent on our ability to expand existing assets and to construct additional assets, including execution of organic growth projects. Other than certain existing capital projects underway, which are expected to be material to us, we have no additional material commitments for expansion or construction projects as of December 31, 2018. Organic growth projects such as the construction of a pipeline or terminal or the expansion of our existing terminals or pipelines involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. If we undertake these types of projects, they may not be completed on schedule or at all or at the budgeted cost. Moreover, we may not receive sufficient long-term contractual commitments from customers to provide the revenue needed to support such projects. Even if we receive such commitments, we may not realize an increase in revenue for an extended period of time. For instance, if we build a pipeline, the construction will occur over an extended period of time, and we will not receive any material increases in revenues until after completion of the project. Moreover, we may construct facilities to capture anticipated future growth in production in a region or gain access to crude oil supplies at lower costs and such growth or access may not materialize. As a result, new facilities may not be able to attract enough throughput to achieve our expected investment return, which could adversely affect our results of operations and financial condition and our ability to make distributions to our unitholders.

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

We do not own all of the land on which our facilities have been constructed, and we are therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if we do not have valid rights of way, if such rights of way lapse or terminate or if our facilities are not properly located within the boundaries of such rights of way. Although some of these rights are perpetual in nature, we occasionally obtain the rights to construct and operate our facilities on land owned by third parties and governmental agencies for a specific period of time. If we are unsuccessful in renegotiating rights of way, we may have to relocate our facilities. A loss of rights of way or a relocation could have a material adverse effect on our business, financial condition, results of operations and cash flows and our ability to make distributions to our unitholders.

Whether we have the power of eminent domain varies from state to state, depending upon the laws of the particular state. We must compensate landowners for the use of their property and, in eminent domain actions, such compensation may be determined by a court. Our inability to exercise the power of eminent domain could

negatively affect our business if we were to lose the right to use or occupy the property on which our facilities are located.

We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future laws, regulations and other requirements could significantly increase our costs of doing business, thereby adversely affecting our profitability.

Our industry is subject to extensive laws, regulations and other requirements including, but not limited to, those relating to the environment, safety, employment, labor, immigration, minimum wages and overtime pay, health care and benefits, working conditions, public accessibility and other requirements. These laws and regulations are enforced by federal agencies including the EPA, the DOT, OSHA, the FRA, as well as numerous other state, local and federal agencies. Ongoing compliance with, or a violation of, these laws, regulations and other requirements could have a material adverse effect on our business, financial condition and results of operations.

We believe that our operations are in substantial compliance with applicable laws and regulations. However, these laws and regulations, and the interpretation or enforcement thereof, are subject to frequent change and varying interpretation by regulatory authorities, and we are unable to predict the ongoing cost to us of complying with these laws and regulations or the future impact of these laws and regulations on our operations. Violation of environmental or other laws, regulations and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions and construction bans or delays.

Under various federal, state and local environmental requirements, as the owner or operator of terminals or other facilities, we may be liable for the costs of removal or remediation of contamination at or from our existing locations, whether we knew of, or were responsible for, the presence of such contamination. The failure to timely report and properly remediate contamination may subject us to liability to third parties and may adversely affect our ability to sell or rent our property or to borrow money using our property as collateral. Additionally, we may be liable for the costs of remediating third-party sites where hazardous substances from our operations have been transported for treatment or disposal, regardless of whether we own or operate that site. In the future, we may incur substantial expenditures for investigation or remediation of contamination that has not yet been discovered at our current or former locations or locations that we may acquire.

A discharge of hydrocarbons or hazardous substances into the environment could subject us to substantial expense, including the cost to recover the materials spilled, restore the affected natural resources, pay fines and penalties, and natural resource damages and claims made by employees, neighboring landowners, government authorities and other third parties, including for personal injury and property damage. We may experience future catastrophic sudden or gradual releases into the environment from our facilities or discover historical releases that were previously unidentified or not assessed. Although our inspection and testing programs are designed to prevent, detect and address any such releases promptly, the liabilities incurred due to any future releases into the environment from our assets, have the potential to substantially affect our business. Such events could also subject us to media and public scrutiny that could have a negative effect on our operations and also on the value of our common units.

Changes in laws or standards affecting the transportation of North American crude oil by rail could significantly reduce volumes throughput at our facilities, and as a result our revenues could decline, which would have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders.

Investigations into past rail accidents involving the transport of crude oil have prompted government agencies and other interested parties to call for increased regulation of the transport of crude oil by rail including in the areas of crude oil constituents, rail car design, routing of trains and other matters. Regulation governing shipments of petroleum crude oil by rail requires shippers to properly test and classify petroleum crude oil and further requires shippers to treat Class 3 petroleum crude oil transported by rail in tank cars as a Packing Group I or II hazardous material only, which creates further classification and testing requirements, along with more severe penalties for violations. The DOT issued additional rules and regulations that require rail carriers to provide certain notifications to state agencies along routes utilized by trains over a certain length carrying crude oil, enhance safety training standards under the Rail Safety Improvement Act of 2008, require each railroad or contractor to develop and submit a training program to perform regular oversight and annual written reviews and establish enhanced tank car standards and operational controls for high-hazard flammable trains. These rules and any further changes in law, regulations or industry standards that require us to reduce the volatile or flammable constituents in crude oil that is transported by rail, alter the design or standards for rail cars we use, change the routing or scheduling of trains carrying crude oil or any other changes that detrimentally affect the economics of delivering North American crude oil by rail to PBF Energy’s or subsequently to third-party refineries, could increase our costs, which could have a material adverse effect on our financial condition, results of operations, cash flows and our ability to service our indebtedness.

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

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

We may incur significant liability for costs and capital expenditures to comply with environmental and health and safety regulations, which are complex and change frequently.

Our operations are subject to federal, state and local laws regulating, among other things, the handling of petroleum, petroleum products and other regulated materials, the emission and discharge of materials into the environment, waste management, and remediation of discharges of petroleum and petroleum products, characteristics and composition of gasoline and distillates and other matters otherwise relating to the protection of the environment. Our operations are also subject to extensive laws and regulations relating to occupational health and safety.

We cannot predict what additional environmental, health and safety legislation or regulations may be adopted in the future, or how existing or future laws or regulations may be administered or interpreted with respect to our operations. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time.

Certain environmental laws impose strict, and in certain circumstances, joint and several, liability for costs of investigation and cleanup of such spills, discharges or releases on owners and operators of, as well as persons who arrange for treatment or disposal of regulated materials at contaminated sites. Under these laws, we may incur liability or be required to pay penalties for past contamination, and third parties may assert claims against us for damages allegedly arising out of any past or future contamination. The potential penalties and clean-up costs for past or future releases or spills, the failure of prior owners of our facilities to complete their clean-up obligations, the liability to third parties for damage to their property, or the need to address newly-discovered information or conditions that may require a response could be significant, and the payment of these amounts could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the DCR Rail Facility is collocated with PBF Energy’s Delaware City Refinery and is located in Delaware’s coastal zone where certain activities are regulated under the CZA. Therefore, determinations regarding the CZA that impact the Delaware City Refinery may potentially adversely impact our assets even if we are not directly involved.

In 2013, the Delaware City Refinery obtained a permit to allow loading of crude oil onto barges (the “2013 Secretary’s Order”). The issuance of the permit was appealed by environmental interest groups and the DNREC’s issuance was ultimately upheld. The Delaware City Refinery appealed a Notice of Penalty Assessment and Secretary’s Order issued in March 2017 (the “2017 Secretary’s Order”), including a $0.2 million fine, alleging violations of the 2013 Secretary’s Order. DNREC determined that the Delaware City Refinery had violated the 2013 Secretary’s Order by failing to make timely and full disclosure to DNREC about the nature and extent of certain shipments and had misrepresented the number of shipments that went to other facilities. The penalty assessment and 2017 Secretary’s Order conclude that the 2013 Secretary’s Order was violated by the Paulsboro Refinery by shipping crude oil from the Delaware City Terminal to three locations other than the Paulsboro Refinery, on 15 days in 2014, making a total of 17 separate barge shipments containing approximately 35,700,000 gallons of crude oil in total. On April 28, 2017, the Delaware City Refinery appealed the Notice of Penalty Assessment and 2017 Secretary’s Order. On March 5, 2018, the Notice of Penalty Assessment was settled by DNREC, the Delaware Attorney General and Delaware City Refinery for $0.1 million. The Delaware City Refinery made no admission with respect to the alleged violations and agreed to request a CZA status decision prior to making crude oil shipments to destination other than to the Paulsboro Refinery. The CZA status decision was requested and the outstanding appeal was withdrawn as required under the settlement agreement.

On December 28, 2016, DNREC issued an Ethanol Permit to the Delaware City Refinery allowing the utilization of existing tanks and existing marine loading equipment at their existing facilities to enable denatured ethanol to be loaded from storage tanks to marine vessels and shipped to offsite facilities. On January 13, 2017, the issuance of the Ethanol Permit was appealed by two environmental groups. On February 27, 2017, the Coastal Zone Industrial Board (the “Coastal Zone Board”) held a public hearing and dismissed the appeal, determining that the appellants did not have standing. The appellants filed an appeal of the Coastal Zone Board’s decision with the Delaware Superior Court (the “Superior Court”) on March 30, 2017. On January 19, 2018, the Superior Court rendered an Opinion regarding the decision of the Coastal Zone Board to dismiss the appeal of the Ethanol Permit for the ethanol project. The Judge determined that the record created by the Coastal Zone Board was insufficient for the Superior Court to make a decision, and therefore remanded the case back to the Coastal Zone Board to address the deficiency in the record. Specifically, the Superior Court directed the Coastal Zone Board to address any evidence concerning whether the appellants’ claimed injuries would be affected by the increased quantity of ethanol shipments. On remand, the Coastal Zone Board met on January 28, 2019 and reversed its previous decision on standing, ruling that the appellants have standing to appeal the issuance of the Ethanol Permit. The Delaware City Refinery is currently evaluating its appeal options.

On October 19, 2017, the Delaware City Refinery received approval from DNREC for the construction and operation of the ethanol marketing project to allow for a combined total loading of up to 10,000 bpd, on an annual average basis, of ethanol on to marine vessels at the marine piers and the terminal truck loading rack, subject to certain operational and emissions limitations as well as other conditions. On the same date, Delaware City Logistics Company LLC received DNREC approval for the construction of (i) four additional loading arms for each of lanes 4, 10 and 11 for purposes of loading ethanol at its truck loading rack and (ii) a vapor vacuum control system for loading lanes connected to the existing vapor recovery unit located at its terminal in Delaware City. This approval is also subject to certain operational and emission limitations as well as other conditions.

Many of our assets have been in service for several years and could require significant expenditures to maintain them. As a result, our maintenance or repair costs may increase in the future.

Our pipelines, terminals and storage assets are generally long-lived assets, and many of them have been in service for many years. The age and condition of our assets could result in increased maintenance or repair expenditures in the future. Any significant increase in these expenditures could adversely affect our results of operations, financial position or cash flows, as well as our ability to service our indebtedness.

Regulation of emissions of greenhouse gases could force us to incur increased capital and operating costs and could have a material adverse effect on our results of operations and financial condition.

The EPA has taken steps to regulate GHGs under the CAA. The EPA has already adopted regulations limiting emissions of GHGs from motor vehicles, addressing the permitting of GHG emissions from stationary sources, and requiring the reporting of GHG emissions from specified large GHG emission sources, including refineries. These and similar regulations could require us to incur costs to monitor and report GHG emissions or reduce emissions of GHGs associated with our operations. In addition, various states, individually as well as in some cases on a regional basis, have taken steps to control GHG emissions, including adoption of GHG reporting requirements, cap and trade systems and renewable portfolio standards. Efforts have also been undertaken to delay, limit or prohibit EPA and possibly state action to regulate GHG emissions, and it is not possible at this time to predict the ultimate form, timing or extent of federal or state regulation. In the event we do incur increased costs as a result of increased efforts to control GHG emissions, we may not be able to pass on any of these costs to our customers. Such requirements also could adversely affect demand for commodities that we handle, transport and store. Any increased costs or reduced demand could materially and adversely affect our business and results of operation.

Climate change could have a material adverse impact on our operations and adversely affect our facilities.

Some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. We believe the issue of climate change will likely continue to receive scientific and political attention, with the potential for further laws and regulations that could materially adversely affect our ongoing operations.

In addition, as many of our facilities are located near coastal areas, rising sea levels may disrupt our ability to operate those facilities or transport crude oil and refined petroleum products. Extended periods of such disruption could have an adverse effect on our results of operation. We could also incur substantial costs to protect or repair these facilities.

Our business may suffer if any of our or PBF Energy's senior executives or other key employees discontinues employment with us or PBF Energy. Furthermore, a shortage of skilled labor or disruptions in our labor force may make it difficult for us to maintain labor productivity.

Our future success depends to a large extent on the services of our, and our general partner's, senior executives and other key employees and the same is true of PBF Energy and its senior executives and key employees. Our business depends on our continuing ability to recruit, train and retain highly qualified employees in all areas of our operations, including engineering, accounting, business operations, finance and other key back-office and mid-office personnel, or those of PBF Energy that we rely upon. Furthermore, our operations require skilled and experienced employees with proficiency in multiple tasks. The competition for these employees is intense, and the loss of these executives or employees could harm our business. If any of these executives or other key personnel resigns or becomes unable to continue in his or her present role and is not adequately replaced, either by us or PBF Energy, our business operations could be materially adversely affected.

A portion of our and PBF Energy's workforce is unionized, and we may face labor disruptions that would interfere with our operations.

At the East Coast Terminals and the East Coast Storage Assets and at PBF Energy's Delaware City, Toledo, Chalmette and Torrance refineries, most hourly employees are covered by collective bargaining agreements through the USW. The agreements with the USW covering the East Coast Terminals are scheduled to expire in April 2021, the agreement with the USW covering the Delaware City and Chalmette refineries are scheduled to expire in January

2022 and the agreement with the USW covering the East Coast Storage Assets is scheduled to expire in February 2022. The agreements with the USW covering the represented employees at the Torrance Refinery and

Torrance Logistics facilities expired in January 2019, with a tentative agreement in place that would extend the respective collective bargaining agreement expiration dates through January 2022, subject to an affirmative ratification vote and execution. Similarly, at the Paulsboro Refinery, hourly employees are represented by the IOW under a contract scheduled to expire in March 2022. Future negotiations as our collective agreements expire may result in labor unrest for which a strike or work stoppage is possible. Strikes and/or work stoppages could negatively affect our operational and financial results and may increase operating expenses at the refineries.

Our operations could be disrupted if our or PBF Energy’s information systems are hacked or fail, causing increased expenses and loss of sales.

We face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data systems unusable, threats to the security of our and PBF Energy’s facilities and infrastructure or third-party facilities and infrastructure, such as pipelines. The potential for such security threats has subjected our operations to increased risks that could have a material adverse effect on our business.

Our business is highly dependent on financial, accounting and other data processing systems and other communications and information systems, including such systems of PBF Energy that we utilize pursuant to the Omnibus Agreement. We process a large number of transactions on a daily basis and rely upon the proper functioning of computer systems. If a key system was hacked or otherwise interfered with by an unauthorized access, or was to fail or experience unscheduled downtime for any reason, even if only for a short period, our financial results could be affected adversely.

Additionally, we and PBF Energy rely on information systems across our and its operations, respectively, including the management of supply chain and various other processes and transactions. As a result, a disruption on any information systems at our operating locations, or at PBF Energy’s refineries, pipelines or terminals, may cause disruptions to our collective operations.

These systems could be damaged or interrupted by a security breach, cyber-attack, fire, flood, power loss, telecommunications failure or similar event. We have a formal disaster recovery plan in place, but this plan may not prevent delays or other complications that could arise from an information systems failure. Further, our business interruption insurance may not compensate us adequately for losses that may occur. Additionally, federal legislation relating to cyber-security threats could impose additional requirements on our operations. Finally, our implementation of additional procedures and controls in response to such legislation or to otherwise monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs.

Risks Related to Our Indebtedness

The 2023 Notes and the Revolving Credit Facility contain restrictions which could adversely affect our business, financial condition, results of operations and our ability to service our indebtedness.

We are dependent upon the earnings and cash flow generated by our operations in order to meet our debt service obligations. The Revolving Credit Facility and the indenture governing the 2023 Notes each contain, and any future financing agreements may contain, operating and financial restrictions and covenants that could restrict our ability to finance future operations or capital needs, or to expand or pursue our business activities, which may, in turn, limit our ability to service our indebtedness. For example, the Revolving Credit Facility and the indenture that governs the 2023 Notes restrict our ability to, among other things:

- make investments;

- incur or guarantee additional indebtedness or issue preferred units;
- pay dividends or make distributions on units or redeem or repurchase our subordinated debt;
- create liens;

- incur dividend or other payment restrictions affecting subsidiaries;
- sell assets;
- merge or consolidate with other entities; and
- enter into transactions with affiliates.

Furthermore, the Revolving Credit Facility contains covenants requiring us to maintain certain financial ratios.

The provisions of the Revolving Credit Facility may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our existing debt could result in an event of default that could enable our lenders, subject to the terms and conditions of such debt, to declare the outstanding principal, together with accrued interest, to be immediately due and payable. If we were unable to repay the accelerated amounts, our lenders could proceed against the collateral granted to them to secure such debt. If the payment of our debt is accelerated, defaults under our other debt instruments, if any, may be triggered, and our assets may be insufficient to repay such debt in full and the holders of our units could experience a partial or total loss of their investment. Please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Credit Facilities.”

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

At December 31, 2018, we had $156.0 million of borrowings, $4.0 million of letters of credit outstanding and an additional $340.0 million of total unused borrowing capacity under the Revolving Credit Facility and $525.0 million in aggregate principal amount of outstanding 2023 Notes. Our level of indebtedness could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- covenants contained in our existing and future credit and debt arrangements will require us to meet financial tests that may affect our flexibility in planning for and reacting to changes in our business, including possible acquisition opportunities;
- we will need a substantial portion of our cash flow to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations, future business opportunities and payments of our debt obligations, including the 2023 Notes;
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

Any of these factors could result in a material adverse effect on our business, financial condition, results of operations, business prospects and ability to satisfy our obligations under the 2023 Notes.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital. We may not be able to effect any of these actions on satisfactory terms or at all. The amount of cash we have available for distribution to holders of our common units depends primarily on our cash flow rather than on

our profitability, which may prevent us from making distributions, even during periods in which we record net income.

