Risk Factors Comparison 2024-02-28 to 2023-03-01 Form: 10-K

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We are subject to numerous known and unknown risks, many of which are presented below and elsewhere in this Annual Report on Form 10- K. You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10- K in evaluating us and our common stock. Any of the risk factors described below, or additional risks and uncertainties not presently known to us, or that we currently deem immaterial, could have a material adverse effect on our business, financial condition, cash flows and results of operations. The headings provided in this Item 1A are for convenience and reference purposes only and shall not limit or otherwise affect the extent or interpretation of the risk factors. Risks Relating to Our Business **, Financial Condition, Results of Operations, Ability to Maintain our Assets and Cash Flows** Our relationship with Delek Holdings and their financial condition subjects us to potential risks that are beyond our control. Delek Holdings is the only **or primary** customer for a majority of our assets, including but not limited to our assets used to support the Tyler Refinery and the majority of our terminalling assets. In addition, Delek Holdings, through inventory intermediation agreements with its assignee, is effectively the principal customer for our Big Spring Logistics Assets used to support the Big Spring Refinery and our Lion Pipeline System, the Gathering Assets, and our El Dorado, Memphis and North Little Rock terminals. Please see Items 1 and 2." Business and Properties — Delek Holdings' Crude Oil and Refined Products Intermediation Agreement." As we expect to continue to derive the substantial majority of our margins from Delek Holdings, either directly or indirectly, for the foreseeable future, we are subject to the risk of nonpayment, nonperformance or underperformance by Delek Holdings under our commercial agreements ~~. In addition, we are subject to the risk of nonpayment, nonperformance~~ or **its** ~~underperformance by Delek Holdings'~~ assignees. If Delek Holdings were to significantly decrease, or cause the significant decrease of, the materials transported on our pipelines or the volumes of refined products handled at our terminals, whether because of business or operational difficulties or strategic decisions by Delek Holdings' management, it is unlikely that we would be able to utilize any additional capacity on our pipelines or terminal facilities to service third- party customers without substantial capital outlays and delays, if at all, which could materially and adversely affect our results of operations, financial condition and cash flows. Likewise, the terms of Delek Holdings' obligations under its agreements with us are for initial terms ranging from five years to ten years, with options to extend at the election of Delek Holdings. If Delek Holdings fails to renew these contracts as they come up for renewal, or if Delek Holdings fails to use our assets and services after the expiration of the agreements, or should our agreements be invalidated as a result of our performance failure or for any other reason, and we are unable to generate revenue from third parties with respect to such assets, ~~we~~ **our business and results of operations** could be materially and adversely affected. See Note 4 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10- K, for a complete discussion of our material commercial agreements with Delek Holdings. Additionally, any event, whether in our areas of operation or otherwise, that materially and adversely affects Delek Holdings' or its assignees' operations, financial condition, results of operations or cash flows may adversely affect us and our business and, therefore, our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of Delek Holdings and its assignees, including, but not limited to, the following: • the timing and extent of changes in the costs and availability of crude oil and other refinery feedstocks (including prolonged periods of low crude oil prices that could impact production of inland crude oil and reduce the amount of cost advantaged crude oil available and / or the discount of such crude oil as compared to other crude oil) and in the price and demand for Delek Holdings' refined products; • the risk of contract cancellation, non- renewal or failure to perform by Delek Holdings' suppliers or customers, and Delek Holdings' inability to replace such suppliers, contracts, customers and / or revenues; • disruptions due to equipment interruption or failure or other events at Delek Holdings' facilities, or at third- party facilities on which Delek Holdings' business is dependent; • the effects of economic downturns on Delek Holdings' business and the business of its suppliers, customers, business partners and lenders; • changes in global and local economic conditions, e. g., as a result of the outbreak of the COVID- 19 Pandemic; • Delek Holdings' ability to remain in compliance with its contracts; • Delek Holdings' ability to remain in compliance with the terms of its outstanding and any future indebtedness; • changes in the cost or availability of third- party pipelines, terminals and other means of delivering and transporting crude oil, feedstocks and refined products; • state and federal environmental, economic, health and safety, energy and other policies and regulations, and any changes in those policies and regulations; • environmental incidents and violations and related remediation costs, fines and other liabilities; and • changes in crude oil and refined product inventory levels and carrying costs. ~~30~~ **26** | Risk Factors Additionally, Delek Holdings continually considers opportunities presented by third parties with respect to its refinery assets. These opportunities may include offers to purchase certain assets and joint venture propositions. Delek Holdings may also change its refineries' operations by constructing new facilities, suspending or reducing certain operations, or modifying or closing facilities. Changes may be considered to meet market demands, to satisfy regulatory requirements or environmental and safety objectives, to improve operational efficiency or for other reasons. Delek Holdings actively manages its assets and operations, and, therefore, changes of some nature, possibly material to its business relationship with us, could occur in the future. Furthermore, conflicts of interest may arise between Delek Holdings and its affiliates, including our general partner, on the one hand, and us and our unitholders, on the other hand. We have no control over Delek Holdings or our general partner, and Delek Holdings may elect to pursue a business strategy or make other decisions that do not favor us or our business. See " Risks Relating to Our Partnership Structure — Our general partner and its affiliates, including Delek Holdings, 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. " ~~The COVID- 19 Pandemic, any related subsequent waves of the COVID- 19 Pandemic or an additional regional or global disease outbreak, and certain developments~~ **Developments** ~~in~~ **which impact** the global oil markets have had, may continue