In addition, the amount of cash we have available for distribution does not depend solely on profitability, which may be affected by non-cash items. As a result, we may make cash distributions during periods when we record net losses for financial accounting purposes, and we may not make cash distributions during periods when we record net income for financial accounting purposes.

We have sold our U.S. Treasury securities (“marketable securities”) over time to fund our capital expenditures. In March 2017, we fully repaid our three-year, $300.0 million term loan facility (the “Term Loan”) and, as a result, such securities were no longer used to secure our obligation. During the year-ended December 31, 2017, we liquidated the remaining marketable securities. We may also rely on external sources including other borrowings under the Revolving Credit Facility, and issuances of equity and debt securities to fund any significant future expansion.

Any borrowings and letters of credit issued under the Revolving Credit Facility will be secured, and as a result, effectively senior to the 2023 Notes and the guarantees of the 2023 Notes by the guarantors, to the extent of the value of the collateral securing that indebtedness. In addition, the holders of any future debt we may incur that ranks equally with the 2023 Notes will be entitled to share ratably with the holders of the 2023 Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of us. This may have the effect of reducing the amount of proceeds paid to holders of the 2023 Notes in such events.

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

Interest rates on future credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. As with other yield-oriented securities, our unit price is impacted by the level of our cash distributions and implied distribution yield. The distribution yield is often used by investors to compare and rank yield-oriented securities for investment decision-making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our common units, and a rising interest rate environment could have an adverse impact on the price of our common units, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels.

We do not have the same flexibility as other types of organizations to accumulate cash which may limit cash available to service the 2023 Notes or to repay them at maturity.

Subject to the limitations on restricted payments contained in the Revolving Credit Facility, in the indenture governing the 2023 Notes and any other indebtedness, we distribute all of our “available cash” each quarter to our unitholders of record on the applicable record date.

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

- less, the amount of cash reserves established by our general partner to:
  - provide for the proper conduct of our business (including cash reserves for our future capital expenditures and anticipated future debt service requirements subsequent to that quarter);
  - comply with applicable law, any of our debt instruments or other agreements; or
  - provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters (provided that our general partner may not establish cash reserves for distributions if the effect of the establishment of such reserves will prevent us from distributing

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the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter);

- plus, if our general partner so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

The purpose and effect of the last bullet point above is to allow our general partner, if it so decides, to use cash from working capital borrowings made after the end of the quarter but on or before the date of determination of available cash for that quarter to pay distributions to unitholders. Under our partnership agreement, working capital borrowings are generally borrowings that are made under a credit facility, commercial paper facility or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to unitholders, and with the intent of the borrower to repay such borrowings within twelve months with funds other than from additional working capital borrowings.

As a result, we do not accumulate significant amounts of cash and thus do not have the same flexibility as corporations or other entities that do not pay dividends, or distributions, or have complete flexibility regarding the amounts they will distribute to their equity holders. The timing and amount of our distributions could significantly reduce the cash available to pay the principal, premium (if any) and interest on the 2023 Notes. The board of directors of our general partner will determine the amount and timing of such distributions and has broad discretion to establish and make additions to our reserves or the reserves of our operating subsidiaries as it determines are necessary or appropriate.

Although our payment obligations to our unitholders are subordinate to our payment obligations with respect to the 2023 Notes, the value of our units will decrease in correlation with decreases in the amount we distribute per unit. Accordingly, if we experience a liquidity problem in the future, we may not be able to issue equity to recapitalize.

Payment of principal and interest on the 2023 Notes is effectively subordinated to our senior secured debt to the extent of the value of the assets securing the debt and structurally subordinated as to the indebtedness of any of our subsidiaries that do not guarantee the 2023 Notes.

The 2023 Notes are our senior unsecured debt and rank equally in right of payment with all of our other existing and future unsubordinated debt. The 2023 Notes are effectively junior to all our existing and future secured debt, including the Revolving Credit Facility, to the extent of the value of the assets securing the debt, and to the existing and future secured debt of any subsidiaries that guarantee the 2023 Notes to the extent of the value of the assets securing the debt and structurally subordinated to any debt of our subsidiaries that do not guarantee the 2023 Notes. Holders of our secured obligations, including obligations under the Revolving Credit Facility, will have claims that are prior to claims of holders of the 2023 Notes with respect to the assets securing those obligations. In the event of liquidation, dissolution, reorganization, bankruptcy or any similar proceeding, our assets and those of our subsidiaries will be available to pay obligations on the 2023 Notes and the guarantees only after holders of our senior secured debt have been paid the value of the assets securing such debt.

In addition, although all of our existing subsidiaries, other than PBF Finance, initially guarantee the 2023 Notes, in the future, under certain circumstances, the guarantees are subject to release and we may have subsidiaries that are not guarantors. In that case, the 2023 Notes would be structurally junior to the claims of all creditors, including trade creditors and tort claimants, of our subsidiaries that are not guarantors. In the event of the liquidation, dissolution, reorganization, bankruptcy or similar proceeding of the business of a subsidiary that is not a guarantor, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the 2023 Notes. Accordingly, there may not be sufficient funds remaining to pay amounts due on all or any of the 2023 Notes.

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Further, although PBF LLC provides a limited guarantee of collection of the principal amount of the 2023 Notes, under the terms of such guarantee, PBF LLC will generally not have any obligation to make principal payments with respect to the 2023 Notes unless and until all remedies, including in the context of bankruptcy proceedings, have first been fully exhausted against us with respect to such payment obligations, and holders of the 2023 Notes are still owed amounts in respect of the principal of the 2023 Notes. In addition, PBF LLC is not subject to any of the covenants under the indenture governing the 2023 Notes.

The subsidiary guarantees of the 2023 Notes could be deemed fraudulent conveyances under certain circumstances, and a court may try to subordinate or void the subsidiary guarantees.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under a guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

- received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee and was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor’s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be voided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability, including contingent liabilities, on its existing debts as they become absolute and mature; or
- it could not pay its debts as they became due.

We cannot assure you as to what standard for measuring insolvency a court would apply or that a court would agree with our conclusions.

We may not be able to repurchase the 2023 Notes upon a change of control triggering event, and a change of control triggering event could result in us facing substantial repayment obligations under the Revolving Credit Facility and the 2023 Notes.

Upon occurrence of a change of control triggering event, the indenture governing the 2023 Notes provides that holders will have the right to require us to repurchase all or any part of their 2023 Notes with a cash payment equal to 101% of the aggregate principal amount of 2023 Notes repurchased, plus accrued and unpaid interest. Additionally, our ability to repurchase the 2023 Notes upon such a change of control triggering event would be limited by our access to funds at the time of the repurchase and the terms of our other debt agreements. In addition, the Revolving Credit Facility contains provisions relating to change of control of our general partner, our partnership and our operating subsidiaries. Upon a change of control triggering event, we may be required immediately to repay the outstanding principal, any accrued and unpaid interest on and any other amounts owed by us under the Revolving Credit Facility, the 2023 Notes and any other outstanding indebtedness. The source of funds for these

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repayments would be our available cash or cash generated from other sources. However, we cannot assure holders that we will have sufficient funds available or that we will be permitted by our other debt instruments to fulfill these obligations upon a change of control in the future, in which case the lenders under the Revolving Credit Facility would have the right to foreclose on our assets, which would have a material adverse effect on us. Furthermore, certain change of control events would constitute an event of default under the agreement governing the Revolving Credit Facility and we might not be able to obtain a waiver of such defaults. There is no restriction in our partnership agreement on the ability of our general partner to enter into a transaction which would trigger the change of control provisions of the Revolving Credit Facility or the indenture governing the 2023 Notes.

Many of the covenants in the indenture governing the 2023 Notes will terminate if the 2023 Notes are rated investment grade by Moody's and Standard & Poor's.

Many of the covenants in the indenture governing the 2023 Notes will terminate if the 2023 Notes are rated investment grade by Moody's and Standard & Poor's, provided at such time no default under the indenture has occurred and is continuing. These covenants restrict, among other things, our ability to pay distributions, incur debt, and to enter into certain other transactions. There can be no assurance that the 2023 Notes will ever be rated investment grade or that if they are rated investment grade, that the 2023 Notes will maintain these ratings. However, termination of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force.

Risks Inherent in an Investment in Us

Our general partner and its affiliates, including PBF Energy, have conflicts of interest with us and limited fiduciary duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders.

PBF Energy owns and controls our general partner and appoints all of the officers and directors of our general partner. All of the officers and certain of the directors of our general partner are also officers of PBF Energy. Although our general partner has a duty to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to PBF Energy. Conflicts of interest will arise between PBF Energy and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of PBF Energy over our interests and the interests of our unitholders. These conflicts include the following situations, among others:

- Neither our partnership agreement nor any other agreement requires PBF Energy to pursue a business strategy that favors us or utilizes our assets, including whether to increase or decrease refinery production, whether to shut down or reconfigure a refinery or what markets to pursue or grow. The directors and officers of PBF Energy have a fiduciary duty to make these decisions in the best interests of the stockholders of PBF Energy, which may be contrary to our interests. PBF Energy may choose to shift the focus of its investment and growth to areas not served by our assets.
- PBF Energy, as our primary customer, has an economic incentive to cause us not to seek higher service fees, even if such higher rates or fees would reflect rates and fees that could be obtained in arm's-length, third-party transactions.
- Our general partner is allowed to take into account the interests of parties other than us, such as PBF Energy, in resolving conflicts of interest.
- All of the officers and certain of the directors of our general partner are also officers of PBF Energy and will owe fiduciary duties to it. These officers will devote significant time to the business of PBF Energy and will be compensated by it accordingly.
- PBF Energy may be constrained by the terms of its debt instruments from taking actions, or refraining from taking actions, that may be in our best interests.

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- Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limits our general partner's liabilities and restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty.
- Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval.
- Disputes may arise under our commercial agreements with PBF Energy.
- Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuances of additional partnership units and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash available for distribution to our unitholders.
- Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion, investment or regulatory capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders.
- Our general partner determines which costs incurred by it are reimbursable by us.
- Our general partner may cause us to borrow funds in order to permit the payment of cash distributions.
- Our partnership agreement permits us to classify up to $20.0 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions to PBF LLC.
- Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf.
- Our general partner intends to limit its liability regarding our contractual and other obligations.
- PBF Energy and its controlled affiliates may exercise their right to call and purchase all of the common units not owned by them if they own more than 80% of the common units.
- Our general partner controls the enforcement of the obligations that it and its affiliates owe to us, including PBF Energy's obligations under the Omnibus Agreement and its commercial agreements with us.
- Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

PBF Energy may compete with us.

PBF Energy may compete with us. Under the Omnibus Agreement, PBF Energy and its affiliates agree not to engage in, whether by acquisition or otherwise, the business of owning or operating any crude oil, refined products or natural gas pipelines, terminals or storage facilities in the U.S. that are not within, directly connected to, substantially dedicated to, or otherwise an integral part of, any refinery owned, acquired or constructed by PBF Energy. This restriction, however, does not apply to:

- any assets owned by PBF Energy at the closing of the IPO (including replacements or expansions of those assets);
- any assets acquired or constructed by PBF Energy that are within, substantially dedicated to, or an integral part of any refinery owned, acquired or constructed by PBF Energy;
- any asset or business that PBF Energy acquires or constructs that has a fair market value of less than $25 million;
- any asset or business that PBF Energy acquires or constructs that has a fair market value of $25 million or more if the Partnership has been offered the opportunity and has elected not to purchase such asset, group of assets or business;

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- any logistics asset that PBF Energy acquires or constructs that has a fair market value of $25 million or more but comprises less than half of the fair market value (as determined in good faith by PBF Energy) of the total asset package acquired or constructed by PBF Energy;
- the purchase and ownership of a non-controlling interest in any publicly traded entity; and
- the ownership of the equity interests in us, our general partner and our affiliates.

As a result, PBF Energy has the ability to construct assets which directly compete with our assets. The limitations on the ability of PBF Energy to compete with us are terminable by either party if PBF Energy ceases to control our general partner.

Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including PBF Energy and its executive officers and directors. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our common unitholders.

If you are not an Eligible Holder, your common units may be subject to redemption.

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

It is our policy to distribute a significant portion of our cash available for distribution to our partners, which could limit our ability to grow and make acquisitions.

We distribute most of our cash available for distribution, which may cause our growth to proceed at a slower pace than that of businesses that reinvest their cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to our common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased interest expense, which, in turn, may impact the cash that we have available to distribute to our unitholders.

Our partnership agreement does not contain a requirement for us to pay distributions to our unitholders, and there is no guarantee that we will pay the minimum quarterly distribution, or any distribution, in any quarter.

The market price of our common units may fluctuate significantly, which could cause the value of your investment to decline.

The market price of our common units may decline and will likely continue to be influenced by many factors, some of which are beyond our control, including:

- the level of our quarterly distributions;
- our quarterly or annual earnings or those of other companies in our industry;
- announcements by us or our competitors of significant contracts or acquisitions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in tax laws and regulations;
- general economic conditions, including interest rates and governmental policies impacting interest rates;
- the failure of securities analysts to cover our common units or changes in financial estimates by analysts; and
- future sales of our common units.

These and other factors may cause the market price of our units to decrease significantly, which in turn would adversely affect the value of your investment.

In the past, following periods of volatility in the market price of a company’s securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and a diversion of management’s attention and resources, which could significantly harm our profitability and reputation.

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

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

- how to allocate business opportunities among us and its other affiliates;
- whether to exercise its limited call right;
- whether to seek approval of the resolution of a conflict of interest by the conflicts committee of the board of directors of our general partner; and
- whether or not to consent to any merger or consolidation of the partnership or amendment to the partnership agreement.

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

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

- whenever our general partner, the board of directors of our general partner or any committee thereof (including the conflicts committee) makes a determination or takes, or declines to take, any other action in their respective capacities, our general partner, the board of directors of our general partner and any committee thereof (including the conflicts committee), as applicable, is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the decision was in the best interests of our partnership, and, except as specifically provided by our partnership agreement, will not be subject to any other or different standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;
- our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith;
- our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and
- our general partner will not be in breach of its obligations under our partnership agreement (including any duties to us or our unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is:

approved by the conflicts committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval;
approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates;
determined by the board of directors of our general partner to be on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or
determined by the board of directors of our general partner to be fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner or the conflicts committee must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the conflicts committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth subbullets above, then it will be presumed that, in making its decision, the board of directors of our general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

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

Prior to making any distribution on our common units, we will reimburse our general partner and its affiliates, including PBF Energy, for costs and expenses they incur and payments they make on our behalf. Prior to making

distributions, we will pay our general partner and its affiliates an annual fee for the provision of centralized administrative services and employees and reimburse our general partner and its affiliates for direct or allocated costs and expenses incurred on our behalf pursuant to the Omnibus Agreement, which we currently estimate will total $7.0 million annually. In addition, prior to making distributions, we will pay an annual fee of $8.6 million to PBF Energy for the provision of certain utilities and other infrastructure-related services with respect to our business pursuant to the Services Agreement. Our partnership agreement provides that our general partner will determine in good faith the expenses that are allocable to us. The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates will reduce the amount of available cash to pay cash distributions to our common unitholders.

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders will have no right on an annual or ongoing basis to elect our general partner or its board of directors. Rather, the board of directors of our general partner will be appointed by PBF Energy. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which our common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

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

Unitholders currently are unable to remove our general partner without its consent because our general partner and its affiliates, including PBF Energy, own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 $^{2}/_{3}$% of all outstanding common units voting together as a single class is required to remove our general partner. PBF Energy currently indirectly owns 44.0% of our outstanding common units.

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

Unitholders' voting rights are further restricted by a provision of our partnership agreement providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter.

Our general partner interest or the control of our general partner may be transferred to a third-party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of any assets it may own without the consent of the unitholders. Furthermore, there is no restriction in our partnership agreement on the ability of PBF Energy to transfer its membership interest in our general partner to a third party. The new members of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and to control the decisions taken by the board of directors and officers.

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

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

- our existing unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

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

As of December 31, 2018, PBF Energy holds 19,953,631 common units. In addition, we have agreed to provide PBF Energy with certain registration rights. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

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

Our general partner intends to limit its liability under contractual arrangements so that the counterparties to such arrangements have recourse only against our assets and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner. Our partnership agreement permits our general partner to limit its liability, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution to our unitholders.

PBF Energy has a limited call right that may require you to sell your units at an undesirable time or price.

If at any time PBF Energy and its controlled affiliates own more than 80% of our common units, PBF Energy will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then-current market price, as calculated pursuant to the terms of our partnership agreement. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your units. PBF Energy owns 44.0% of our outstanding common units as of December 31, 2018.

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

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in and outside of Delaware. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if a court or government agency were to determine that:

- we were conducting business in a state but had not complied with that particular state’s partnership statute; or

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

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

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

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

We currently list our common units on the NYSE, under the symbol "PBFX." Because we are a publicly traded limited partnership, the NYSE does not require us to have, and we do not intend to have, a majority of independent directors on our general partner's board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders do not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements.

We incur costs as a result of being a publicly traded partnership.

As a public traded partnership, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and requirements of the Sarbanes-Oxley Act of 2002. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. These compliance requirements and costs will further increase once we are no longer an "emerging growth company," as defined in the JOBS Act (as defined below), which will occur December 31, 2019 at the latest, as we will need to comply with additional disclosure and reporting requirements, including an attestation report on internal control over financing reporting as of December 31, 2019 issued by our independent registered public accounting firm, and providing additional information regarding executive compensation in our Form 10-K for the year ended December 31, 2019. In addition, sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We expect to incur significant additional annual expenses related to these steps and other public company expenses. Before we are able to make distributions to our unitholders, we must first pay or reserve cash for our expenses, including the costs of being a publicly-traded partnership. As a result, the amount of cash we have available for distribution to our unitholders is affected by the costs associated with being a public company.

Pursuant to the Jumpstart Our Business Startups Act of 2012, our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company.