to have, ~~or may have~~ an adverse impact on our business, our ~~future~~ results of operations and our overall financial performance. ~~The~~ **While our operations are focused in the Permian Basin (including the Delaware sub- basin) and other select areas on the Gulf Coast region, our business is impacted by events and developments that impact the global markets for oil and other energy products. Any regional or global event or development that destabilizes worldwide economic and commercial activity, financial markets, or the demand for and prices of oil and gas products could materially adversely affect our business and operations. In recent years, the** COVID- 19 Pandemic **,** ~~and spread of new variants of~~ the **Russia** ~~virus could materially adversely affect our business and operations for the foreseeable future. The COVID~~ - **Ukraine war** ~~19 Pandemic has significantly destabilized beyond and will likely continue to impact worldwide economic and commercial activity~~ , ~~financial markets, and the demand for and prices of oil and gas products for the foreseeable future. In particular, there remains considerable tension in~~ the OPEC- Russia relationship, **and the conflict between Israel and Hamas have been sources of** uncertainty in the global oil markets, substantial global supply chain issues, and significant disruptions in the labor market ~~. These impact of the COVID- 19 Pandemic may precipitate a prolonged economic slowdown and recession~~ . Global economic growth drives demand for energy from all sources, including fossil fuels. Should the U. S. ~~and~~ **or** global economies experience weakness, demand for energy may decline. Should growth in global energy production outstrip demand, excess supplies may arise. Declines in demand and excess supplies may result in accompanying declines in commodity prices and deterioration of our financial position along with our ability to operate profitably and our ability to obtain financing to support operations. Conversely, should demand for energy outstrip global supply, commodity prices are likely to rise. With respect to our business, we have experienced periodic declines in demand thought to be associated with slowing economic growth in certain markets, including the effects of the COVID- 19 Pandemic, coupled with new oil and gas supplies coming on line and other circumstances beyond our control that resulted in oil and gas supply exceeding global demand which, in turn, resulted in steep declines in prices of oil and natural gas. At times, we have also experienced declines in the supply of inputs thought to be associated with supply chain issues and disruptions in the labor market ~~arising from the effects of the COVID- 19 Pandemic~~ . There can be no assurance as to how long **such** ~~the current~~ uncertainty will persist or that a recurrence of price weakness will not arise in the future. The **ultimate extent of the impact of volatile conditions in the oil and gas industry on our business, financial condition, results of operation and liquidity will depend largely on future developments which are outside of our control, including the extent and duration of any price reductions, any additional decisions by OPEC and disputes between the members of OPEC . Furthermore, developments in the global oil markets may also have the effect of heightening many of the other risks described below. A regional or global disease outbreak could have a material adverse effect on our business, financial condition, results of operation and liquidity. Like the** COVID- 19 Pandemic ~~has~~ **, a regional or global disease outbreak could** ~~resulted~~ -- **result in financial and operational impacts that have a material adverse effect on our business, financial condition, results of operation and liquidity. Any regional or global disease outbreak may result** in modifications to our business practices, including limiting employee and contractor presence at certain work locations, limiting travel, and reducing capital expenditures. We may take further actions as required by government authorities or that we determine are in the best interests of our contractors, customers, suppliers and communities. However, there is no assurance that such measures will be sufficient to mitigate the risks posed by ~~the virus~~ **any outbreak** , and our ability to successfully execute our business operations could be adversely impacted. In addition, **a regional or global disease outbreak** ~~while we have not recorded any goodwill impairment to date, the continued effects of the COVID- 19 Pandemic~~ could result in impairments of long- lived or indefinite- lived assets, including goodwill, at some point in the future. Such impairment charges could be material. ~~The full impact of the ongoing COVID- 19 Pandemic is unknown and continues to rapidly evolve.~~ It is difficult to predict how significant the impact of ~~the COVID- 19 Pandemic,~~ any ~~related subsequent waves of the COVID- 19 Pandemic, an additional~~ regional or global disease outbreak ~~,~~ and any responses to such events ~~,~~ will be on the U. S. and global economies and our business or for how long disruptions are likely to continue. The extent of such impact will depend on future developments and factors outside of our control, including new information which may emerge concerning the severity or duration of **such disease** ~~the COVID- 19 Pandemic~~ , the evolving governmental and private sector actions to contain the ~~pandemic~~ **disease** or treat its health, economic, and other impacts, and the timing and effectiveness of the ongoing rollout of currently available vaccines. ~~The ultimate~~ **To the** extent ~~of the~~ **any regional or global disease outbreak** ~~impact~~ **impacts** ~~of~~ **our business or** the ~~volatile conditions in the oil and gas industry~~ **global markets for our products, it could have a material adverse effect** on our business, financial condition, results of operation and liquidity ~~will also depend largely on future developments, including the extent and duration of any price reductions, any additional decisions by OPEC and disputes between the members of OPEC~~ . **27 |** ~~To the extent COVID- 19 and the developments in the global oil markets adversely affects our business, financial condition, results of operation and liquidity, they may also have the effect of heightening many of the other risks described below.~~ Our operations are subject to many risks and operational hazards, some of which may result in business interruptions and shutdowns of our facilities and liability for damages. If a significant accident or event occurs that results in a business interruption or shutdown, our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders could be adversely affected. Our operations are subject to all of the risks and operational hazards inherent in gathering, transporting and storing crude oil and intermediate and refined and other products, including: ~~31 |~~ • business interruption due to maintenance and repairs or mechanical or structural failures with respect to our assets, or our facilities or with respect to third- party assets or facilities on which our operations are dependent, including Delek Holdings' assets or facilities; • operational errors that result in a loss of physical integrity or performance in our pipelines and facilities; • deterioration of the condition of our pipelines and facilities through age, use and disuse; • damages to our assets and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of sabotage or terrorism; • damages to and loss of availability of interconnecting third- party pipelines, terminals and other means of delivering crude oil, feedstocks and refined petroleum products; • the inability of third-party facilities on which our operations are dependent, including Delek Holdings’ facilities, to complete capital projects and to restart timely refining operations following a shutdown; • curtailments of operations as a result of severe seasonal weather; • inadvertent damage to pipelines from construction, farm and utility equipment; • constrained pipeline and storage infrastructure; • disruption or failure of information technology systems and network infrastructure due to various causes, including unauthorized access or attacks; and • other hazards. These risks could result in substantial losses due to personal injury and / or loss of life, damage to and destruction of property and equipment and pollution or other environmental damage, as well as business interruptions or shutdowns of our assets and facilities. Any such event or unplanned shutdown could have a material adverse effect on our business, financial condition and results of operations. In addition, Delek Holdings’ refining operations, on which our operations are substantially dependent and over which we have no control, are subject to these and other operational hazards and risks inherent in refining crude oil. A significant accident or event, such as described above at Delek Holdings’ facilities, could damage or destroy our assets, expose us to significant liability and affect Delek Holdings’ ability and / or obligation to satisfy the minimum volume commitments under our commercial agreements with Delek Holdings, any of which could have a material adverse effect on our business, financial condition and results of operations. Further, significant portions of our pipeline systems, including our gathering system, and storage and terminalling facilities have been in service for many decades, which could enhance the risks and operational hazards discussed above. The age and condition of our systems could also result in increased maintenance or repair expenditures, and any downtime associated with increased maintenance and repair activities could materially reduce our revenue. Any significant increase in maintenance and repair expenditures or loss of revenue due to the age or condition of our systems could adversely affect our business and results of operations and our ability to make cash distributions to our unitholders. We may be unsuccessful in integrating the operations of the assets we have acquired or may acquire with our operations, and in realizing all or any part of the anticipated benefits of any such acquisitions. From time to time, we evaluate and acquire assets and businesses that we believe complement our existing assets and businesses. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. Our capitalization and results of operations may change significantly as a result of completed or 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. On June 1, 2022, we completed the ~~3 Bear~~ **Delaware Gathering** Acquisition, which ~~will~~ **has** ~~require~~ **required** management to devote significant attention and resources to integrating the ~~3 Bear~~ **Delaware Gathering** business with our business. Potential difficulties that may be encountered in the integration process include, among others: • the inability to successfully integrate the ~~3 Bear~~ **Delaware Gathering** business into our business in a manner that permits us to achieve the revenue and cost savings that we announced as anticipated from the acquisition; **28 |** • complexities associated with managing the larger, integrated business; • potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the ~~3 Bear~~ **Delaware Gathering** Acquisition; • integrating personnel from the two companies while maintaining focus on providing consistent, high- quality products and services; • loss of key employees; • integrating relationships with customers, vendors and business partners; ~~32 |~~ • performance shortfalls at ~~one~~ **either** or both of **our existing businesses or** the ~~companies~~ **acquired business** as a result of the diversion of management ~~’~~ **'** s attention caused by completing the acquisition and integration of ~~3 Bear’~~ **Delaware Gathering'** s operations into the Partnership; and • the disruption or loss in momentum in, each company’ s ongoing business or inconsistencies in standards, controls, procedures and policies. Delays or difficulties in the integration process could adversely affect our business, financial results, financial condition and common unit price. Even if we are able to integrate our business operations successfully, there can be no assurance that the integration will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that we currently expect or have communicated from this integration or that these benefits will be achieved within the anticipated timeframe. Our insurance policies and contractual protections from Delek Holdings do not cover all losses, costs or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums. We are insured under Delek Holdings' insurance policies, subject to the terms, retentions and limits under those policies. To the extent Delek Holdings experiences losses under the insurance policies, the limits of our coverage may be decreased. In addition, we are not insured against all potential losses, costs or liabilities. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. In addition, because Delek Holdings’ time element insurance has up to a 60 day waiting period, a significant part, or all, of a business interruption loss or additional expenses loss could be uninsured. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. The energy industry is highly capital intensive, and the entire or partial loss of individual facilities or multiple facilities can result in significant costs to both energy industry companies, such as us, and their insurance carriers. Events which could result in such losses, and in some cases already have impacted our operations, include unplanned maintenance requirements, catastrophic events such as fire, mechanical breakdown, explosion, or contamination, natural disasters and orders issued by environmental authorities. Large energy industry claims could result in significant increases in the level of premium costs and deductibles for participants in the energy industry. Insurance companies that have historically participated in underwriting energy- related facilities may discontinue that practice, may reduce the insurance coverage they are willing to offer or demand significantly higher premiums or deductibles. If we experience significant claims, or if ~~there are~~ significant changes occur in the number or financial solvency of insurance