In general, public companies are required to disclose changes made in their internal control over financial reporting on a quarterly basis and to assess the effectiveness of their system of internal control over financial reporting on an annual basis. However, for as long as we are an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to other public companies that are not emerging growth companies, including not being required to provide an auditor's attestation report on the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, and reduced disclosure obligations regarding executive compensation in our periodic reports. We may remain an emerging growth company for up to five years. Effective internal controls are necessary for us to provide reliable and timely financial reports, prevent fraud and to operate successfully as a publicly traded partnership. We prepare our Consolidated Financial Statements in accordance with GAAP, but our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future or to comply with our obligations under Section 404. For example, Section 404 will require us, among other things, to annually review and report on the effectiveness of our internal control over financial reporting. Since the fiscal year ended December 31, 2014, we have complied with Section 404 (except for the requirement for an auditor's attestation report). Any failure to develop, implement or maintain effective internal controls or to improve our internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Even if we conclude that our internal controls over financial reporting are effective, our independent registered public accounting firm may still decline to attest to the operating effectiveness of our internal controls or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

Given the difficulties inherent in the design and operation of internal controls over financial reporting, in addition to our limited accounting personnel and management resources, we can provide no assurance as to our, or our independent registered public accounting firms, future conclusions about the effectiveness of our internal controls, and we may incur significant costs in our efforts to comply with Section 404. Any failure to implement and maintain effective internal controls over financial reporting will subject us to regulatory scrutiny and a loss of confidence in our reported financial information, which could have an adverse effect on our business and would likely have a negative effect on the trading price of our common units.

We may take advantage of these exemptions until we are no longer an "emerging growth company," which will occur December 31, 2019 at the latest. We cannot predict if investors will find our units less attractive because we will rely on these exemptions. If some investors find our units less attractive as a result, there may be a less active trading market for our units and our trading price may be more volatile.

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service, or IRS, were to treat us as a corporation for U.S. federal income tax purposes, which would subject us to entity-level taxation, or if we were otherwise subjected to a material amount of entity-level taxation, then our distributable cash flow to our unitholders would be substantially reduced.

The anticipated after-tax benefit of an investment in our units depends largely on our being treated as a partnership for U.S. federal income tax purposes.

Despite the fact that we are organized as a limited partnership under Delaware law, we will be treated as a corporation for U.S. federal income tax purposes unless we satisfy a “qualifying income” requirement. Based upon our current operations, we believe we satisfy the qualifying income requirement. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our income at the corporate tax rate and we would also likely be liable for additional state and local income taxes at varying rates. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to our unitholders. Because taxes would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced.

At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. Imposition of a material amount of any of these taxes in the jurisdictions in which we own assets or conduct business could substantially reduce the cash available for distribution to our unitholders.

If we were treated as a corporation or otherwise subjected to a material amount of entity-level taxation, there would be a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for U.S. federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

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

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time members of the U.S. Congress have proposed and considered substantive changes to the existing federal income tax laws, including the most recent tax law change in December 2017, which would affect publicly traded partnerships, including elimination of partnership tax treatment of publicly traded partnerships.

We are unable to predict whether any of these changes or other proposals will ultimately be enacted. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible for us to meet the exception to be treated as a partnership for U.S. federal income tax purposes and could negatively impact the value of an investment in our common units.

Further, Treasury Regulations under Section 7704(d)(1)(E) of the Code interpret the scope of qualifying income requirements for publicly traded partnerships by providing industry-specific guidance. We believe the income that we treat as qualifying satisfies the requirements under these regulations. However, there are no assurances that the regulations will not be revised to take a position that is contrary to our interpretation of current law.

If the IRS were to contest the U.S. federal income tax positions we take, it may adversely impact the market for our common units and our cash available for distribution to our unitholders might be substantially reduced.

The IRS may adopt positions that differ from the positions that we take, even positions taken with the advice of counsel. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the prices at which they trade. Moreover, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders and thus will be borne indirectly by our unitholders.

Pursuant to legislation applicable for partnership tax years beginning after 2017, if the IRS makes audit adjustments to our partnership tax returns, it may assess and collect any taxes (including applicable penalties and interest) resulting from such audit adjustments directly from us. To the extent possible under these new rules our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS in the year in which the audit is completed or, if we are eligible, issue a revised information statement to each current and former unitholder with respect to an audited and adjusted partnership tax return. Although our general partner may elect to have our current and former unitholders take such audit adjustment into account and pay any resulting taxes (including applicable penalties or interest) in accordance with their interests in us during the tax year under audit, there can be no assurance that such election will be practical, permissible or effective in all circumstances. If we make payments of taxes and any penalties and interest directly to the IRS in the year in which the audit is completed, our cash available for distribution to our unitholders might be substantially reduced, in which case our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if the unitholders did not own units in us during the tax year under audit.

Our unitholders’ share of our income is taxable to them for federal income tax purposes even if they do not receive any cash distributions from us.

Each unitholder is treated as a partner to whom we will allocate taxable income even if the unitholder does not receive any cash distributions from us. Unitholders are required to pay U.S. federal income taxes and, in some cases, state and local income taxes, on their share of our taxable income, whether or not they receive cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax due from them with respect to that income.

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

If our unitholders sell units, they will recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and their tax basis in those units. Because distributions in excess of their allocable share of our net taxable income decrease their tax basis in their units, the amount, if any, of such prior excess distributions with respect to the units a unitholder sells will, in effect, become taxable income to the unitholder if it sells such units at a price greater than its tax basis in those units, even if the price received is less than its original cost. Furthermore, a substantial portion of the amount realized on any sale of units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. Thus, a unitholder may recognize both ordinary income and capital loss from the sale of units if the amount realized on a sale of the units is less than the unitholder’s adjusted basis in units. In addition, because the amount realized includes a unitholder’s share of our non-recourse liabilities, a unitholder that sells units may incur a tax liability in excess of the amount of cash received from the sale.

Unitholders may be subject to limitations on their ability to deduct interest expense we incur.

Our ability to deduct business interest expense is limited for U.S. federal income tax purposes to an amount equal to our business interest income and 30% of our “adjusted taxable income” during the taxable year computed without regard to any business interest income or expense, and in the case of taxable years beginning before 2022, any deduction allowable for depreciation, amortization, or depletion. Business interest expense that we are not entitled to fully deduct will be allocated to each unitholder as excess business interest and can be carried forward by the unitholder to successive taxable years and used to offset any excess taxable income allocated by us to the unitholder. Any excess business interest expense allocated to a unitholder will reduce the unitholder's tax basis in its partnership interest in the year of the allocation even if the expense does not give rise to a deduction to the unitholder in that year.

Tax-exempt entities owning our units face unique tax issues that may result in substantially adverse tax consequences to them.

Investment in our units by tax-exempt entities, such as individual retirement accounts (known as "IRAs"), raises tax issues unique to them. For example, virtually all of our income allocated to entities exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them, despite their exempt status. Tax-exempt entities with multiple unrelated trades or businesses cannot aggregate losses from one unrelated trade or business to offset income from another to reduce total unrelated business taxable income. As a result, it may not be possible for tax-exempt entities to utilize losses from an investment in us to offset unrelated business taxable income from another unrelated trade or business and vice versa. Tax-exempt entities should consult a tax advisor before investing in our common units.

Non-U.S. unitholders will be subject to U.S. federal income taxes and withholding with respect to income and gain from owning our units.

Non-U.S. persons are generally taxed and subject to federal income tax filing requirements on income effectively connected with a U.S. trade or business. Income allocated to our unitholders and any gain from the sale of our common units will generally be considered to be "effectively connected" with a U.S. trade or business. As a result, distributions to a non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a non-U.S. unitholder who sells or otherwise disposes of a common unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that common unit.

Recently enacted legislation also imposes a federal income tax withholding obligation of 10% of the amount realized upon a non-U.S. person's sale or exchange of an interest in a partnership that is engaged in a U.S. trade or business. However, application of this withholding rule to dispositions of publicly traded partnership interests has been temporarily suspended by the IRS until regulations or other guidance have been issued. It is not clear when or if such regulations or guidance will be issued. Non-U.S. persons should consult a tax advisor before investing in our common units.

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

Because we cannot match transferors and transferees of common units, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to unitholders. Our counsel is unable to opine as to the validity of such filing positions. It also could affect the timing of these tax benefits or the amount of gain from a unitholder's sale of common units and could have a negative impact on the value of our common units or result in tax return audit adjustments.

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

We prorate our items of income, gain, loss and deduction between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. Although Treasury Regulations allow publicly traded partnerships to use a similar monthly simplifying convention to allocate tax items among transferor and transferee unitholders, these regulations do not specifically authorize all aspects of the proration method we have adopted. Accordingly, our counsel is unable to opine on the validity of our method of allocating income, gain, loss and deduction among transferor and transferee unitholders. If the IRS were to successfully challenge our proration method or new Treasury Regulations were issued, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose units are the subject of a securities loan (e.g., a loan to a “short seller” to cover a short sale of units) may be considered to have disposed of those units. If so, such unitholders would no longer be treated for tax purposes as a partner with respect to those units during the period of the loan and could recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequence of loaning a partnership interest, a unitholder whose units are the subject of a securities loan may be considered to have disposed of the loaned units. In that case, the unitholder may no longer be treated for U.S. federal income tax purposes as a partner with respect to those units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax adviser to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their units.

We have adopted certain valuation methodologies in determining a unitholder’s allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, and such a challenge could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates ourselves using a methodology based on the market value of our common units as a means to determine the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

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

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

In addition to U.S. federal income taxes, our unitholders will likely be subject to other taxes, including state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or control property now or in the future, even if they do not live in those jurisdictions. Our unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. As we make acquisitions or expand our business, we may control assets or conduct business in additional states that impose a personal income tax. It is our unitholders' responsibility to file all federal, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

See "Item 1. Business."

ITEM 3. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims 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 statements of cash flows. We are not aware of any significant legal or governmental proceedings against us, or contemplated to be brought against us.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

UNIT PRICE AND CASH DISTRIBUTIONS

Our common units trade on the NYSE under the symbol "PBFX." As of February 19, 2019, there were eight holders of record of our 25,395,190 outstanding common units held by the public, including common units held in street name. Our common units represent limited partner interests in us that entitle the holders to the rights and privileges specified in our partnership agreement. In addition, as of February 19, 2019, PBF Energy owned 19,953,631 of our common units, which constitute a 44.0% ownership interest in us.

Distributions of Available Cash

General

Our partnership agreement requires that, on or about the last day of each of February, May, August and November, we distribute all of our available cash to unitholders of record on the applicable record date.

Definition of Available Cash

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

- less, the amount of cash reserves established by our general partner to:
  - provide for the proper conduct of our business (including cash reserves for our future capital expenditures and anticipated future debt service requirements subsequent to that quarter);
  - comply with applicable law, any of our debt instruments or other agreements; or
  - provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters (provided that our general partner may not establish cash reserves for distributions if the effect of the establishment of such reserves will prevent us from distributing the minimum quarterly distribution on all common units and any cumulative arrearages on such common units for the current quarter);
- plus, if our general partner so determines, all or any portion of the cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

The purpose and effect of the last bullet point above is to allow our general partner, if it so decides, to use cash from working capital borrowings made after the end of the quarter but on or before the date of determination of available cash for that quarter to pay distributions to unitholders. Under our partnership agreement, working capital borrowings are generally borrowings that are made under a credit facility, commercial paper facility or similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to unitholders, and with the intent of the borrower to repay such borrowings within twelve months with funds other than from additional working capital borrowings.

Intent to Distribute the Minimum Quarterly Distribution

We have made and intend to continue to make a minimum quarterly distribution to the holders of our common units of at least $0.30 per unit, or $1.20 per unit on an annualized basis, to the extent we have sufficient cash from our operations after the establishment of cash reserves and the payment of costs and expenses, including reimbursements of expenses to our general partner. However, we have no obligation to, and there is no guarantee

that we will pay the minimum quarterly distribution or any amount on our units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.

General Partner Interest

Our general partner owns a non-economic general partner interest in us, which does not entitle it to receive cash distributions. However, our general partner may in the future own common units or other equity securities in us and will be entitled to receive distributions on any such interests.

Incentive Distribution Rights

Prior to the IDR Restructuring, PBF LLC held IDRs that entitled it to receive increasing percentages, up to a maximum of 50.0%, of the cash we distributed from operating surplus in excess of $0.345 per unit per quarter. The maximum distribution of 50.0% included distributions paid to PBF LLC on its partner interest. The maximum distribution of 50.0% did not include any distributions that PBF LLC previously received on common units that it owns. For each of the quarters in the year ended December 31, 2018, PBF LLC was entitled to receive distributions at the 50.0% level. PBF LLC received IDR payments of $12.7 million and $7.6 million from PBFX for the years ended December 31, 2018 and 2017, respectively. As a result of the closing of the IDR Restructuring, the IDRs will be canceled and no subsequent distributions will be made to PBF LLC with respect to the IDRs.

Subordinated Units

In connection with the IPO, we issued 15,886,553 subordinated units to PBF LLC. These units were deemed "subordinated" because for a period of time, referred to as the subordination period, the subordinated units were not entitled to receive any distributions from operating surplus until the common units had received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Furthermore, no arrearages were paid on the subordinated units. The practical effect of the subordinated units was to increase the likelihood that during the subordination period there was sufficient cash from operating surplus to pay the minimum quarterly distribution on the common units.

On June 1, 2017, the requirements under our partnership agreement for the conversion of all subordinated units into common units were satisfied and the subordination period ended. As a result, each of the 15,886,553 outstanding subordinated units converted on a one-for-one basis 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 outstanding units representing limited partner interests.

UNREGISTERED SALE OF EQUITY SECURITIES

As described elsewhere in this Form 10-K and in our Current Report on Form 8-K filed with the SEC on August 2, 2018, we issued 1,494,134 common units representing limited partner interests in us to PBF LLC, as the consideration for the Development Assets Acquisition on July 31, 2018. The issuance of common units was completed in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, under Section 4(a)(2), as a transaction by an issuer not involving a public offering. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the Development Assets Acquisition.

During the three months ended December 31, 2018, the Partnership did not repurchase any of its equity securities.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

See Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters” for information relating to compensation plans under which the Partnership’s securities are authorized for issuance.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data as of and for each of the five years in the period ended December 31, 2018, which is derived from the combined financial results of our Predecessor for periods presented through May 13, 2014, and our consolidated financial results for the period beginning May 14, 2014, the date we commenced operations. Our Predecessor includes the financial results of the IPO Assets acquired from PBF Energy and its subsidiaries in connection with the IPO through May 14, 2014. In addition, all financial information has been retrospectively adjusted for the Acquisitions from PBF as noted below.

We acquired from PBF LLC the DCR West Rack and the Toledo Storage Facility in 2014, the DCR Products Pipeline and Truck Rack in 2015, the Torrance Valley Pipeline in 2016, the Paulsboro Natural Gas Pipeline in 2017 and the Development Assets in 2018. All of the Acquisitions from PBF were transfers between entities under common control. Accordingly, our financial information, and that of our Predecessor, contained herein has been retrospectively adjusted to include the historical results of the assets acquired in the Acquisitions from PBF prior to the effective date of each acquisition for all periods presented, with the exception of the Delaware Ethanol Storage Facility, which is considered an asset purchase. Net income (loss) attributable to the Acquisitions from PBF prior to their respective acquisition effective dates was allocated entirely to PBF GP as if only PBF GP had rights to that net income (loss); therefore, there is no retrospective adjustment to net income per unit.

With the exception of revenue generated by the DCR Products Pipeline and the Paulsboro Lube Oil Terminal, our Predecessor generally recognized only the costs and did not record revenue for transactions with PBF Energy prior to the IPO and the Acquisitions from PBF. Affiliate revenues have been recorded for all of the assets subsequent to the commencement of the commercial agreements with PBF Energy upon completion of the IPO and the Acquisitions from PBF. As a result, the information included in the following tables is not necessarily comparable on a year-over-year basis. Refer to “Factors Affecting the Comparability of Our Financial Results” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K for further information and our Consolidated Financial Statements and the related notes thereto included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

	Year Ended December 31,				
	2018	2017	2016	2015	2014 (a)
	(In thousands, except unit and per unit amounts)				
Statement of operations data:					
Total revenues (b)	$283,440	$257,588	$189,006	$142,696	$59,990
Net income	100,837	110,016	74,807	69,008	10,597
Loss attributable to Predecessor	(2,443)	(4,986)	(11,832)	(4,840)	(19,367)
Income attributable to noncontrolling interest	17,819	14,565	5,679	—	—
Net income attributable to the partners	85,461	100,437	80,960	73,848	29,964
Income attributable to the IDR holder (c)	10,011	9,055	4,031	—	—
Net income attributable to PBF Logistics LP unitholders	$75,450	$91,382	$76,929	$73,848	$29,964
Net income per limited partner unit (d):					
Common units - basic	$1.73	$2.17	$2.01	$2.18	$0.94
Common units - diluted	$1.73	$2.17	$2.01	$2.18	$0.94
Subordinated units - basic and diluted	$—	$2.15	$2.01	$2.18	$0.93
Weighted-average limited partner units outstanding (d):					
Common units - basic	43,646,997	35,505,446	22,288,118	17,956,152	16,167,802
Common units - diluted	43,731,299	35,568,760	22,338,784	17,956,152	16,169,827
Subordinated units - basic and diluted	—	6,572,245	15,886,553	15,886,553	15,886,553
Cash distribution per unit	$1.9900	$1.8950	$1.7400	$1.5200	$0.7900
Balance sheet data (at period end):					
Total assets	$956,353	$748,215	$767,380	$434,136	$412,488
Debt	673,324	548,793	571,675	599,635	507,848
Cash flows provided by (used in):					
Operating activities	$133,141	$138,182	$94,053	$73,656	$5,996
Investing activities	(175,696)	(50,234)	70,298	(9,308)	(282,740)
Financing activities	42,799	(132,505)	(118,808)	(59,835)	290,834
Net change in cash and cash equivalents	$244	$(44,557)	$45,543	$4,513	$14,090
Capital expenditures (e):					
Expansion	$169,023	$85,662	$121,026	$8,179	$43,526
Maintenance	6,168	4,596	2,920	1,826	4,285
Regulatory	505	—	—	—	—
Total capital expenditures	$175,696	$90,258	$123,946	$10,005	$47,811

(a) The information presented includes the results of operations of our Predecessor for periods presented through May 13, 2014 and of our operations for the period beginning May 14, 2014, the date we commenced operations.