underwriters for the energy industry, or if other adverse conditions over which we have no control prevail in the insurance market, we may be unable to obtain and maintain adequate insurance at a reasonable cost. Furthermore, any losses under the insurance policies experienced by Delek Holdings may impact our ability to obtain, renew or arrange for adequate alternative coverage. As a result of market conditions and our claims history, premiums and deductibles for Delek Holdings' insurance policies have increased, and some of Delek Holdings' insurers have declined to renew policies. The unavailability of full insurance coverage to cover events in which we suffer significant losses could have a material adverse effect on our business, financial condition and results of operations. Under the Omnibus Agreement, Delek Holdings has also agreed to reimburse us for certain losses related to certain asset failures, which provisions expire at various times depending on the asset involved. See Items 1 and 2." Business and Properties — Commercial Agreements — Other Agreements with Delek Holdings." However, upon such expiration, or if Delek Holdings were to default under the Omnibus Agreement or otherwise fail to satisfy its obligations to us, and insurance coverage was not otherwise available or was otherwise available only at substantial retention levels or cost, we could suffer significant losses that could have a material adverse effect on our business, financial condition and results of operations. The physical effects of climate change and severe weather present risks to our operations. The potential physical effects of climate change and severe weather on our operations are highly uncertain and depend upon the unique geographic and environmental factors present. We have systems in place to manage potential acute physical risks, including those that may be caused by climate change, but if any such events were to occur, they could have an adverse effect on our assets and operations. Examples of potential physical risks include **extreme heat, severe thunderstorms, lightning strikes,** floods, hurricane- force winds, wildfires, freezing temperatures and snowstorms. **As the climate changes, the frequency and severity of these physical risks may increase.** We have incurred, and will continue to incur, costs to protect our assets from physical risks ~~,~~ and to employ processes, to the extent available, to mitigate such risks. ~~Any~~ **29 |** ~~extreme~~ **Extreme** weather events may disrupt ~~the~~ **our** ability to operate **and maintain** our facilities or to transport crude oil, refined petroleum or petrochemical and plastics products ~~in these~~ **, both within and outside affected** areas. In addition, substantial weather- related conditions could impact our relationships and arrangements with our major customers and suppliers by materially affecting the normal flow of crude oil and refined products. For example, severe weather events could damage transportation infrastructures and lead to interruptions of our operations, including our ability to deliver products or increases in costs. Extended periods of such disruption could have an adverse effect on our results of operations. We ~~could also~~ **have incurred, and will continue to** incur **,** substantial costs to prevent or repair damage to ~~these~~ **our** facilities **as a result of severe weather events** . Finally, depending on the severity and duration of any extreme weather events or climate conditions, our **maintenance procedures may need to be delayed or expanded,** operations may need to be modified and material costs incurred, which could materially and adversely affect our business, financial condition and results of operations. If we are unable to generate sufficient cash flow, our ability to pay quarterly distributions to our common unitholders at all or at current levels or our ability to increase our quarterly distributions in the future could be impaired materially. ~~33 |~~ Our ability to pay quarterly distributions depends primarily on cash flow, including cash flow from operations, cash from financial reserves, cash from credit facilities and cash from potential capital markets transactions, and not solely on profitability, which is affected by non- cash items. As a result, we may pay cash distributions during periods of losses and may be unable to pay cash distributions during periods of income. Our ability to generate sufficient cash flow is largely dependent on our ability to manage our business successfully, but may also be affected by economic, financial, competitive, regulatory and other factors beyond our control. For example, we may not be able to obtain debt or equity financing on terms that are favorable to us, if at all, and we may be required to fund our working capital requirements principally with cash generated by our operations and borrowings under our credit facilities and not to increase or pay distributions. We may not have sufficient available cash each quarter to enable us to pay distributions at current levels or at all. In addition, even if we are able to make distributions, because the cash we generate will fluctuate from quarter to quarter, quarterly distributions, or any period over period growth in such distributions, may also fluctuate, or even decrease, from quarter to quarter. Any failure to pay distributions at expected levels could result in a loss of investor confidence and a decrease in the trading price of our units. The Russia- Ukraine War, ~~and~~ **Israel- Hamas War,** events occurring in response thereto ~~, including sanctions brought by the United States and other countries against Russia~~ and any expansion of hostilities, may have an adverse impact on our business, our future results of operations, and our overall financial performance. The ~~effects~~ - **effect** of the ~~military conflict~~ **conflicts between** ~~that began with the Russian~~ - **Russia and** ~~invasion of~~ Ukraine **beginning** in February 2022 **and between Israel and Hamas beginning in October 2023,** on our business, financial condition, and results of operations are impossible to predict. **Any increase in** ~~Sanctions~~ **sanctions** ~~brought by~~ **, escalating of** the ~~United States~~ **conflicts, including the regional or global expansion of hostilities,** and other ~~countries against~~ **future developments could significantly affect the global economy, lead to market volatility and supply chain disruptions, have an adverse impact on energy prices, including prices of crude oil, other feedstocks, and refined petroleum products, have an adverse impact on the margins from our petroleum product marketing operations, and have a material adverse effect on our business, financial condition, and results of operations. The effects of the conflicts between** Russia **and Ukraine beginning in February 2022 and between Israel and Hamas beginning in October 2023, on** ~~or~~ **our business** ~~any of its allies~~ , ~~any~~ **financial condition, and results of operations are impossible to predict. Any increase in sanctions,** escalation of the ~~conflict~~ **conflicts** , including the regional or global expansion of hostilities, and other future developments could significantly affect the global economy, lead to market volatility and supply chain disruptions, have an adverse impact on energy prices, including prices for crude oil, other feedstocks, and refined petroleum products, have an adverse impact on the margins from our petroleum product marketing operations, and have a material adverse effect on our business, financial condition, and results of operations. Our assets and operations are subject to federal, state and local laws and regulations relating to environmental protection, pipeline integrity and safety that could require us to make substantial expenditures. In addition, our business involves the risks of spills, releases and emissions from our facilities, which could require us to make substantial expenditures and subject us to fines and penalties. These expenditures could have a material impact on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. Our assets and operations involve the transportation and storage of crude oil and products, which are subject to increasingly stringent and extensive federal, state and local laws and regulations related to the discharge and remediation of materials in the environment, greenhouse gas emissions, waste management, species and habitat preservation, pollution prevention, pipeline integrity and other safety- related regulations, and characteristics and composition of fuels. These laws and regulations require us to comply with various safety requirements regarding the design, installation, testing, construction and operational management of certain of our assets. These requirements have raised operating costs, and compliance with such laws and regulations may cause us to incur potentially material capital expenditures associated with the construction, maintenance and upgrading of equipment and facilities. Environmental laws and regulations, in particular, are subject to frequent change, and many of them have become and may continue to become more stringent. Transportation and storage of crude oil and products involves inherent risks of spills and releases and emissions into the air from our facilities, and can subject us to various federal and state laws governing spills and releases, including reporting and remediation obligations. We have historically experienced multiple releases and spills from our facilities and are subject to ongoing remediation and / or monitoring projects and enforcement actions. The costs associated with such obligations can be substantial, as can costs associated with related enforcement matters, including possible fines and penalties. Transportation of crude oil and products over water, or proximate to navigable bodies of water, involves inherent risks (including risks of spills) and could subject us to the provisions of the OPA, the Clean Water Act and similar state environmental **30 |** laws should a spill occur from our facilities. See Items 1 and 2." Business and Properties — Governmental Regulation and Environmental Matters — Water." Among other things, the OPA requires us to prepare a facility response plan identifying the personnel and equipment necessary to remove, to the maximum extent practicable, a “ worst case discharge. ” While our plans are designed to mitigate environmental impacts, such plans may not protect us from all liability associated with the discharge of crude oil or products into navigable waters. With respect to the releases that have occurred, or for an event that occurs or is discovered in the future, whether in connection with any of our assets or any other facility to which we send or have sent waste or by- products for treatment or disposal, or a facility or assets that we may acquire from time to time as part of our ongoing growth strategy, we could be liable for all costs and penalties associated with the remediation of such facilities under federal, state and local environmental laws or common law. We may also be liable for personal injury, property damage and natural resource damage claims from third parties alleging contamination from spills or releases from our facilities or operations. In addition, even if we are insured against such risks, we may be responsible for costs or penalties to the extent our insurers do not fulfill their obligations to us or our insurance policies do not cover such items. Our failure to comply with these, or any other environmental, pipeline integrity or safety- related laws or regulations, could result in the assessment of administrative, civil or criminal penalties, the imposition of investigatory and remedial liabilities and the issuance of injunctions that may subject us to additional operational constraints. In addition, we could incur potentially significant additional expenses should we determine that any of our assets are not in compliance with such laws or regulations in order to bring our assets into compliance. Any such expenses, penalties or liabilities could have a material adverse effect on our business, financial condition or results of operations. While we are entitled to reimbursement or indemnification from Delek Holdings for certain ~~34 |~~ environmental liabilities under the Omnibus Agreement **for certain assets which we purchased from Delek Holdings** , such reimbursement or indemnification may not fully cover any damages we may incur, or Delek Holdings may default on or otherwise fail to satisfy its obligations to us, which could have a material adverse effect on our business, financial condition or results of operations. Further, certain of our pipeline facilities are subject to the pipeline safety regulations of the PHMSA. The PHMSA regulates the design, construction, testing, operation, maintenance, reporting and emergency response of crude oil, petroleum products and other hazardous liquid pipeline facilities. The PHMSA has adopted regulations requiring pipeline operators to develop integrity management programs for hazardous liquids pipelines located where a leak or rupture could affect “ high consequence areas ” that are populated or environmentally sensitive areas, although recent rulemaking is extending certain requirements beyond high consequence areas. The PHMSA has also issued regulations that subject certain rural low-stress hazardous liquids pipelines to the integrity management requirements. The integrity management regulations require operators, including us, to: • perform ongoing assessments of pipeline integrity; • identify and characterize applicable threats to pipeline segments that could impact a high consequence area; • maintain processes for data collection, integration and analysis; • repair and remediate pipelines as necessary; and • implement preventive and mitigating actions. The PHMSA also carries out the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (the" 2011 Pipeline Safety Act"), which increased penalties for safety violations, established additional safety requirements for newly constructed pipelines, imposed new emergency response and incident notification requirements and required studies of certain safety issues that could result in the adoption of new regulatory requirements for existing pipelines. The Protecting our Infrastructure of Pipelines and