(b) We, and our Predecessor, did not record revenue for the Contributed Assets (with the exception of the Paulsboro Lube Oil Terminal) prior to the IPO or the effective date of the Acquisitions from PBF.

(c) Subsequent to the closing of the IDR Restructuring, the IDRs will be canceled and, as a result, no income was allocated to the IDR holder, as the holder will not be entitled to an IDR distribution, related to the fourth quarter of 2018.

(d) Information is applicable for the periods subsequent to the IPO.

(e) Expansion capital expenditures include acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long term. Maintenance capital expenditures include expenditures required to maintain equipment, ensure the reliability, integrity and safety of our terminals, tanks and pipelines. Regulatory capital expenditures include expenditures incurred to address environmental laws or regulations.

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

The Acquisitions from PBF were transfers between entities under common control. Accordingly, our financial information, and that of our Predecessor, contained herein has been retrospectively adjusted to include the historical results of the assets acquired in the Acquisitions from PBF prior to the effective date of each acquisition for all periods presented with the exception of the Delaware Ethanol Storage Facility, which is considered an asset purchase.

With the exception of revenue generated by the DCR Products Pipeline and the Paulsboro Lube Oil Terminal, our Predecessor generally recognized only the costs and did not record revenue for transactions with PBF Energy prior to the IPO and the Acquisitions from PBF. Affiliate revenues have been recorded for all of our assets in the Transportation and Terminaling and Storage segments subsequent to the commencement of the commercial agreements with PBF Energy upon completion of the IPO and the Acquisitions from PBF. See “Item 6. Selected Financial Data” and “Factors Affecting the Comparability of Our Financial Results” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further information. See “Overview” in “Item 1. Business” for further information regarding the Acquisitions from PBF.

The following information concerning our results of operations and financial condition should be read in conjunction with “Item 1. Business,” “Item 1A. Risk Factors,” “Item 2. Properties,” “Item 6. Selected Financial Data,” and “Item 8. Financial Statements and Supplementary Data,” respectively, included in this Form 10-K.

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995, which involve risk and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or “anticipate
expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time, make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time; therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as “cautionary statements,” are disclosed under “Item 1A. Risk Factors,” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-K. All forward-looking information in this Form 10-K and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- our limited operating history as a separate public partnership;
- changes in general economic conditions;
- our ability to make, complete and integrate acquisitions from affiliates or third parties, and to realize the benefits from such acquisitions;
- our ability to have sufficient cash from operations to enable us to pay the minimum quarterly distribution;

- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the supply of, and demand for, crude oil, refined products, natural gas and logistics services;
- our ability to successfully implement our business plan;
- our dependence on PBF Energy for a substantial majority of our revenues subjects us to the business risks of PBF Energy, which includes the possibility that contracts will not be renewed because they are no longer beneficial for PBF Energy;
- a substantial majority of our revenue is generated at PBF Energy's facilities, particularly at PBF Energy's Delaware City, Toledo and Torrance refineries, and any adverse development at any of these facilities could have a material adverse effect on us;
- our ability to complete internal growth projects on time and on budget;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to handling crude oil, petroleum products and natural gas;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- changes in the availability and cost of capital;
- the effects of existing and future laws and governmental regulations, including those related to the shipment of crude oil by trains;
- 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 PBF Energy's refined products and natural gas and the differential in the prices of different crude oils;
- the suspension, reduction or termination of PBF Energy's obligations under our commercial agreements;
- disruptions due to equipment interruption or failure at our facilities, PBF Energy's facilities or third-party facilities on which our business is dependent;
- incremental costs as a separate public partnership;
- our general partner and its affiliates, including PBF Energy, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders;
- our partnership agreement restricts the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty;
- holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors;
- our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as not being subject to a material amount of entity level taxation by individual states;
- changes at any time (including on a retroactive basis) in the tax treatment of publicly traded partnerships, including related impacts on potential dropdown transactions with PBF LLC, or an investment in our common units;
- our unitholders will be required to pay taxes on their share of our taxable income even if they do not receive any cash distributions from us;
- the effects of future litigation; and
- other factors discussed elsewhere in this Form 10-K.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-K may not in fact occur. Accordingly, investors should not place undue reliance on those statements.

Our forward-looking statements speak only as of the date of this Form 10-K or as of the date which they are made. Except as required by applicable law, including the securities laws of the U.S., we undertake no obligation to update or revise any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

Overview

We are a fee-based, growth-oriented, Delaware master limited partnership formed in February 2013 by subsidiaries of PBF Energy to own or lease, operate, develop and acquire crude oil and refined petroleum products terminals, pipelines, storage facilities and similar logistics assets. PBF GP is our general partner and is wholly-owned by PBF LLC. PBF Energy is the sole managing member of PBF LLC and, as of December 31, 2018, owned 99% of the total economic interest in PBF LLC. As of December 31, 2018, PBF LLC held a 44% limited partner interest in us and owned all of the IDRs, with the remaining 56% limited partner interest owned by public unitholders. Immediately following the closing of the IDR Restructuring, our IDRs will be canceled and PBF LLC will hold a 54.1% limited partner interest in us.

Our business includes the assets, liabilities and results of operations of certain crude oil, refined products, natural gas and intermediates terminaling, pipeline, and storage assets, including those previously operated and owned by PBF Holding's subsidiaries and PBF Holding's previously held subsidiaries. See "Item 1. Business" in this Form 10-K for more detailed information on our business and assets.

Business Developments

Knoxville Terminals Purchase

On April 16, 2018, our wholly-owned subsidiary, PLPT, completed the purchase of the Knoxville Terminals from Cummins for total cash consideration of $58.0 million, excluding working capital adjustments. The transaction was financed through a combination of cash on hand and borrowings under the Revolving Credit Facility. This acquisition was accounted for as a business combination under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further discussion regarding the Knoxville Terminals Purchase.

East Coast Storage Assets Acquisition

On July 16, 2018, we entered into an agreement with Crown Point to purchase its wholly-owned subsidiary, CPI, whose assets consist of the East Coast Storage Assets, for total consideration of $127.0 million, including working capital and the Contingent Consideration, comprised of an initial payment at closing of $75.0 million with a remaining balance of $32.0 million being payable one year after closing. The Contingent Consideration included in the East Coast Storage Assets Acquisition pertains to an earn-out provision related to an existing commercial agreement with a third-party, based on the future results of restarting certain of the acquired idled assets. The acquisition date estimated fair value of the Contingent Consideration payable was $21.1 million. The East Coast Storage Assets Acquisition closed on October 1, 2018. The transaction was financed through a combination of cash on hand and borrowings under the Revolving Credit Facility. This acquisition was accounted for as a business combination under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements included in "Item 8. Financial

Statements and Supplementary Data" of this Form 10-K for further discussion regarding the East Coast Storage Assets Acquisition and the Contingent Consideration.

Registered Direct Offering

On July 16, 2018, we completed the Registered Direct Offering, through which we issued and sold to certain funds managed by Tortoise Capital Advisors, L.L.C. an aggregate of 1,775,750 common units representing limited partner interests in us for gross proceeds of $35.0 million. The Registered Direct Offering closed on July 30, 2018.

Development Assets Acquisition

On July 16, 2018, we entered into the Development Assets Contribution Agreements. Pursuant to the Development Assets Contribution Agreements, we acquired from PBF LLC all of the issued and outstanding limited liability company interests of TRLC, whose assets consist of the Toledo Rail Products Facility; CLC, whose assets consist of the Chalmette Truck Rack and the Chalmette Rosin Yard; PTC, whose assets consist of the Paulsboro Lube Oil Terminal; and DSLC, whose assets consist of the Delaware Ethanol Storage Facility. Total consideration for the Development Assets Acquisition was $31.6 million, consisting of 1,494,134 common units representing limited partner interests in us issued to PBF LLC. The Development Assets Acquisition closed on July 31, 2018 and was accounted for as a transfer of assets between entities under common control under GAAP. Refer to Note 4 “Acquisitions” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for further discussion regarding the Development Assets Acquisition.

Revolving Credit Facility

On July 30, 2018, we entered into the Revolving Credit Facility with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of lenders. The Revolving Credit Facility amended and restated our five-year $360.0 million revolving credit facility entered into in connection with the closing of the IPO. Among other things, the Revolving Credit Facility increased the maximum commitment available to us from $360.0 million to $500.0 million and extended the maturity date to July 2023. The commitment fees on the unused portion, the interest rate on advances and the fees for letters of credit are consistent with our original five-year, $360.0 million revolving credit facility. The Revolving Credit Facility contains representations, warranties and covenants by us, as well as customary events of default and indemnification obligations that are consistent with, or more favorable to us, than those in the original facility. Refer to Note 7 “Debt” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for further discussion regarding the Revolving Credit Facility.

IDR Restructuring Agreement

On February 13, 2019, we entered into the IDR Restructuring Agreement with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into 10,000,000 newly issued PBFX common units. The IDR Restructuring is expected to close on February 28, 2019. Subsequent to the close of the IDR Restructuring, no distributions will be made to PBF LLC with respect to the IDRs and the newly issued PBFX common units will be entitled to normal distributions.

Rail Agreement Amendments

On February 13, 2019, we amended the existing Amended and Restated Delaware City Rail Terminaling Services Agreement for the inclusion of services through the East Coast Rail Assets. We also entered into a new Terminaling Services Agreement with a four year term starting in 2022 subsequent to the expiration of the Amended and Restated Delaware City Rail Terminaling Services Agreement, related to the DCR Rail Facility and the East Coast Rail Assets, which will reduce the MVC to 95,000 bpd and includes additional services to be provided by us as operator of facilities owned by PBF Holding’s subsidiaries.

Principles of Combination and Consolidation and Basis of Presentation

Our Predecessor did not historically operate its assets for the purpose of generating revenues independent of other PBF Energy businesses that we support, with the exception of the DCR Products Pipeline and the Paulsboro Lube Oil Terminal. In connection with the closing of the IPO and the Acquisitions from PBF, we entered into commercial and service agreements with subsidiaries of PBF Energy under which we operate our assets for the purpose of generating fee-based revenues. We receive, handle and transfer crude oil, refined products and natural gas from sources located throughout the U.S. and Canada and store crude oil, refined products and intermediates for PBF Energy in support of its refineries located in Paulsboro, New Jersey, Delaware City, Delaware, Toledo, Ohio, Chalmette, Louisiana and Torrance, California. We acquired various terminal, pipeline and storage assets from PBF Energy, which are integral components of the crude oil, refined products and natural gas delivery and storage operations at PBF Energy's refineries. In addition, we generate third-party revenue from certain of our assets, including the Knoxville Terminals and the East Coast Storage Assets subsequent to our acquisitions in 2018.

The consolidated financial statements presented in this Form 10-K include our consolidated financial results as of and for the period ending December 31, 2018. We have retrospectively adjusted our financial information contained herein to include the historical results of the Acquisitions from PBF prior to the effective date of each transaction including the Development Assets, with the exception of the Delaware Ethanol Storage Facility as it is considered an asset purchase, prior to the Development Assets Acquisition.

Business Strategies

We continue to focus on the following strategic areas:

- Maintain Safe, Reliable and Efficient Operations. We are committed to maintaining and improving the safety, reliability, environmental compliance and efficiency of our operations. We seek to improve operating performance through our commitment to our preventive maintenance program and to employee training and development programs. We will continue to emphasize safety in all aspects of our operations. We believe these objectives are integral to maintaining stable cash flows and are critical to the success of our business.
- Generate Stable, Fee-Based Cash Flow. We believe our long-term, fee-based logistics contracts provide us with stable, predictable cash flows. We generate a substantial majority of our revenue from PBF Energy under various commercial agreements which include minimum quarterly volume commitments, minimum storage commitments and inflation escalators with initial terms of one to fifteen years. In addition, we generate third-party revenue from certain of our assets, which include fee-based commercial agreements. Over time, we will continue to seek to enter into similar contracts with PBF Energy and/or third parties that generate stable and predictable cash flows.
- Grow Through Acquisitions and Organic Projects. We were formed by PBF Energy to be the primary vehicle to expand the logistics assets supporting its business. We expect to pursue strategic acquisitions independently and jointly with PBF Energy that complement and grow our asset base. PBF Energy has also granted us a right of first offer to acquire certain of its logistics assets. PBF Energy may, under certain circumstances, offer us the opportunity to purchase additional logistics assets that it may acquire or construct in the future. Furthermore, we believe that our current asset base and our knowledge of the refining logistics sector will allow us to identify third-party acquisitions that will provide compelling returns to our unitholders. We believe certain of our acquisitions, including the Knoxville Terminals Purchase and the East Coast Storage Assets Acquisition, are examples of such strategic acquisitions. In addition, we pursue strategic organic projects that enhance our existing assets and increase our revenues. The Chalmette Storage Tank and the recently announced Development Assets projects are examples of recently completed organic growth projects.
- Seek to Optimize Our Existing Assets and Pursue Third-Party Volumes. We intend to enhance the profitability of our existing and future assets by increasing throughput volumes from PBF Energy, attracting third-party volumes, improving operating efficiencies and managing costs.

How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our business and segment performance. These metrics are significant factors in assessing our operating results and profitability and include but are not limited to volumes, including terminal and pipeline throughput and storage capacity; operating and maintenance expenses; and EBITDA, EBITDA attributable to PBFX and distributable cash flow. We define EBITDA, EBITDA attributable to PBFX and distributable cash flow below.

Volumes. The amount of revenue we generate primarily depends on the volumes of crude oil, refined products and natural gas that we throughput at our terminaling and pipeline operations and our available storage capacity. These volumes are primarily affected by the supply of and demand for crude oil, refined products and natural gas in the markets served directly or indirectly by our assets. Although PBF Energy has committed to minimum volumes under the commercial agreements, our results of operations will be impacted by:

- PBF Energy’s utilization of our assets in excess of the MVCs;
- our ability to identify and execute accretive acquisitions and organic expansion projects, and capture incremental PBF Energy or third-party volumes; and
- our ability to increase throughput volumes at our facilities and provide additional ancillary services at those terminals and pipelines.

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

EBITDA, EBITDA attributable to PBFX and Distributable Cash Flow. We define EBITDA as net income (loss) before net interest expense (including amortization of loan fees and debt premium and accretion on discounted liabilities), income tax expense, depreciation and amortization expense. We define EBITDA attributable to PBFX as net income (loss) attributable to PBFX before net interest expense (including amortization of loan fees and debt premium and accretion on discounted liabilities), income tax expense, depreciation and amortization expense attributable to PBFX, which excludes the results of Acquisitions from PBF prior to the effective dates of such transactions. We define distributable cash flow as EBITDA attributable to PBFX plus non-cash unit-based compensation expense, less cash interest, maintenance capital expenditures attributable to PBFX and income taxes. Distributable cash flow will not reflect changes in working capital balances. EBITDA, EBITDA attributable to PBFX and distributable cash flow are not presentations made in accordance with GAAP.

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

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

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We believe that the presentation of EBITDA and EBITDA attributable to PBFX provides useful information to investors in assessing our financial condition and results of operations. We believe that the presentation of distributable cash flow will provide useful information to investors as it is a widely accepted financial indicator used by investors to compare partnership performance and provides investors with another perspective on the operating performance of our assets and the cash our business is generating. EBITDA, EBITDA attributable to PBFX and distributable cash flow should not be considered alternatives to net income, operating income, cash from operations or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA, EBITDA attributable to PBFX 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, EBITDA attributable to PBFX and distributable cash flow may be defined differently by other companies in our industry, our definition of such matters may not be comparable to similarly titled measures of other companies, thereby diminishing their utility. EBITDA, EBITDA attributable to PBFX and distributable cash flow are reconciled to net income and net cash provided by operating activities in this Form 10-K in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations.”

Factors Affecting the Comparability of Our Financial Results

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

Revenues. There are differences in the way our Predecessor historically reported revenues for services provided to PBF Energy and the way we record revenues subsequent to the closing of the IPO and effective dates of the Acquisitions from PBF, and our third-party acquisitions. The majority of our assets have historically been a part of the integrated operations of PBF Energy, and the operation of such assets, prior to our ownership, did not generate third-party or inter-entity revenue with the exception of the DCR Products Pipeline and the Paulsboro Lube Oil Terminal. Revenues are also affected by the completion of organic growth projects, such as the Chalmette Storage Tank.

Following the closing of the IPO, the effective dates of the Acquisitions from PBF and our third-party acquisitions, revenues are primarily generated from the commercial agreements that we entered into with PBF Holding, and others, under which we receive fees for logistics services. Our reported logistics assets revenues are fee-based, and a majority are subject to contractual MVCs. These fees are indexed for inflation in accordance with either the FERC indexing methodology, the PPI or the CPI-U.

General and Administrative Expenses. Historically, our general and administrative expenses included direct monthly charges for the management and operation of our logistics assets and certain expenses allocated by PBF Energy for general corporate services, such as treasury, accounting and legal services. These expenses were allocated to us based on the nature of the expenses and our proportionate share of employee time and headcount. Pursuant to the terms of the Omnibus Agreement, PBF Energy charges us an administrative fee for providing such services. This fee is updated annually and has also been increased in connection with certain of the Acquisitions from PBF as the services have expanded to cover additional assets and personnel. Additionally, we generally reimburse our general partner and its affiliates, including subsidiaries of PBF Energy, for the full salaries and benefits costs of employees who devote more than 50% of their time to us, which is currently estimated to be approximately $2.0 million annually. Refer to “Item 1. Business—Agreements with PBF Energy—Omnibus Agreement” in this Form 10-K for further information regarding these fees and services.

Financing. Historically, we have financed our operations and capital expenditure requirements through internally generated cash flows, proceeds generated by equity and debt offerings and borrowings under the Revolving Credit Facility. In 2016, in connection with the Plains Asset Purchase, we borrowed an additional $98.5 million under the

Revolving Credit Facility, which was used to repay $98.3 million of our Term Loan in order to release $98.3 million in marketable securities that had collateralized the Term Loan, and in connection with the acquisition of the Torrance Valley Pipeline, we borrowed an additional $76.2 million under the Revolving Credit Facility, which was used to repay $76.2 million of our Term Loan in order to release $76.2 million in marketable securities that had collateralized the Term Loan. In connection with the acquisition of the Paulsboro Natural Gas Pipeline in 2017, through our newly acquired subsidiary, Paulsboro Natural Gas Pipeline Company LLC ("PNGPC"), we entered into an $11.6 million intercompany promissory note (the "Affiliate Note Payable") with Paulsboro Refining Company LLC, a wholly-owned subsidiary of PBF Holding. During March and December 2017, we fully repaid the remaining outstanding balances of the Term Loan and the Affiliate Note Payable, respectively. In October 2017, we issued the additional 2023 Notes for an aggregate principal amount of $175.0 million and used the net proceeds from the additional 2023 Notes to repay a portion of the outstanding borrowings under our existing Revolving Credit Facility. During 2018, we have incurred net borrowings of $126.3 million under the Revolving Credit Facility (or the predecessor arrangement) including borrowings for the Knoxville Terminals Purchase and the East Coast Storage Assets Acquisition. On July 30, 2018, we entered into the amended and restated Revolving Credit Facility, which, among other things, increased the maximum commitment available to us from $360.0 million to $500.0 million.

IDR Restructuring. On February 13, 2019, we entered into the IDR Restructuring Agreement with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into 10,000,000 newly issued PBFX common units. The IDR Restructuring is expected to close on February 28, 2019. Subsequent to the IDR Restructuring, the IDRs will be canceled and no distributions will be made to PBF LLC with respect to the IDRs and the newly issued PBFX common units will be entitled to normal distributions. As such, no income was allocated to the IDR holder for the three months ended December 31, 2018.

Third-party Transactions. On April 29, 2016, we completed the Plains Asset Purchase, which has subsequently generated third-party revenues. On April 17, 2017, our wholly-owned subsidiary, PLPT, acquired the Toledo Products Terminal from Sunoco. On April 16, 2018, we, through our wholly-owned subsidiary, PLPT, acquired the Knoxville Terminals from Cummins. On October 1, 2018, we completed the acquisition of the East Coast Storage Assets from Crown Point.

As a result, our results may not be comparable due to additional revenue (including incremental third-party revenue), operating and maintenance expenses and general and administrative expenses associated with the third-party transactions listed above.

Other Factors That Will Significantly Affect Our Results

Supply and Demand for Crude Oil and Refined Products. We generate revenue by charging fees for receiving, handling, transferring, storing and throughputting crude oil, refined products and natural gas. The majority of our revenues are derived from MVC, fee-based commercial agreements with subsidiaries of PBF Energy with initial terms ranging from one to fifteen years, which enhance the stability of our cash flows. The volume of crude oil, refined products and natural gas that is throughput depends substantially on PBF Energy's refining margins. Refining margins are greatly dependent upon the price of crude oil or other refinery feedstocks, refined products and natural gas.

Factors driving the prices of petroleum-based commodities include supply and demand in crude oil, gasoline and other refined products. Supply and demand for these products depend on numerous factors outside of our control, including changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, logistics constraints, availability of imports, marketing of competitive fuels, crude oil price differentials and government regulation. Please read "Item 1A. Risk Factors" in this Form 10-K for more information on factors affecting margins and commodity pricing.

Acquisition and Organic Growth Opportunities. We may acquire additional logistics assets from PBF Energy or third parties. Under our Omnibus Agreement, subject to certain exceptions, we have a right of first offer on certain logistics assets owned by PBF Energy to the extent PBF Energy decides to sell, transfer or otherwise dispose of any of those assets. We also have a right of first offer to acquire additional logistics assets that PBF Energy may construct or acquire in the future. Our commercial agreements provide us with options to purchase certain assets at PBF Holding's refineries related to our business in the event PBF Energy permanently shuts down PBF Holding's refineries. In addition, our commercial agreements provide us with the right to use certain assets at PBF Holding's refineries in the event of a temporary shutdown. Furthermore, we may pursue strategic asset acquisitions from third parties or organic growth projects to the extent such acquisitions or projects complement our or PBF Energy's existing asset base or provide attractive potential returns. We believe that we are well-positioned to acquire logistics assets from PBF Energy and third parties should such opportunities arise, and identifying and executing acquisitions and organic growth projects is a key part of our strategy. However, if we do not complete acquisitions or organic growth projects on economically acceptable terms, our future growth will be limited, and the acquisitions or projects we do complete may reduce, rather than increase, our cash available for distribution. These acquisitions and organic growth projects could also affect the comparability of our results from period to period. We expect to fund future growth capital expenditures primarily from a combination of cash-on-hand, borrowings under the Revolving Credit Facility and the issuance of additional equity or debt securities. To the extent we issue additional units to fund future acquisitions or expansion capital expenditures, the payments of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level.

Third-Party Business. As of December 31, 2018, PBF Energy accounts for the substantial majority of our revenues and we continue to expect the majority of our revenue for the foreseeable future will be derived from operations supporting PBF Energy's refineries. We are examining further diversification of our customer base by potentially developing additional third-party throughput volumes in our existing system and continuing to expand our asset portfolio to service third-party customers. Unless we are successful in attracting additional third-party customers, our ability to increase volumes will be dependent on PBF Energy, which has no obligation under our commercial agreements to supply our facilities with additional volumes in excess of its MVCs. If we are unable to increase throughput volumes, future growth may be limited.

Noncontrolling Interest. As a result of the acquisition of the Torrance Valley Pipeline, PBFX Op Co became the managing member of Torrance Valley Pipeline Company LLC ("TVPC") and fully consolidates TVPC. With respect to the consolidation of TVPC, we record a noncontrolling interest for the remaining 50% economic interest in TVPC held by TVP Holding Company LLC ("TVP Holding"). Noncontrolling interest on the consolidated statements of operations includes the portion of net income or loss attributable to the economic interest in TVPC held by TVP Holding. Noncontrolling interest on the consolidated balance sheets includes the portion of net assets of TVPC attributable to TVP Holding.

Results of Operations

A discussion and analysis of the factors contributing to our results of operations is presented below. The financial information contained herein has been retrospectively adjusted to include the historical results of the Acquisitions from PBF for all periods presented prior to the effective date of each transaction. 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.

Combined Overview. The following tables summarize our results of operations and financial data for the years ended December 31, 2018, 2017 and 2016. The following data should be read in conjunction with our Consolidated Financial Statements and the notes thereto included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Revenue:			
Affiliate	$259,426	$240,654	$175,448
Third-Party	24,014	16,934	13,558
Total revenue	283,440	257,588	189,006
Costs and expenses:			
Operating and maintenance expenses	88,390	73,521	51,393
General and administrative expenses	21,371	16,284	16,967
Depreciation and amortization	29,809	24,404	15,406
Total costs and expenses	139,570	114,209	83,766
Income from operations	143,870	143,379	105,240
Other expense:			
Interest expense, net	(40,541)	(31,875)	(28,755)
Amortization of loan fees and debt premium	(1,717)	(1,488)	(1,678)
Accretion on discounted liabilities	(775)	—	—
Net income	100,837	110,016	74,807
Less: Net loss attributable to Predecessor	(2,443)	(4,986)	(11,832)
Less: Net income attributable to noncontrolling interest	17,819	14,565	5,679
Net income attributable to the partners	85,461	100,437	80,960
Less: Net income attributable to the IDR holder	10,011	9,055	4,031
Net income attributable to PBF Logistics LP unitholders	$75,450	$91,382	$76,929
Other Data:			
EBITDA attributable to PBFX	$152,428	$152,084	$121,911
Distributable cash flow	111,586	120,038	94,547
Capital expenditures, including acquisitions	175,696	90,258	123,946

Reconciliation of Non-GAAP Financial Measures. As described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Evaluate Our Operations,” our management uses EBITDA, EBITDA attributable to PBFX and distributable cash flow to analyze our performance. The following table presents a reconciliation of EBITDA, EBITDA attributable to PBFX and distributable cash flow to net income, the most directly comparable GAAP financial measure of operating performance on a historical basis, for the periods indicated.

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Net income	$100,837	$110,016	$74,807
Interest expense, net	40,541	31,875	28,755
Amortization of loan fees and debt premium	1,717	1,488	1,678
Accretion of discounted liabilities	775	—	—
Depreciation and amortization	29,809	24,404	15,406
EBITDA	173,679	167,783	120,646
Less: Predecessor EBITDA	(2,051)	(4,303)	(8,763)
Less: Noncontrolling interest EBITDA	23,302	20,002	7,498
EBITDA attributable to PBFX	152,428	152,084	121,911
Non-cash unit-based compensation expense	5,757	5,345	4,360
Cash interest	(40,685)	(33,050)	(28,844)
Maintenance capital expenditures attributable to PBFX	(5,914)	(4,341)	(2,880)
Distributable cash flow	$111,586	$120,038	$94,547

The following table presents a reconciliation of EBITDA, EBITDA attributable to PBFX and distributable cash flow to net cash provided by operating activities, the most directly comparable GAAP financial measure of liquidity on a historical basis, for the periods indicated.

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Net cash provided by operating activities	$133,141	$138,182	$94,053
Change in operating assets and liabilities	5,754	3,071	2,198
Interest expense, net	40,541	31,875	28,755
Non-cash unit-based compensation expense	(5,757)	(5,345)	(4,360)
EBITDA	173,679	167,783	120,646
Less: Predecessor EBITDA	(2,051)	(4,303)	(8,763)
Less: Noncontrolling interest EBITDA	23,302	20,002	7,498
EBITDA attributable to PBFX	152,428	152,084	121,911
Non-cash unit-based compensation expense	5,757	5,345	4,360
Cash interest	(40,685)	(33,050)	(28,844)
Maintenance capital expenditures attributable to PBFX	(5,914)	(4,341)	(2,880)
Distributable cash flow	$111,586	$120,038	$94,547

The following table presents a reconciliation of net income attributable to noncontrolling interest and noncontrolling interest EBITDA for informational purposes.

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Net income attributable to noncontrolling interest	$17,819	$14,565	$5,679
Depreciation and amortization related to noncontrolling interest (a)	5,483	5,437	1,819
Noncontrolling interest EBITDA	$23,302	$20,002	$7,498

(a) Represents 50% of depreciation and amortization for TVPC for the years ended December 31, 2018 and 2017.

The following tables present a summary of our results of operations for the years ended December 31, 2018, 2017 and 2016, disaggregated to present the results of our operations and the pre-acquisition results of the Development Assets, PNGPC and TVPC, respectively. For purpose of the tables, PBF Logistics LP includes the post-close results of such assets.

	Year Ended December 31, 2018		
	PBF Logistics LP	Development Assets	Consolidated Results
	(In thousands)		
Revenue:			
Affiliate	$259,426	$ —	$ 259,426
Third-party	22,085	1,929	24,014
Total revenue	281,511	1,929	283,440
Costs and expenses:			
Operating and maintenance expenses	84,410	3,980	88,390
General and administrative expenses	21,371	—	21,371
Depreciation and amortization	29,417	392	29,809
Total costs and expenses	135,198	4,372	139,570
Income (loss) from operations	146,313	(2,443)	143,870
Other expense:			
Interest expense, net	(40,541)	—	(40,541)
Amortization of loan fees and debt premium	(1,717)	—	(1,717)
Accretion on discounted liabilities	(775)	—	(775)
Net income (loss)	$103,280	$ (2,443)	$ 100,837

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	Year Ended December 31, 2017			
	PBF Logistics LP	PNGPC	Development Assets	Consolidated Results
	(In thousands)			
Revenue:				
Affiliate	$240,654	$—	$ —	$ 240,654
Third-party	14,159	—	2,775	16,934
Total revenue	254,813	—	2,775	257,588
Costs and expenses:				
Operating and maintenance expenses	66,443	40	7,038	73,521
General and administrative expenses	16,284	—	—	16,284
Depreciation and amortization	23,721	110	573	24,404
Total costs and expenses	106,448	150	7,611	114,209
Income (loss) from operations	148,365	(150)	(4,836)	143,379
Other expense:				
Interest expense, net	(31,875)	—	—	(31,875)
Amortization of loan fees and debt premium	(1,488)	—	—	(1,488)
Net income (loss)	$115,002	$(150)	$ (4,836)	$ 110,016

	Year Ended December 31, 2016				
	PBF Logistics LP	TVPC	PNGPC	Development Assets	Consolidated Results
	(In thousands)				
Revenue:					
Affiliate	$175,448	$—	$—	$ —	$ 175,448
Third-party	11,887	—	—	1,671	13,558
Total revenue	187,335	—	—	1,671	189,006
Costs and expenses:					
Operating and maintenance expenses	41,317	2,845	401	6,830	51,393
General and administrative expenses	16,609	353	5	—	16,967
Depreciation and amortization	12,337	1,819	827	423	15,406
Total costs and expenses	70,263	5,017	1,233	7,253	83,766
Income (loss) from operations	117,072	(5,017)	(1,233)	(5,582)	105,240
Other expense:					
Interest expense, net	(28,755)	—	—	—	(28,755)
Amortization of loan fees	(1,678)	—	—	—	(1,678)
Net income (loss)	$86,639	$(5,017)	$(1,233)	$ (5,582)	$ 74,807

Summary. Our net income for the year ended December 31, 2018 decreased by approximately $9.2 million, or 8.3%, to $100.8 million from $110.0 million for the year ended December 31, 2017. The decrease in net income was primarily due to the following:

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an increase in operating and maintenance expenses of approximately $14.9 million, or 20.2%, as a result of increased utilities expenses within our Transportation and Terminaling segment, higher maintenance and materials expenses and expenses related to the operations of recently acquired or constructed assets, partially offset by a decrease in outside services expenses within our Transportation and Terminaling segment;

- an increase in general and administrative expenses of approximately $5.1 million, or 31.2%, as a result of higher acquisition related costs, higher audit and tax-related fees and higher outside services expenses;
- an increase in depreciation and amortization expenses of approximately $5.4 million, or 22.1%, related to the timing of acquisitions and new assets being placed in service;
- an increase in interest expense, net of approximately $8.7 million, or 27.2%, attributable to the interest costs associated with the additional 2023 Notes, partially offset by lower borrowings under the Revolving Credit Facility for a majority of the year;
- an increase in amortization of loan fees and debt premium of approximately $0.2 million, or 15.4%, attributable to the increase in loans fees and debt premium associated with the additional 2023 Notes and the Revolving Credit Facility;
- an increase in accretion of discounted liabilities of approximately $0.8 million, or 100.0%, attributable to the accretion of the discounted liabilities recorded in connection with the East Coast Storage Assets Acquisition;

partially offset by the following:

- an increase in total revenue of approximately $25.9 million, or 10.0%, primarily attributable to operations of recently acquired or constructed assets and the inflation rate adjustments implemented in accordance with certain of our commercial agreements (“Inflation Rate Increase”), partially offset by decreases in throughput fees resulting from the amendments to the Delaware City Rail Terminaling Services Agreement and the Delaware West Ladder Rack Terminaling Services Agreement, each between Delaware City Terminaling Company LLC and PBF Holding, effective January 1, 2018 (together, the “Amended and Restated Rail Agreements”).

Our net income for the year ended December 31, 2017 increased by approximately $35.2 million, or 47.1%, to $110.0 million from $74.8 million for the year ended December 31, 2016. The increase in net income was primarily due to the following:

- an increase in total revenue of approximately $68.6 million, or 36.3%, primarily attributable to the full year operations of the Torrance Valley Pipeline and the East Coast Terminals, in addition to operations of assets that were acquired or constructed in 2017;
- a decrease in general and administrative expenses of approximately $0.7 million, or 4.0%, as a result of lower acquisition related costs, partially offset by higher unit-based compensation expense and higher fees associated with the Omnibus Agreement;
- a decrease in amortization of loan fees and debt premium of approximately $0.2 million, or 11.3%, attributable to the repayment of the Term Loan, offset by the increase in loans fees and debt premium associated with the additional 2023 Notes;

partially offset by the following:

- an increase in operating and maintenance expenses of approximately $22.1 million, or 43.1%, primarily attributable to full year operations of the Torrance Valley Pipeline and the East Coast Terminals, in addition to operations of assets that were acquired or constructed in 2017, partially offset by a decrease in outside services due to lower throughput at certain of our assets;
- an increase in depreciation and amortization expenses of approximately $9.0 million, or 58.4%, related to the timing of acquisitions and new assets being placed in service; and
- an increase in interest expense, net of approximately $3.1 million, or 10.9%, attributable to the interest costs associated with the additional 2023 Notes, higher borrowings under the Revolving Credit Facility for a majority of the year and the Affiliate Note Payable.

Segment Information

Our operations are comprised of operating segments, which are strategic business units that offer different services in various geographical locations. We review operations in two reportable segments: (i) Transportation and Terminaling; and (ii) Storage. 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 the segment operating income. Segment operating income is defined as net revenue less operating expenses and depreciation and amortization. General and administrative expenses and interest expenses not included in the Transportation and Terminaling and Storage segments are included in Corporate. Segment reporting is further discussed in Note 13 “Segment Information” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

Transportation and Terminaling Segment

The following table and discussion is an explanation of our results of operations of the Transportation and Terminaling segment for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands, except as noted)		
Revenue:			
Affiliate	$232,316	$217,404	$153,637
Third-party	18,096	16,934	13,558
Total revenue	250,412	234,338	167,195
Costs and expenses:			
Operating and maintenance expenses	76,176	65,885	42,705
Depreciation and amortization	24,899	21,650	12,978
Total costs and expenses	101,075	87,535	55,683
Transportation and Terminaling Segment Operating Income	$149,337	$146,803	$111,512
Key Operating Information			
Transportation and Terminaling Segment			
Terminals			
Total throughput (bpd)*	291,655	204,833	164,210
Lease tank capacity (average lease capacity barrels per month)**	2,067,660	2,089,529	2,023,304
Pipelines			
Total throughput (bpd)*	164,787	140,900	149,831
Lease tank capacity (average lease capacity barrels per month)**	1,583,294	1,250,930	1,439,846

(*) Calculated as the sum of the average throughput per day for each asset group for the period presented.
(**) Lease capacity is based on tanks in service and average lease capacity available during the period.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue. Revenue increased by approximately $16.1 million, or 6.9%, to $250.4 million for the year ended December 31, 2018 compared to $234.3 million for the year ended December 31, 2017. The increase in revenue was primarily attributable to operations of recently acquired or constructed assets, increased throughput in excess of MVC levels at certain of our assets and the Inflation Rate Increase, partially offset by decreases in throughput fees resulting from the Amended and Restated Rail Agreements.