Enhancing Safety Act (the" PIPES Act") was finalized in 2016, reauthorizing the PHMSA’ s pipeline safety programs through 2019 and directing PHMSA to complete unfinished mandates of the 2011 Pipeline Safety Act. The PIPES Act of 2020 was enacted on December 27, 2020 and reauthorizes the U. S. federal pipeline safety program after the PIPES Act of 2016 expired on September 30, 2019. We may incur significant costs and liabilities associated with compliance with pipeline safety regulations, and any corresponding repair, remediation, preventive or mitigation measures required for our non- exempt pipeline facilities, including lost cash flows resulting from shutting down our pipelines during the pendency of such repairs. Moreover, changes to pipeline safety laws and regulations that result in more stringent or costly pipeline integrity management or safety standards could have a material adverse effect on us and similarly situated operators. **31 |** A material decrease in wholesale fuel margins or in the quantity of barrels sold to wholesale customers could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distribution to unitholders. Our wholesale fuel sales in our West Texas business are made to third party customers. The margins we earn on these sales, and the quantity of barrels we sell, are dependent on a number of factors outside our control, including the overall supply of refined products, overall market conditions, the demand for these products, competition from third parties, the price of ethanol and the value of renewable identification numbers (" RINs") we receive from blending renewable fuels. Specifically, among other circumstances, the margins we earn through these activities may be adversely impacted in the event of excess supply of refined products or decreased customer demand. Political instability and global health crises, such as the COVID- 19 Pandemic, can also impact the global economy and decrease worldwide demand for oil and refined products. These supply and demand dynamics are subject to day- to- day variability and may result in volatility in the margins that we achieve. These, and other dynamics, may also result in our customers reducing their purchases of product from us in favor of purchasing more product from other refiners or suppliers. Further, decreases in the value of RINs could impact our margins in our wholesale business. In addition, our margins are affected by the price we pay for ethanol, which is blended into certain refined products. We occasionally lock in ethanol prices by committing to purchase ethanol in the future at a certain price. If the spot price for ethanol at the time we actually take delivery of such product is less than what we paid for it, our margins could be negatively impacted. Price risk management programs established to hedge price volatility may not perform as intended, which may negatively impact our margins. Extended periods of market conditions that result in us earning margins lower than anticipated or in us selling fewer barrels of product to wholesale customers, for any of the reasons set forth above or otherwise, could adversely affect our financial condition, results of operations and cash flows. ~~35 |~~ Our contract counterparties may suspend, reduce or terminate their obligations under our various commercial agreements in certain circumstances, including events of force majeure, which could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. Our commercial agreements with Delek Holdings and third parties provide that the counterparty may, depending on the commercial agreement, suspend, reduce or terminate its obligations to us under the applicable agreement, including the requirement to pay the fees associated with the applicable minimum volume commitments, in the event of (i) a material breach of the agreement by us, (ii) in the case of Delek Holdings, Delek Holdings deciding to permanently or indefinitely suspend refining operations at one or more of its refineries, or (iii) the occurrence of certain force majeure events that would prevent us or the third party from performing our or its obligations under the applicable agreement. Force majeure events may include any acts or occurrences that prevent services from being performed either by us or such third party under the applicable agreement, such as: • acts of God; • strikes, lockouts or other industrial disturbances; • acts of the public enemy, wars, blockades, insurrections, riots or civil disturbances; • storms, floods or washouts; • arrests or the order of any court or governmental authority having jurisdiction while the same is in force and effect; • explosions, breakage or accident to machinery, storage tanks or lines of pipe; • any inability to obtain, or unavoidable delay in obtaining, material or equipment; • any inability to deliver crude oil or refined products because of a failure of third- party pipelines; and • any other causes not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Our counterparties have discretion in certain circumstances to decide to suspend, reduce or terminate their obligations under our commercial agreements notwithstanding the fact that their decisions may significantly and adversely affect us. Accordingly, there exists a broad range of events that could result in our being unable to utilize our assets, and Delek Holdings or its assignee or a third party, as the case may be, no longer having an obligation to meet its minimum volume commitments or pay the amounts otherwise owing under the applicable agreement. Furthermore, a single event relating to one of Delek Holdings' refineries could have a material impact on multiple of our commercial agreements with Delek Holdings or its assignee. Any reduction, suspension or termination of any of our commercial agreements could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders. **32 |** If Delek Holdings satisfies only its minimum obligations under, or if we are unable to renew or extend, the various commercial agreements we have with Delek Holdings, our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders could suffer. Delek Holdings is not obligated to use, or to pay us with respect to our services, for volumes of crude oil or refined products in excess of the minimum volume commitments under the various commercial agreements with us. During refinery maintenance and inspection turnarounds, which typically last 30 to 60 days and are performed every four to five years, and during other planned or unplanned maintenance periods, Delek Holdings is only required to satisfy its minimum volume commitments during such periods with respect to our assets that serve the refinery. In addition, the initial terms of Delek Holdings' obligations under those agreements range from five to ten years, unless earlier terminated as described above, with Delek Holdings having the option to renew. If Delek Holdings fails to use our services for volumes of crude oil or refined products in excess of the minimum volume commitments or fails to use our facilities and services after expiration of those agreements, or if Delek Holdings terminates those agreements prior to their expiration, and we are unable to generate additional revenues from