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Operating and Maintenance Expenses. Operating and maintenance expenses increased by approximately $10.3 million, or 15.6%, to $76.2 million for the year ended December 31, 2018 compared to $65.9 million for the year ended December 31, 2017. The increase in operating and maintenance expenses was primarily attributable to operations of recently acquired or constructed assets, higher utilities expenses related to increased throughput volumes on our pipeline assets and higher maintenance and materials expenses, partially offset by a decrease in outside services expenses.

Depreciation and Amortization. Depreciation and amortization expense increased by approximately $3.2 million, or 15.0%, to $24.9 million for the year ended December 31, 2018 compared to $21.7 million for the year ended December 31, 2017. The increase in depreciation and amortization expense was primarily attributable to the timing of acquisitions and new assets being placed in service.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue. Revenue increased by approximately $67.1 million, or 40.2%, to $234.3 million for the year ended December 31, 2017 compared to $167.2 million for the year ended December 31, 2016. The increase in revenue was primarily attributable to the full year operations of the Torrance Valley Pipeline and the East Coast Terminals, in addition to operations of assets that were acquired or constructed in 2017.

Operating and Maintenance Expenses. Operating and maintenance expenses increased by approximately $23.2 million, or 54.3%, to $65.9 million for the year ended December 31, 2017 compared to $42.7 million for the year ended December 31, 2016. The increase in operating and maintenance expenses was primarily attributable to the full year operations of the Torrance Valley Pipeline and the East Coast Terminals, in addition to operations of assets that were acquired or constructed in 2017, partially offset by a decrease in outside services due to lower throughput at certain of our assets.

Depreciation and Amortization. Depreciation and amortization expense increased by approximately $8.7 million, or 66.8%, to $21.7 million for the year ended December 31, 2017 compared to $13.0 million for the year ended December 31, 2016. The increase in depreciation and amortization expense was primarily attributable to the timing of acquisitions and new assets being placed in service.

Storage Segment

The following table and discussion is an explanation of our results of operations of the Storage segment for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands, except as noted)		
Revenue:			
Affiliate	$27,110	$ 23,250	$ 21,811
Third-party	5,918	—	—
Total revenue	33,028	23,250	21,811
Costs and expenses:			
Operating and maintenance expenses	12,214	7,636	8,688
Depreciation and amortization	4,910	2,754	2,428
Total costs and expenses	17,124	10,390	11,116
Storage Segment Operating Income	$15,904	$ 12,860	$ 10,695
Key Operating Information			
Storage Segment			
Storage capacity reserved (average shell capacity barrels per month)*	7,550,292	4,363,630	3,635,236

(*) Storage capacity is based on tanks in service and average shell capacity available during the period.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue. Revenue increased by approximately $9.8 million, or 42.1%, to $33.0 million for the year ended December 31, 2018 compared to $23.3 million for the year ended December 31, 2017. The increase in revenue was primarily attributable to operations of the East Coast Storage Assets, the full year operations of the Chalmette Storage Agreement commencing in November 2017, higher available storage capacity and the Inflation Rate Increase.

Operating and Maintenance Expenses. Operating and maintenance expenses increased by approximately $4.6 million, or 60.0%, to $12.2 million for the year ended December 31, 2018 compared to $7.6 million for the year ended December 31, 2017. The increase in operating and maintenance expenses was primarily attributable to higher maintenance activity, as well as expenses associated with the East Coast Storage Assets and the full year operations of the Chalmette Storage Tank.

Depreciation and Amortization. Depreciation and amortization expense increased by approximately $2.2 million, or 78.3%, to $4.9 million for the year ended December 31, 2018 compared to $2.8 million for the year ended December 31, 2017. The increase in depreciation and amortization expense was primarily attributable to the East Coast Storage Assets and a full year of depreciation for the Chalmette Storage Tank.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue. Revenue increased by approximately $1.4 million, or 6.6%, to $23.3 million for the year ended December 31, 2017 compared to $21.8 million for the year ended December 31, 2016. The increase in

revenue was primarily attributable to higher storage capacity at the Toledo Storage Facility, as well as the Chalmette Storage Tank commencing service in November 2017.

Operating and Maintenance Expenses. Operating and maintenance expenses decreased by approximately $1.1 million, or 12.1%, to $7.6 million for the year ended December 31, 2017 compared to $8.7 million for the year ended December 31, 2016. The decrease in operating and maintenance expenses was primarily attributable to lower maintenance activity.

Depreciation and Amortization. Depreciation and amortization expense increased by approximately $0.3 million, or 13.4%, to $2.8 million for the year ended December 31, 2017 compared to $2.4 million for the year ended December 31, 2016. The increase in depreciation and amortization expense was primarily attributable to the Chalmette Storage Tank being placed in service in 2017.

Liquidity and Capital Resources

During 2018, we incurred net borrowings of $126.3 million including borrowings for the Knoxville Terminals Purchase and the East Coast Storage Assets Acquisition. On July 30, 2018, we entered into the amended and restated Revolving Credit Facility, which increased the maximum commitment available to us from $360.0 million to $500.0 million.

Refer to Notes 4 “Acquisitions” and 7 “Debt” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for additional information.

At December 31, 2018, we had $156.0 million of borrowings and $4.0 million of letters of credit outstanding under the Revolving Credit Facility and $525.0 million in aggregate principal amount of outstanding 2023 Notes.

We expect our ongoing sources of liquidity to include cash generated from operations (including proceeds from our commercial agreements with PBF Holding), borrowings under the Revolving Credit Facility and the issuance of additional debt and equity securities as appropriate given market conditions. We expect that these sources of funds will be adequate to provide for our short-term and long-term liquidity needs. We have sold our marketable securities over time to fund our capital expenditures. As a result, our marketable securities, coupled with the availability under the Revolving Credit Facility, initially provided us with the ability to fund capital expenditures without increasing the net amount of our outstanding borrowings. All of our marketable securities have been liquidated as of December 31, 2017. Our ability to meet our debt service obligations and other capital requirements, including capital expenditures and distributions on our units, as well as make future acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control. As a normal part of our business, depending on market conditions, we will from time to time consider opportunities to repay, redeem, repurchase or refinance our indebtedness.

We have paid, and intend to continue to pay, at least the minimum quarterly distribution of $0.30 per unit per quarter, or $1.20 per unit on an annualized basis, which aggregates to approximately $13.8 million per quarter and approximately $55.2 million per year based on the number of common units outstanding as of December 31, 2018. Immediately following the closing of the IDR Restructuring, we will require available cash of approximately $16.8 million on an annualized basis, or approximately $67.2 million per year, to pay the minimum quarterly distribution.

The tables below summarize our 2018 and 2017 quarterly distributions related to our quarterly financial results:

Quarter Ended	Declaration Date	Quarterly Distribution per Common and Subordinated Unit	Quarterly Distribution per Common and Subordinated Unit, Annualized	Total Cash Distribution (in thousands) (a)
December 31, 2018	February 14, 2019	$ 0.5050	$ 2.0200	$ 27,951
September 30, 2018	October 31, 2018	0.5000	2.0000	26,315
June 30, 2018	August 2, 2018	0.4950	1.9800	25,860
March 31, 2018	May 3, 2018	0.4900	1.9600	23,553
December 31, 2017	February 15, 2018	0.4850	1.9400	23,058
September 30, 2017	November 2, 2017	0.4800	1.9200	22,636
June 30, 2017	August 3, 2017	0.4700	1.8800	21,797
March 31, 2017	May 4, 2017	0.4600	1.8400	20,938

(a) Cash distributions are paid in the quarter subsequent to the period in which the distributions are earned. For the quarter ended December 31, 2018, total cash distribution was estimated based on vested shares anticipated to be outstanding as of the record date. We do not expect the actual distribution to be materially different.

Expiration of Subordination Period

On June 1, 2017, the requirements under our partnership agreement for the conversion of all subordinated units into common units were satisfied and the subordination period ended. As a result, each of our 15,886,553 outstanding subordinated units converted on a one-for-one basis 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 our outstanding units representing limited partner interests. Refer to Notes 8 “Equity” and 10 “Net Income per Unit” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for additional information.

Credit Facilities

Revolving Credit Facility

The maximum amount of the Revolving Credit Facility was increased to $500.0 million in July 2018. We have the ability to further increase the maximum amount of the Revolving Credit Facility by an additional $250.0 million, to a total facility size of $750.0 million, subject to receiving increased commitments from its lenders or other financial institutions and satisfaction of certain conditions. Refer to Note 7 “Debt” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for further information regarding the Revolving Credit Facility, as well as information pertaining to corresponding financial and other covenants. We are in compliance with our financial and other covenants as of December 31, 2018.

Senior Notes

On May 12, 2015, we and our wholly-owned subsidiary, PBF Finance (and together with us, the "Issuers"), issued $350.0 million aggregate principal amount of the initial 2023 Notes. On October 6, 2017, we issued $175.0 million in aggregate principal amount of the additional 2023 Notes. The additional 2023 Notes were issued under the indenture governing the initial 2023 Notes.

The 2023 Notes are guaranteed on a senior unsecured basis by all of our subsidiaries. In addition, PBF LLC provides a limited guarantee of collection of the principal amount of the 2023 Notes, but is not otherwise subject to the covenants of the indenture governing the 2023 Notes. We have the option to repurchase all or a portion of the 2023 Notes at varying prices no less than 100% of the principal amounts of the notes plus accrued and unpaid interest. The holders of the 2023 Notes have the option to require that we repurchase the principal amounts of the 2023 Notes together with any accrued and unpaid interest to the date of redemption only upon a change in control, certain asset sale transactions, or in the event of a default as defined in the indenture governing the 2023 Notes. In addition, the 2023 Notes contain covenants limiting our and our restricted subsidiaries' ability to make certain types of investments, incur additional debt, issue preferred equity, create liens, make certain payments, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. We are in compliance with the covenants as of December 31, 2018.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Net cash provided by operating activities	$133,141	$138,182	$94,053
Net cash (used in) provided by investing activities	(175,696)	(50,234)	70,298
Net cash provided by (used in) financing activities	42,799	(132,505)	(118,808)
Net change in cash and cash equivalents	$244	$(44,557)	$45,543

Cash Flows from Operating Activities

Net cash provided by operating activities decreased by approximately $5.0 million to $133.1 million for the year ended December 31, 2018 compared to $138.2 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities was primarily the result of a decrease in net income of approximately $9.2 million and a net decrease in the net changes in operating assets and liabilities of approximately $2.7 million primarily driven by the timing of collection of accounts receivables and liability payments, partially offset by a net increase in non-cash charges relating to depreciation and amortization, amortization of loan fees and debt premium, accretion on discounted liabilities and unit-based compensation of approximately $6.8 million.

Net cash provided by operating activities increased by approximately $44.1 million to $138.2 million for the year ended December 31, 2017 compared to $94.1 million for the year ended December 31, 2016. The increase in net cash provided by operating activities was primarily the result of an increase in net income of approximately $35.2 million and a net increase non-cash charges relating to depreciation and amortization, amortization of loan fees and debt premium and unit-based compensation of approximately $9.8 million, partially offset by a net decrease in the net changes in operating assets and liabilities of approximately $0.9 million primarily driven by the timing of collection of accounts receivables and liability payments.

Cash Flows from Investing Activities

Net cash used in investing activities increased by approximately $125.5 million to $175.7 million for the year ended December 31, 2018 compared to $50.2 million for the year ended December 31, 2017. The increase in net cash used in investing activities was primarily the result of capital expenditures related to the East Coast Terminals Acquisition of $75.0 million and the Knoxville Terminals Purchase of $58.4 million and a decrease in net sales and maturities of marketable securities of approximately $40.0 million, partially offset by a decrease in capital expenditures of approximately $37.8 million primarily related to the construction of assets in 2017 and the Toledo Products Terminal Acquisition of $10.1 million in April 2017.

Net cash used in investing activities changed by approximately $120.5 million to $50.2 million for the year ended December 31, 2017 compared to net cash provided by investing activities of $70.3 million for the year ended

December 31, 2016. The change in net cash used in investing activities was primarily the result of a decrease in net sales and maturities of marketable securities of approximately $154.2 million, an increase in capital expenditures of approximately $54.6 million primarily related to the construction of assets in 2017 and the Toledo Products Terminal Acquisition of $10.1 million in April 2017, partially offset by the Plains Asset Purchase of $98.4 million in April 2016.

Cash Flows from Financing Activities

Net cash provided by financing activities changed by approximately $175.3 million to $42.8 million for the year ended December 31, 2018 compared to net cash used in financing activities of $132.5 million for the year ended December 31, 2017. Net cash provided by financing activities for the year ended December 31, 2018 consisted of net borrowings under the Revolving Credit Facility of $126.3 million, net proceeds from the issuance of common units of $34.8 million and a contribution from PBF LLC of $4.2 million related to the 2018 pre-acquisition activities of the Development Assets, partially offset by distributions to unitholders of $98.8 million, distributions to TVPC members of $20.3 million and deferred financing costs of $3.5 million. Net cash used in financing activities for the year ended December 31, 2017 consisted of net repayments on the Revolving Credit Facility of $159.5 million, distributions to unitholders of $85.4 million, repayment of our Term Loan of $39.7 million, distributions to TVPC members of $21.5 million, repayment of our Affiliate Note Payable of $11.6 million and deferred financing costs of $3.7 million, partially offset by the proceeds from the issuance of the additional 2023 Notes of $178.5 million and a contribution from PBF LLC of $10.4 million related to the 2017 pre-acquisition activities of PNGPC and the Development Assets.

Net cash used in financing activities increased by approximately $13.7 million to $132.5 million for the year ended December 31, 2017 compared to $118.8 million for the year ended December 31, 2016. Net cash used in financing activities for the year ended December 31, 2017 consisted of net repayments on the Revolving Credit Facility of $159.5 million, distributions to unitholders of $85.4 million, repayment of our Term Loan of $39.7 million, distributions to TVPC members of $21.5 million, repayment of our Affiliate Note Payable of $11.6 million and deferred financing costs of $3.7 million, partially offset by the proceeds from the issuance of the additional 2023 Notes of $178.5 million and a contribution from PBF LLC of $10.4 million related to the 2017 pre-acquisition activities of PNGPC and the Development Assets. Net cash used in financing activities for the year ended December 31, 2016 consisted of repayment of our Term Loan of $194.5 million, distributions to PBF LLC related to Acquisitions from PBF of $175.0 million and distributions to unitholders of $67.5 million, partially offset by net borrowings on the Revolving Credit Facility of $164.7 million, net proceeds from PBFX's public offerings of common units in April 2016 and August 2016 of $138.4 million and contributions from PBF LLC of $15.2 million related to the 2016 pre-acquisition activities of TVPC, PNGPC and the Development Assets.

Capital Expenditures

Our capital requirements have consisted of, and are expected to continue to consist of, maintenance capital expenditures, regulatory capital expenditures and expansion capital expenditures. Maintenance capital expenditures are 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 capital expenditures are expenditures for the refurbishment and replacement of terminals, to maintain equipment reliability, integrity and safety. Regulatory capital expenditures are expenditures made to attain or maintain compliance with regulatory standards. Examples of regulatory capital expenditures are expenditures incurred to address environmental laws or regulations. Expansion capital expenditures are expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long term. Examples of expansion capital expenditures include the acquisition of equipment and the construction, development or acquisition of unloading equipment or other equipment at our facilities or additional throughput capacity to the extent such capital expenditures are expected to expand our operating capacity or our operating income.

Capital expenditures for the past three years were as follows:

	Year Ended December 31,		
	2018	2017	2016
	(In thousands)		
Expansion*	$169,023	$85,662	$121,026
Maintenance	6,168	4,596	2,920
Regulatory	505	—	—
Total capital expenditures	$175,696	$90,258	$123,946

(*) Expansion capital expenditures include our acquisitions for the periods presented.

For the year ended December 31, 2018, our capital expenditures were primarily incurred for the East Coast Storage Assets Acquisition, the Knoxville Terminals Purchase, organic growth projects associated with the Development Assets and the maintenance of the Toledo Storage Facility, the East Coast Terminals and the Torrance Valley Pipeline. For the year ended December 31, 2017, our capital expenditures were primarily incurred for the construction of the Paulsboro Natural Gas Pipeline and the Chalmette Storage Tank, the acquisition of the Paulsboro Natural Gas Pipeline, the Toledo Products Terminal Acquisition and the maintenance of the Toledo Storage Facility, the East Coast Terminals and the Torrance Valley Pipeline. For the year ended December 31, 2016, our capital expenditures were primarily incurred for the expansion of the DCR Products Pipeline, the Plains Asset Purchase and the maintenance of the Toledo Storage Facility and the DCR Products Pipeline.

We currently expect to spend an aggregate of between approximately $27.5 million and $32.5 million during 2019 for capital expenditures, of which between approximately $14.0 million and $18.0 million relate to maintenance or regulatory capital expenditures. We anticipate the forecasted maintenance capital expenditures will be funded primarily with cash from operations and through borrowings under the Revolving Credit Facility as needed. We currently have not included any potential future acquisitions in our budgeted capital expenditures for the twelve months ending December 31, 2019. We may rely on external sources including other borrowings under the Revolving Credit Facility, and issuances of equity and debt securities to fund any significant future expansion.

Under the Omnibus Agreement, PBF Energy has agreed to reimburse us for any costs up to $20.0 million per event (net of any insurance recoveries) that we incur for repairs required due to the failure of any Contributed Asset to operate in substantially the same manner and condition as such asset was operating prior to the closing of the IPO and the Acquisitions from PBF during the first five years after the closing of the IPO and the Acquisitions from PBF, and any matters related thereto.

Contractual Obligations

Information regarding our contractual obligations of the types described below as of December 31, 2018, is set forth in the following table:

	Payments Due by Period				
	Totals	2019	2020 and 2021	2022 and 2023	2024 and Beyond
	(In thousands)				
Long-term debt obligations (1)	$681,000	$—	$—	$681,000	$—
Interest (2)	206,052	45,613	91,226	69,213	—
Affiliate - services agreements (3)	211,723	15,587	31,174	31,174	133,788
Environmental obligations (4)	2,587	517	800	800	470
Construction obligations	4,632	4,632	—	—	—
Deferred payment for East Coast Storage Assets Acquisition	32,000	32,000	—	—	—
Contingent Consideration (5)	27,978	—	18,340	9,638	—
Operating leases and other (6)	9,879	1,250	1,460	1,140	6,029
Total obligations	$1,175,851	$99,599	$143,000	$792,965	$140,287

(1) No principal amounts are due under our 2023 Notes and Revolving Credit Facility until May 2023 and July 2023, respectively.

(2) Includes interest on our 2023 Notes and Revolving Credit Facility based on outstanding indebtedness as of December 31, 2018. Includes commitment fees on the Revolving Credit Facility through July 2023 using rates in effect at December 31, 2018.

(3) Includes annual fixed payments under the Omnibus Agreement and the Services Agreement, as well as an estimate of approximately $2.0 million annually of obligations under the Omnibus Agreement to reimburse PBF LLC for full salaries and benefit costs of employees who devote more than 50% of their time to us. Obligations under these agreements are expected to continue through the terms of our existing commercial agreements.

(4) Includes environmental liabilities associated with the East Coast Terminals, the Torrance Valley Pipeline and the East Coast Storage Assets. In accordance with the Contribution Agreement for TVPC, PBF Holding has indemnified us for any and all costs associated with environmental remediation for obligations that existed on or before August 31, 2016, including all known or unknown events.

(5) Includes the estimated undiscounted Contingent Consideration payable to Crown Point related to the East Coast Storage Assets Acquisition to be paid annually starting in 2020.

(6) Includes operating leases and rental and franchise payments to secure right of way access across certain East Coast Terminals and Torrance Valley Pipeline assets with various terms and tenures.

Effects of Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on our results of operations for the years ended December 31, 2018, 2017 and 2016, respectively, except as noted above for the 2018 Inflation Rate Increase.

Off-Balance Sheet Arrangements

We have not entered into any transactions, agreements or other contractual arrangements that would result in off-balance sheet liabilities, other than outstanding letters of credit in the amount of $4.0 million and operating leases.

Environmental and Other Matters

Environmental Regulation

Our operations are subject to extensive and frequently changing federal, state and local laws, regulations and ordinances relating to the protection of the environment. 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. As with the industry generally, 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. While these laws and regulations affect our maintenance and regulatory capital expenditures and net income, we believe they do not necessarily affect our competitive position, as the operations of our competitors are similarly affected. We believe our facilities are in substantial compliance with applicable environmental laws and regulations. However, these laws and regulations are subject to changes, or to changes in the interpretation of such laws and regulations, by regulatory authorities, and continued and future compliance with such laws and regulations may require us to incur significant expenditures. Additionally, violation of environmental laws, regulations and permits can result in the imposition of significant administrative, civil and criminal penalties, injunctions limiting our operations, investigatory or remedial liabilities or construction bans or delays in the development of additional facilities or equipment. Furthermore, a release of hydrocarbons or hazardous substances into the environment could, to the extent the event is not insured, subject us to substantial expenses, including costs to comply with applicable laws and regulations and to resolve claims by third parties for personal injury or property damage, or by the U.S. federal government or state governments for natural resources damages. These impacts could directly and indirectly affect our business and have an adverse impact on our financial position, results of operations and liquidity. We cannot currently determine the amounts of such future impacts.

Environmental Liabilities

Contaminations resulting from spills of crude oil or petroleum products are not unusual within the petroleum terminaling or transportation industries. Historic spills at truck and rail racks and terminals, as a result of past operations, have resulted in contamination of the environment, including soils and groundwater.

Pursuant to the Contribution Agreements entered into in connection with the IPO and the Acquisitions from PBF, PBF Energy has agreed to indemnify us for certain known and unknown environmental liabilities that are based on conditions in existence at our Predecessor’s properties and associated with the ownership or operation of the Contributed Assets and arising from the conditions that existed prior to the closings of the IPO and the Acquisitions from PBF. In addition, we have agreed to indemnify PBF Energy for (i) certain events and conditions associated with the ownership or operation of our assets that occur, as applicable, after the closing of the each Acquisition from PBF (including the IPO), and (ii) environmental liabilities related to our assets if the environmental liability is the result of the negligence, willful misconduct or criminal conduct of us or our employees, including those seconded to us. As a result, we may incur environmental expenses in the future, which may be substantial.

In connection with the Plains Asset Purchase, the Partnership is responsible for the environmental remediation costs for conditions that existed on the closing date up to a maximum of $0.3 million per year for ten years, with Plains All American Pipeline, L.P. remaining responsible for any and all additional costs above such amounts during such period.

In connection with the Toledo Products Terminal Acquisition, we did not assume, and are currently not aware of, any pre-existing environmental obligations. If pre-acquisition environmental obligations are identified, Sunoco is responsible for any liabilities up to $2.0 million identified to have occurred since 2002. For liabilities arising prior to 2002, Sunoco is indemnified by the prior owner under an agreement between Sunoco and the prior owner, and we are entitled to be reimbursed for all amounts paid related to such liabilities on a full pass-through basis.

In connection with the Knoxville Terminals Purchase, we did not assume, and are currently not aware of, any pre-existing environmental obligations. Additionally, we and Cummins purchased a ten-year, $30.0 million environmental insurance policy against unknown environmental liabilities. For items not covered by the insurance policy, Cummins remains responsible for pre-acquisition environmental obligations up to $5.8 million.

In connection with the East Coast Storage Assets Acquisition, we assumed the pre-existing environmental obligations associated with the East Coast Storage Assets. Additionally, we and Crown Point purchased a ten-year, $30.0 million environmental insurance policy with a retention of not less than $0.5 million against unknown environmental liabilities.

As of December 31, 2018, we have recorded a total liability related to environmental remediation costs of $2.6 million related to the acquisitions of the East Coast Terminals, the Torrance Valley Pipeline and the East Coast Storage Assets. Refer to Note 11 “Commitments and Contingencies” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K for additional information.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 “Summary of Accounting Policies” of the Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K. We prepare our Consolidated Financial Statements in conformity with GAAP, and in the process of applying these principles, we must make judgments, assumptions and estimates based on the best available information at the time. To aid a reader’s understanding, management has identified our critical accounting policies. These policies are considered critical because they are both most important to the portrayal of our financial condition and results, and require our most difficult, subjective or complex judgments. Often they require judgments and estimation about matters which are inherently uncertain and involve measuring, at a specific point in time, events which are continuous in nature. Actual results may differ based on the accuracy of the information utilized and subsequent events, some of which we may have little or no control over. The following accounting policies involve estimates that are considered critical due to the level of subjectivity and judgment involved, as well as the impact on our financial position and results of operations. We believe that all of our estimates are reasonable. Unless otherwise noted, estimates of the sensitivity to earnings that would result from changes in the assumptions used in determining our estimates is not practicable due to the number of assumptions and contingencies involved, and the wide range of possible outcomes.

Business Combinations

We use the acquisition method of accounting for third-party acquisitions for the recognition of assets acquired and liabilities assumed in business combinations at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired. As a result, in the case of significant acquisitions, we obtain the assistance of third-party valuation specialists in estimating fair values of tangible and intangible assets based on available historical information and on expectations and assumptions about the future, considering the perspective of marketplace participants. While our management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

The Acquisitions from PBF were transfers between entities under common control. Accordingly, we recorded the assets that were acquired from PBF Energy on our consolidated balance sheet at PBF Energy’s historical carrying value rather than fair value.

Environmental Matters

Liabilities for future remediation costs are recorded when environmental assessments and/or remediation efforts are probable and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals generally are based on the completion of investigations or other studies or a commitment to a formal plan of action. Environmental liabilities are based on best estimates of probable future costs using currently

available technology and the impact that current regulations may have on our remediation plans. The actual settlement of our liability for environmental matters could materially differ from our estimates due to a number of uncertainties such as the extent of contamination, changes in environmental laws and regulations, potential improvements in remediation technologies and the participation of other responsible parties.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), to increase the transparency and comparability about leases among entities. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments (collectively, we refer to ASU 2016-02 and these additional ASUs as the "Updated Lease Guidance"). The Updated Lease Guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements for both lessee and lessor relationships, including identification of owned assets subject to operating leases as a lessor. We adopted the Updated Lease Guidance effective January 1, 2019, using a modified retrospective approach whereby a cumulative effect adjustment will be recognized upon adoption and the Updated Lease Guidance will be applied prospectively.

We completed our evaluation of the provisions of the Updated Lease Guidance, including the adoption of certain practical expedients allowed. The significant practical expedients adopted include the following:

- We elected the practical expedient to apply the transition approach as of the beginning of the period of adoption and not restate comparative periods;
- We elected to utilize the "package of three" expedients, as defined in the Updated Lease Guidance, whereby we did not reassess whether contracts existing prior to the effective date contain leases, nor did we reassess lease classification determinations nor whether initial direct costs qualify for capitalization;
- We elected the practical expedient to not capitalize any leases with initial terms of less than twelve months on our balance sheet;
- We elected the practical expedient to not separate lease and non-lease components for both lessee and lessor relationships; and
- We elected the practical expedient to continue to account for land easements (rights of way) that were not previously accounted for as leases consistent with prior accounting until such contracts are modified or replaced, at which time they would be assessed for lease determination under the Updated Lease Guidance.

We successfully completed the implementation of a lease software system and refined business processes and controls to address the new standard. We are currently developing our lease disclosures and enhancing our accounting systems to enable the preparation of such disclosures beginning with our Quarterly Report on Form 10-Q for the quarter ending March 31, 2019. As of the date of implementation on January 1, 2019, the impact of the adoption of the Updated Lease Guidance is estimated to result in the recognition of a right of use asset and lease payable obligation on our balance sheet not expected to exceed $1.0 million. In addition, Lessor accounting for us will remain relatively unchanged from current GAAP reporting, but will include some enhanced disclosure requirements. Subsequent to adoption, we do not anticipate the impact on our net income and cash flows to be material.

Refer to Note 2 "Summary of Accounting Policies" of the Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for additional Recently Issued Accounting Pronouncements.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices. Because we do not generally own the crude oil or refined products that are distributed through our facilities, and because all of our commercial agreements with PBF Energy require PBF Energy to bear the risk of any material volume loss relating to the services we provide, we have minimal direct exposure to risks associated with fluctuating commodity prices.

Debt that we incur under the Revolving Credit Facility bears interest at a variable rate and exposes us to interest rate risk. At December 31, 2018, we had $156.0 million outstanding in variable interest debt. A 1.0% change in the interest rate associated with the borrowings outstanding under this facility would result in a $3.9 million change in our interest expense, assuming we were to borrow all $500.0 million available under the Revolving Credit Facility.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of PBF Logistics GP LLC and
Unitholders of PBF Logistics LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PBF Logistics LP and subsidiaries (the "Partnership") as of December 31, 2018 and 2017, the related consolidated statements of operations, partners' equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 21, 2019

We have served as the Partnership's auditor since 2013.

PBF LOGISTICS LP
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$19,908	$19,664
Accounts receivable - affiliates	37,052	40,817
Accounts receivable	7,511	1,423
Prepaids and other current assets	4,598	1,793
Total current assets	69,069	63,697
Property, plant and equipment, net	862,117	684,488
Goodwill	6,332	—
Other non-current assets	18,835	30
Total assets	$956,353	$748,215
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable - affiliates	$12,047	$8,352
Accounts payable and accrued liabilities	50,972	19,794
Deferred revenue	2,960	1,438
Total current liabilities	65,979	29,584
Long-term debt	673,324	548,793
Other long-term liabilities	23,860	2,078
Total liabilities	763,163	580,455
Commitments and contingencies (Note 11)		
Equity:		
Net investment - Predecessor	—	10,665
Common unitholders (45,348,663 and 41,900,708 units issued and outstanding, as of December 31, 2018 and 2017, respectively)	23,718	(17,544)
IDR holder - PBF LLC	—	2,736
Total PBF Logistics LP equity	23,718	(4,143)
Noncontrolling interest	169,472	171,903
Total equity	193,190	167,760
Total liabilities and equity	$956,353	$748,215

See accompanying notes to consolidated financial statements.

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PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except unit and per unit data)

	Year Ended December 31,		
	2018	2017	2016
Revenue:			
Affiliate	$259,426	$240,654	$175,448
Third-party	24,014	16,934	13,558
Total revenue	283,440	257,588	189,006
Costs and expenses:			
Operating and maintenance expenses	88,390	73,521	51,393
General and administrative expenses	21,371	16,284	16,967
Depreciation and amortization	29,809	24,404	15,406
Total costs and expenses	139,570	114,209	83,766
Income from operations	143,870	143,379	105,240
Other expense:			
Interest expense, net	(40,541)	(31,875)	(28,755)
Amortization of loan fees and debt premium	(1,717)	(1,488)	(1,678)
Accretion on discounted liabilities	(775)	—	—
Net income	100,837	110,016	74,807
Less: Net loss attributable to Predecessor	(2,443)	(4,986)	(11,832)
Less: Net income attributable to noncontrolling interest	17,819	14,565	5,679
Net income attributable to the partners	85,461	100,437	80,960
Less: Net income attributable to the IDR holder	10,011	9,055	4,031
Net income attributable to PBF Logistics LP unitholders	$75,450	$91,382	$76,929
Net income per limited partner unit:			
Common units - basic	$1.73	$2.17	$2.01
Common units - diluted	1.73	2.17	2.01
Subordinated units - basic and diluted	—	2.15	2.01
Weighted-average limited partner units outstanding:			
Common units - basic	43,646,997	35,505,446	22,288,118
Common units - diluted	43,731,299	35,568,760	22,338,784
Subordinated units - basic and diluted	—	6,572,245	15,886,553

See accompanying notes to consolidated financial statements.

PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
(in thousands)

	Net Investment	Common Units	Subordinated Units - PBF LLC	IDR	Noncontrolling Interest	Total
Balance at January 1, 2016	$ 8,734	$ 91,954	$ (277,094)	$ (535)	$ —	$ (176,941)
Net loss attributable to Development Assets	(5,582)	—	—	—	—	(5,582)
Net loss attributable to PNGPC	(1,233)	—	—	—	—	(1,233)
Net loss attributable to TVPC	(5,017)	—	—	—	—	(5,017)
Sponsor contributions	366,306	—	—	—	—	366,306
Allocation of TVPC assets acquired to unitholders	(346,458)	174,650	(2,158)	—	173,966	—
Distributions to PBF LLC related to the TVPC Acquisition	—	(175,000)	—	—	—	(175,000)
Quarterly distributions to unitholders (including IDRs)	—	(38,088)	(27,006)	(3,348)	—	(68,442)
Net proceeds from public offering	—	138,378	—	—	—	138,378
Net income attributable to the partners	—	45,010	31,919	4,031	5,679	86,639
Contributions from PBF LLC	—	15	—	—	—	15
Unit-based compensation expense	—	4,360	—	—	—	4,360
Other	—	(4)	(1,744)	1,118	237	(393)
Balance at December 31, 2016	$ 16,750	$ 241,275	$ (276,083)	$ 1,266	$ 179,882	$ 163,090

See accompanying notes to consolidated financial statements.

PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY (Continued)
(in thousands)

	Net Investment	Common Units	Subordinated Units - PBF LLC	IDR	Noncontrolling Interest	Total
Balance at January 1, 2017	$ 16,750	$ 241,275	$ (276,083)	$ 1,266	$ 179,882	$ 163,090
Net loss attributable to Development Assets	(4,836)	—	—	—	—	(4,836)
Net loss attributable to PNGPC	(150)	—	—	—	—	(150)
Sponsor contributions	10,439	—	—	—	—	10,439
Allocation of PNGPC assets acquired to unitholders	(11,538)	11,592	(54)	—	—	—
Distributions to PBF LLC related to the PNGPC Acquisition	—	(11,600)	—	—	—	(11,600)
Quarterly distributions to unitholders (including IDRs)	—	(64,515)	(14,457)	(7,584)	—	(86,556)
Distributions to TVPC members	—	—	—	—	(21,544)	(21,544)
Net income attributable to the partners	—	77,219	14,163	9,055	14,565	115,002
Unit-based compensation expense	—	5,345	—	—	—	5,345
Contributions from PBF LLC	—	527	—	—	—	527
Subordinated units conversion to common units	—	(276,433)	276,433	—	—	—
Other	—	(954)	(2)	(1)	(1,000)	(1,957)
Balance at December 31, 2017	$ 10,665	$ (17,544)	$ —	$ 2,736	$ 171,903	$ 167,760

See accompanying notes to consolidated financial statements.

PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY (Continued)
(in thousands)

	Net Investment	Common Units	Subordinated Units - PBF LLC	IDR	Noncontrolling Interest	Total
Balance at January 1, 2018	$ 10,665	$ (17,544)	$ —	$ 2,736	$ 171,903	$ 167,760
Net loss attributable to Development Assets	(2,443)	—	—	—	—	(2,443)
Sponsor contributions	4,455	—	—	—	—	4,455
Allocation of Development Assets acquired to unitholders	(12,677)	12,677	—	—	—	—
Quarterly distributions to unitholders (including IDRs)	—	(87,384)	—	(12,747)	—	(100,131)
Distributions to TVPC members	—	—	—	—	(20,250)	(20,250)
Net income attributable to the partners	—	75,450	—	10,011	17,819	103,280
Unit-based compensation expense	—	5,757	—	—	—	5,757
Contributions from PBF LLC	—	1,056	—	—	—	1,056
Issuance of common units, net of expense	—	34,820	—	—	—	34,820
Other	—	(1,114)	—	—	—	(1,114)
Balance at December 31, 2018	$ —	$ 23,718	$ —	$ —	$ 169,472	$ 193,190

See accompanying notes to consolidated financial statements.

PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2018	2017	2016
Cash flows from operating activities:			
Net income	$100,837	$110,016	$74,807
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,809	24,404	15,406
Amortization of loan fees and debt premium	1,717	1,488	1,678
Accretion on discounted liabilities	775	—	—
Unit-based compensation expense	5,757	5,345	4,360
Changes in operating assets and liabilities:			
Accounts receivable - affiliates	3,765	(3,954)	(12,439)
Accounts receivable	(6,088)	2,871	(4,294)
Prepaids and other current assets	(679)	(39)	3,152
Accounts payable - affiliates	(253)	721	3,513
Accounts payable and accrued liabilities	(2,336)	(2,086)	7,920
Deferred revenue	1,522	486	952
Other assets and liabilities	(1,685)	(1,070)	(1,002)
Net cash provided by operating activities	133,141	138,182	94,053
Cash flows from investing activities:			
Plains Asset Purchase	—	—	(98,373)
Toledo Products Terminal Acquisition	—	(10,097)	—
Knoxville Terminals Purchase	(58,356)	—	—
East Coast Storage Assets Acquisition	(74,989)	—	—
Expenditures for property, plant and equipment	(42,351)	(80,161)	(25,573)
Purchases of marketable securities	—	(75,036)	(1,909,965)
Maturities of marketable securities	—	115,060	2,104,209
Net cash (used in) provided by investing activities	$(175,696)	$(50,234)	$70,298

See accompanying notes to consolidated financial statements.

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PBF LOGISTICS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in thousands)

	Year Ended December 31, 2018	2017	2016
Cash flows from financing activities:			
Net proceeds from issuance of common units	$34,820	$—	$138,378
Distribution to PBF LLC related to Acquisitions from PBF	—	—	(175,000)
Distributions to unitholders	(98,786)	(85,430)	(67,534)
Distributions to TVPC members	(20,250)	(21,544)	—
Contribution from parent	4,201	10,439	15,184
Proceeds from issuance of senior notes	—	178,500	—
Repayment of term loan	—	(39,664)	(194,536)
Proceeds from revolving credit facility	170,000	20,000	194,700
Repayment of revolving credit facility	(43,700)	(179,500)	(30,000)
Repayment of Affiliate Note Payable	—	(11,600)	—
Deferred financing costs	(3,486)	(3,706)	—
Net cash provided by (used in) financing activities	42,799	(132,505)	(118,808)
Net change in cash and cash equivalents	244	(44,557)	45,543
Cash and cash equivalents at beginning of year	19,664	64,221	18,678
Cash and cash equivalents at end of period	$19,908	$19,664	$64,221
Supplemental cash flow disclosures:			
Non-cash activities:			
Contribution of net assets from PBF LLC	$1,056	$527	$15
Accrued capital expenditures	4,632	1,423	1,540
Issuance of Affiliate Note Payable	—	11,600	—
Deferred payment for East Coast Storage Assets Acquisition	30,900	—	—
East Coast Storage Assets contingent consideration	21,100	—	—
Units issued as consideration for acquisitions	31,586	—	—
Cash paid during year for:			
Interest, net of capitalized interest of $143, $1,219, and $118 in 2018, 2017 and 2016, respectively	$39,716	$29,231	$28,550

See accompanying notes to consolidated financial statements.

PBF LOGISTICS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

PBF Logistics LP ("PBFX" or the "Partnership") is a Delaware limited partnership formed in February 2013. PBF Logistics GP LLC ("PBF GP" or "our general partner") serves as the general partner of PBFX. PBF GP is wholly-owned by PBF Energy Company LLC ("PBF LLC"). PBF Energy Inc. ("PBF Energy") is the sole managing member of PBF LLC and, as of December 31, 2018, owned 99% of the total economic interest in PBF LLC. In addition, PBF LLC is the sole managing member of PBF Holding Company LLC ("PBF Holding"), a Delaware limited liability company and affiliate of PBFX. On May 14, 2014, PBFX completed its initial public offering ("IPO"). As of December 31, 2018, PBF LLC held a 44% limited partner interest in PBFX and owned all of PBFX's incentive distribution rights ("IDRs"), with the remaining 56% limited partner interest owned by public unit holders. On February 13, 2019, the Partnership entered into an Equity Restructuring Agreement (the "IDR Restructuring Agreement") with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into newly issued PBFX common units.

PBFX engages in the receiving, handling, storage and transferring of crude oil, refined products, natural gas and intermediates. The Partnership does not take ownership of or receive any payments based on the value of the crude oil, products, natural gas or intermediates that it handles and does not engage in the trading of any commodities. PBFX's assets are integral to the operations of PBF Holding's refineries, and, as a result, the Partnership continues to generate a substantial majority of its revenue from transactions with PBF Holding. Additionally, certain of PBFX's assets also generate revenue from third-party transactions.

Acquisitions in 2018

On April 16, 2018, the Partnership's wholly-owned subsidiary, PBF Logistics Products Terminals LLC ("PLPT"), completed the purchase of two refined product terminals located in Knoxville, Tennessee, which include product tanks, pipeline connections to the Colonial Pipeline Company and Plantation Pipe Line Company pipeline systems and truck loading facilities (the "Knoxville Terminals") from Cummins Terminals, Inc. ("Cummins") for total cash consideration of $58,000, excluding working capital adjustments (the "Knoxville Terminals Purchase"). This acquisition was accounted for as a business combination under United States of America ("U.S.") generally accepted accounting principles ("GAAP"). Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements for further discussion regarding the Knoxville Terminals Purchase.

On July 16, 2018, PBFX entered into an agreement with Crown Point International, LLC ("Crown Point") to purchase its wholly-owned subsidiary, CPI Operations LLC ("CPI"), whose assets include a storage facility with multi-use storage capacity, an Aframax-capable marine facility, a rail facility, a truck terminal, equipment, contracts and certain other idled assets located on the Delaware River near Paulsboro, New Jersey (the "East Coast Storage Assets") for total consideration of $126,989, including working capital and contingent consideration (the "East Coast Storage Assets Acquisition"), which was comprised of an initial payment at closing of $75,000 with a remaining balance of $32,000 being payable one year after closing. Additionally, the East Coast Storage Assets Acquisition includes an earn-out provision related to an existing commercial agreement with a third-party, based on the future results of restarting certain of the acquired idled assets (the "Contingent Consideration"). The East Coast Storage Assets Acquisition closed on October 1, 2018. This acquisition was accounted for as a business combination under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements for further discussion regarding the East Coast Storage Assets Acquisition and the Contingent Consideration.

On July 16, 2018, the Partnership entered into four contribution agreements with PBF LLC pursuant to which PBF Energy contributed to PBFX certain of its subsidiaries (the "Development Assets Contribution Agreements"). Pursuant to the Development Assets Contribution Agreements, the Partnership acquired from PBF LLC all of the issued and outstanding limited liability company interests of: Toledo Rail Logistics Company LLC (“TRLC”), whose assets consist of a loading and unloading rail facility located at PBF Holding’s Toledo Refinery (the “Toledo Rail Products Facility”); Chalmette Logistics Company LLC (“CLC”), whose assets consist of a truck loading rack facility (the “Chalmette Truck Rack”) and a rail yard facility (the “Chalmette Rosin Yard”), both of which are located at PBF Holding's Chalmette Refinery; Paulsboro Terminaling Company LLC ("PTC"), whose assets consist of a lube oil terminal facility located at PBF Holding's Paulsboro Refinery (the "Paulsboro Lube Oil Terminal"); and DCR Storage and Loading Company LLC ("DSLC"), whose assets consist of an ethanol storage facility located at PBF Holding's Delaware City Refinery (the "Delaware Ethanol Storage Facility" and collectively with the Toledo Rail Products Facility, the Chalmette Truck Rack, the Chalmette Rosin Yard, and the Paulsboro Lube Oil Terminal, the "Development Assets"). The acquisition of the Development Assets closed on July 31, 2018 for total consideration of $31,586, consisting of 1,494,134 common units issued to PBF LLC (the "Development Assets Acquisition"). This acquisition was accounted for as a transfer of assets between entities under common control under GAAP. Refer to Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements for further discussion regarding the Development Assets Acquisition.

Principles of Combination and Consolidation and Basis of Presentation

In connection with the IPO, PBF LLC contributed the assets, liabilities and results of operations of certain crude oil terminaling assets to the Partnership. The assets were owned and operated by PBF Holding's subsidiaries, Delaware City Refining Company LLC ("DCR") and Toledo Refining Company LLC ("TRC"), and were contributed to PBF LLC in connection with the IPO. PBF Holding, together with its subsidiaries, owns and operates five oil refineries and related facilities in North America. PBF Energy, through its ownership in PBF LLC, controls all of the business affairs of PBFX and PBF Holding.

PBFX's initial assets consisted of a double loop track with ancillary pumping and unloading equipment (the "DCR Rail Terminal") and a crude truck unloading terminal consisting of lease automatic custody transfer units (the "Toledo Truck Terminal"), which together with the DCR Rail Terminal, are referred to as the "IPO Assets." Subsequent to the IPO, the Partnership acquired from PBF LLC a heavy crude oil rail unloading facility at the Delaware City Refinery (the "DCR West Rack," together with the DCR Rail Terminal, the "DCR Rail Facility"), a tank farm and related facilities, which included a propane storage and loading facility (the "Toledo Storage Facility"), an interstate petroleum products pipeline (the "DCR Products Pipeline") and truck loading rack (the "DCR Truck Rack"), which are collectively referred to as the "DCR Products Pipeline and Truck Rack," the San Joaquin Valley pipeline system, which consists of the M55, M1 and M70 crude pipeline systems including pipeline stations with storage capacity and truck unloading capacity (the "Torrance Valley Pipeline"), the Paulsboro Natural Gas Pipeline (as defined in Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements) and the Development Assets.

The transactions entered into with PBF LLC after the IPO are collectively referred to as "Acquisitions from PBF." Subsequent to the Acquisitions from PBF, the DCR Rail Terminal, Toledo Truck Terminal, DCR West Rack, Toledo Storage Facility, the DCR Products Pipeline and Truck Rack, the Torrance Valley Pipeline, the Paulsboro Natural Gas Pipeline and the Development Assets are collectively referred to as the "Contributed Assets."

The financial statements presented in this Annual Report on Form 10-K include the consolidated financial results of PBFX. The balance sheet as of December 31, 2018 and 2017, presents solely the consolidated financial position of PBFX. PBFX recorded the TVPC Acquisition (as defined in Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements), the PNGPC Acquisition (as defined in Note 4 "Acquisitions" of the Notes to Consolidated Financial Statements) and the Development Assets Acquisition at PBF Energy's historical book value, as the acquisitions were treated as a reorganization of entities under common control. We have retrospectively adjusted the financial information of PBFX contained herein to include the historical results of the Contributed Assets prior to the effective date of each transaction with the exception of the Delaware Ethanol Storage Facility, which is considered an asset purchase. The financial statements of the Contributed Assets have been prepared from the separate records maintained by subsidiaries of PBF Energy and may not necessarily be indicative of the conditions that would have existed or the results of operations if they were operated as an unaffiliated company. Portions of certain expenses represent allocations made from corporate expenses applicable to PBF Energy as a whole. Refer to Note 4 “Acquisitions” of the Notes to Consolidated Financial Statements for further discussion.

PBF LOGISTICS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

2. SUMMARY OF ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with 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.

Business Combinations

The Partnership uses the acquisition method of accounting for third-party acquisitions for the recognition of assets acquired and liabilities assumed in business combinations at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired. As a result, in the case of significant acquisitions, the Partnership obtains the assistance of third-party valuation specialists in estimating fair values of tangible and intangible assets based on available historical information and on expectations and assumptions about the future, considering the perspective of marketplace participants. While the Partnership's management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

The Acquisitions from PBF were transfers between entities under common control. Accordingly, the Partnership records the assets that were acquired from PBF Energy on its consolidated balance sheet at PBF Energy's historical carrying value rather than fair value.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less, but exclude debt or equity securities classified as U.S. Treasury Securities ("marketable securities").

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. PBFX capitalizes costs associated with the preliminary, pre-acquisition and development/construction stages of a major construction project. PBFX capitalizes the interest cost associated with major construction projects based on the effective interest rate of its total borrowings. Maintenance and repairs are charged to operating expenses as they are incurred. Improvements and betterments, which extend the lives of the assets, are capitalized.

PBFX's depreciable property, plant and equipment are comprised of storage, pipelines, terminals and equipment which are depreciated using the straight-line method over estimated useful lives of 5-25 years.

Goodwill

Goodwill, related to an acquisition, is calculated as the excess of the purchase price over the fair value of the identifiable net assets and is carried at cost. Goodwill is not amortized for financial reporting purposes; however, it is subject to annual assessment to determine if an impairment of goodwill has occurred. The Partnership performs this impairment review annually as of July 1, or in any period prior to the annual assessment in which the Partnership experiences any circumstances that would indicate an impairment exists, such as disruptions in its business or other significant declines in results. An impairment loss is recorded if the implied fair value of the reporting unit is less than the carrying value. Reporting units are based on a component of the business with discrete financial information that management reviews on a regular basis. The Partnership reviews its reporting units on an annual basis.

Intangibles

The Partnership's intangibles are comprised of customer relationships and customer contracts, which were acquired in connection with certain acquisitions, all of which were recorded at their estimated fair value at the date of acquisition.

Intangibles with definite lives are amortized using the straight-line method over their relative estimated useful life, or the period of which they provide an economic benefit. The customer relationships estimated useful life was determined to be 10 years and the customer contracts estimated useful lives were determined to be 3-13 years, based on the specific contract intangible. Intangible assets are included in "Other non-current assets" within the Partnership's consolidated balance sheets.

Long-Lived Assets

PBFX reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in business circumstances indicate the net book values of the assets may not be recoverable. Impairment is evaluated by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. If such analysis indicates that the carrying value of the long-lived assets is not considered to be recoverable, the carrying value is reduced to the fair value. Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Although management would utilize assumptions that it believes are reasonable, future events and changing market conditions may impact management's assumptions, which could produce different results.

Asset Retirement Obligations

PBFX records an asset retirement obligation at fair value for the estimated cost to retire a tangible long-lived asset at the time PBFX incurs that liability, which is generally when the asset is purchased, constructed, or leased. PBFX records the liability when it has a legal or contractual obligation to incur costs to retire the asset and when a reasonable estimate of the fair value of the liability can be made. If a reasonable estimate cannot be made at the time the liability is incurred, PBFX will record the liability when sufficient information is available to estimate the liability's fair value. Certain of PBFX's asset retirement obligations are based on its legal obligation to perform remedial activity when it permanently ceases operations of the long-lived assets. PBFX therefore considers the settlement date of these obligations to be indeterminable. Accordingly, PBFX cannot calculate an associated asset retirement liability for these obligations at this time. PBFX will measure and recognize the fair value of these asset retirement obligations when the settlement date is determinable.

Product Imbalances

The Partnership incurs product imbalances as a result of tank storage volume fluctuations at certain of its terminals. Fluctuations are due to differences in the measurements of actual product stored as compared to total consigned volumes per the customer. The Partnership uses a year-to-date weighted average market price to value our assets and liabilities related to product imbalances. Product imbalance liabilities are included in "Accounts payable and accrued liabilities" and product imbalance assets are included in "Prepaids and other current assets" in the Partnership's consolidated balance sheets. As of and for the periods ended December 31, 2018 and 2017, the imbalance amounts were immaterial.

PBF LOGISTICS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

Environmental Matters

Liabilities for future remediation costs are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Other than for assessments, the timing and magnitude of these accruals generally are based on the completion of investigations or other studies or a commitment to a formal plan of action. Environmental liabilities are based on best estimates of probable future costs using currently available technology and the impact that current regulations may have on our remediation plans. The measurement of environmental remediation liabilities may be discounted to reflect the time value of money if the aggregate amount and timing of cash payments of the liabilities are fixed or reliably determinable. The actual settlement of PBFX's liability for environmental matters could materially differ from its estimates due to a number of uncertainties such as the extent of contamination, changes in environmental laws and regulations, potential improvements in remediation technologies and the participation of other responsible parties.

Revenue Recognition

PBFX recognizes revenue by charging fees for crude oil and refined products terminaling, storing and pipeline services based on the greater of contractual minimum volume commitments ("MVCs"), as applicable, or the delivery of actual volumes transferred based on contractual rates applied to throughput volumes. Prior to the IPO and effective date of the Acquisitions from PBF, the majority of PBFX's assets were part of the integrated operations of PBF Energy. With the exception of the DCR Products Pipeline and Paulsboro Lube Oil Terminal, PBF Energy generally recognized only the costs associated with these assets. Following the closing of the IPO and Acquisitions from PBF, PBFX's revenues were generated by commercial agreements with subsidiaries of PBF Energy. In addition, PBFX generates third-party revenue from certain of its assets. Billings to PBFX's third-party customers for throughput services are billed monthly for actual totals shipped through the terminals. A portion of the fee-based agreements provide for fixed demand charges, which are recognized as revenue pursuant to the contract terms. Billings to third-party customers for tank lease obligations occur in the prior month and are recorded as deferred revenue which is recognized in the period in which the customer receives such storage services.

Unit-Based Compensation

PBF GP provides unit-based compensation to certain officers, non-employee directors and seconded employees of our general partner or its affiliates, consisting of phantom units. The fair value of PBFX's phantom units are measured based on the fair market value of the underlying common units on the date of the grant based on the common unit closing price on the grant date. The estimated fair value of PBFX's phantom units is amortized over the vesting period using the straight-line method. Awards typically vest over a four year service period, subject to acceleration if certain conditions are met. The phantom unit awards may be settled in common units, cash or a combination of both. Expenses related to unit-based compensation are included in "General and administrative expenses" within the Partnership's consolidated statements of operations.

Net Income Per Unit

In addition to the common and subordinated units (prior to the June 1, 2017 conversion into common units), PBFX has identified the general partner interest and IDRs as participating securities and uses the two-class method when calculating the net income per unit applicable to limited partners. Net income per unit applicable to limited partners (including common and subordinated unitholders, prior to the conversion to common unit) is computed by dividing limited partners' interest in net income, after deducting any incentive distributions, by the weighted-average number of outstanding common and subordinated units (prior to the conversion to common units).

On February 13, 2019, the Partnership entered into the IDR Restructuring Agreement with PBF LLC and PBF GP, pursuant to which the IDRs held by PBF LLC will be canceled and converted into 10,000,000 newly issued PBFX common units (the "IDR Restructuring"). The IDR Restructuring is expected to close on February 28, 2019. Subsequent to the close of the IDR Restructuring, no distributions will be made to PBF LLC with respect