third parties, our ability to make cash distributions to unitholders may be impaired. A material reduction in the volumes of crude oil or refined products that we handle for Delek Holdings could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to unitholders. Our substantial dependence on Delek Holdings' Tyler, El Dorado and Big Spring refineries, as well as the lack of diversification of our assets and geographic locations, could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. If the demand for refined products, particularly in Delek Holdings' primary market areas, decreases significantly, or if there were a material increase in the price of crude oil supplied to the Tyler, El Dorado or Big Spring refineries without an increase in the value of the refined products produced by those refineries, either temporary or permanent, which caused Delek Holdings to reduce production of refined products at its refineries, there would likely be a reduction in the volumes of crude oil and refined products we handle for Delek Holdings. Any such reduction could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. ~~36 |~~ We believe that a substantial majority of our gross and contribution margins for the foreseeable future will be derived from the operation of our pipelines, gathering systems and terminal and storage facilities that support the Tyler, El Dorado and Big Spring refineries and are primarily located in Arkansas and Texas and, to a lesser degree, Louisiana and Tennessee. Any event that renders any Delek Holdings refinery temporarily or permanently unavailable could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. Due to our lack of diversification in assets and geographic location, an adverse development in our businesses or areas of operations, including adverse developments due to catastrophic events, weather, regulatory action and decreases in demand for crude oil and refined products, could have a significantly greater impact on our results of operations and cash available for distribution to our common unitholders than if we maintained more diverse assets and locations. Such events may constitute force majeure events under our commercial agreements, potentially resulting in the suspension, reduction or termination of multiple commercial agreements in the affected geographic area. In addition, during planned maintenance periods or a refinery turnaround, we expect that Delek Holdings, or its assignee, may only satisfy its minimum volume commitments with respect to our assets that serve such refinery. Please see "- Our contract counterparties may suspend, reduce or terminate their obligations under our various commercial agreements in certain circumstances, including events of force majeure, which could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to unitholders " and "- If Delek Holdings satisfies only its minimum obligations under, or if we are unable to renew or extend, the various commercial agreements we have with Delek Holdings, our cash flow and results of operations could suffer. " There are certain environmental hazards and risks inherent in our operations that could adversely affect those operations and our financial results. The operation of refineries, pipelines, terminals and vessels is inherently subject to the risks of spills, discharges or other inadvertent releases of petroleum or hazardous substances. **When** ~~If any of~~ these events ~~had previously occurred or occurs~~ - **occur** ~~in the future~~ in connection with any of our refineries, pipelines or refined petroleum products terminals, or in connection with any facilities that receive our wastes or byproducts for treatment or disposal, ~~other than events for which~~ we ~~are indemnified, we~~ **have in the past and** could **in the future** be liable for ~~all~~ costs and penalties associated with their remediation under federal, state, local and international environmental laws or common law, **as well as** ~~and could be liable~~ for property damage to third parties caused by contamination from releases and spills. **33 |** A material decrease in the supply of attractively priced crude oil could materially reduce the volumes of crude oil and refined products that we transport and store, which could materially and adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. The volumes of crude oil and refined products that we may transport on our pipelines will depend on the volumes of crude oil processed and refined products produced at Delek Holdings' refineries that we serve, as well as third parties' desire to transport crude on our systems, including our Paline Pipeline. The volumes of crude oil processed and refined products produced depend, in part, on the availability of attractively priced crude oil. For example, if a shipper on one of our pipeline systems is unable to locate or purchase attractively priced crude, which could happen due to a large number of market factors, and their shipments on our system are made in large part because of the pipeline' s proximity to such attractively priced crude, then our pipeline may not be utilized. If the capacity of such pipeline is not under contract, or the pipeline is not utilized at all or to its capacity, then our results may be adversely affected. Our Paline Pipeline is such a pipeline. If we are unable to secure capacity agreements on our Paline Pipeline, our Paline Pipeline may go unused or underused for a period of time, which could affect our operating results if third parties are no longer interested in transporting crude oil along that route for economic reasons associated with the price of crude or other reasons. Further, in order to maintain or increase production levels at Delek Holdings' refineries, Delek Holdings must continually contract for new crude oil supplies or connect to alternative sources of crude oil. Adverse developments in major oil producing regions around the world could have a significant impact on our financial condition, results of operations and cash flows because of our lack of industry and geographic diversity and substantial reliance on Delek Holdings as a direct or indirect customer. Accordingly, in addition to risks related to accessing, gathering, transporting and storing crude oil and refined products, we are disproportionately exposed to risks inherent in the broader oil and gas industry, including: • the volatility and uncertainty of regional pricing differentials for crude oil and refined products; • the action by the members of the Organization of the Petroleum Exporting Countries, or OPEC, individually or in the aggregate, regarding production levels and prices; • the nature and extent of governmental regulation and taxation; and • the anticipated future prices of crude oil and refined products in markets served by Delek Holdings' refineries. If, as a result of any of these or other factors, the volumes of attractively priced crude oil available to Delek Holdings' refineries are materially reduced for a prolonged period of time, the volumes of crude oil and refined products that we transport and store, and the related fees for those services, could be materially reduced, which could materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. ~~37 |~~ A portion of our operations are conducted through joint ventures, over which we do not have full control and which have unique risks. A portion of our operations are conducted through joint ventures, in which we have been making investments since 2015. We are able to appoint members to the managing boards of each of the joint ventures and maintain certain rights of approval over certain actions of our partners and / or their affiliates. However, our partners in each of our joint ventures, or their affiliates, serve as, or are responsible for, the contractor and the operator of the joint ventures' assets, and we have limited control over the same. In addition, we have limited control over the cash distribution policies of each of the joint ventures. We share ownership in the joint ventures with partners that may not always share our goals and objectives. Differences in views among the partners may result in delayed decisions or failures to agree on major matters, such as large expenditures or contractual commitments, the construction of assets or borrowing money, among others. Delay or failure to agree may prevent action with respect to such matters, even though such action may not serve our best interest or that of the joint venture. Accordingly, delayed decisions and disagreements could adversely affect the business and operations of the joint ventures and, in turn, our business and operations. From time to time, our joint ventures may be involved in disputes or legal proceedings which may negatively affect our investments. Accordingly, any such occurrences could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. We are exposed to direct commodity price risk and interest rate risk, both of which may increase in the future. We may incur losses as a result of our forward contract activities and derivative transactions. We typically own and hold a certain amount of inventory of light products in our business with respect to our wholesale marketing business in West Texas. Depending on our ability to sell such inventory, and the timing in which we do so, we could be exposed to risks related to the volatility of commodity prices in West Texas. Such volatility depends on many factors, including general market conditions and prices, demand for refined products in the West Texas market, the timing of refined product deliveries and downtime at refineries in the surrounding area. In addition, our actual product acquisitions from suppliers versus the amount we nominated to acquire may result in us being effectively long or short with respect to a given product and thus subject to further commodity price risk. This exposure to the volatility of commodity prices could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. **34 |** To partially mitigate the risk of various financial exposures inherent in our business, including commodity price risk and interest rate risk on our floating rate debt, we selectively use derivative financial instruments, such as fuel- related derivative transactions, and may use interest rate swaps and interest rate cap agreements. In connection with such derivative transactions, we may be required to make payments to maintain margin accounts and to settle the contracts at their value in accordance with their terms and upon termination. The maintenance of required margin accounts, and the settlement of derivative contracts, could cause us to suffer losses or limit gains. In particular, derivative transactions could expose us to the risk of financial loss upon unexpected or unusual variations in the sales price of wholesale gasoline and diesel relative to the derivative instrument. We cannot assure you that the strategies underlying these transactions will be successful. If any of the strategies we utilize to manage our exposure to various types of risk is not effective, we may incur losses. Our ability to expand may be limited if Delek Holdings' business does not grow as expected. Part of our growth strategy depends on the growth of Delek Holdings' business. For example, in our terminals and storage business, we believe our growth will be driven in part by identifying and executing organic expansion or new construction projects that will result in increased or new throughput volumes from Delek Holdings, its assignees and third parties. Our organic growth opportunities will be limited if Delek Holdings is unable to acquire new assets for which our execution of organic projects is needed. Additionally, if Delek Holdings focuses on other growth areas that our business does not serve, or does not make capital expenditures to fund the organic growth of its operations, we may not be able to fully execute our growth strategy. We may not be able to significantly increase or retain our third- party revenue due to competition and other factors, which could limit our ability to grow and may increase our dependence on Delek Holdings. We can provide no assurance that we will be able to retain or attract third- party revenues, which could limit our ability to grow and increase our dependence on Delek Holdings. Our ability to increase our third- party revenue is subject to numerous factors beyond our control, including competition from third parties and the extent to which we have available capacity when third- party shippers require it. Further, under certain of our commercial agreements with Delek Holdings, we may not provide service to third parties with respect to certain assets without Delek Holdings' consent, subject to limited exceptions. Furthermore, to the extent that we have capacity at our refined products terminals available for third- party volumes, competition from other existing or future refined products terminals owned by our competitors may limit our ability to utilize this available capacity. The costs, scope, timelines and benefits of any construction projects we undertake may deviate significantly from our original plans and estimates, which could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. One of our business strategies is to evaluate and make capital investments to expand our existing asset base through the development and construction of new or expanded assets. At the same time, we also will need to devote significant resources to maintaining our asset base. ~~38 |~~ However, in developing or maintaining such assets, we may experience unanticipated increases in the cost, scope and completion time for our construction or maintenance and repair projects. Equipment that we require to complete these projects may be unavailable to us at expected costs or within expected time periods. Additionally, labor expense may exceed our expectations. Moreover, pipeline construction projects requiring federal approvals are generally subject to environment review requirements under the National Environmental Policy Act and must also comply with other natural resources review requirements imposed pursuant to the Endangered Species Act, the National Historic Preservation Act and other federal and state laws and regulations and potential permitting requirements. Due to these or other factors beyond our control, we may be unable to complete these projects within anticipated cost parameters and timelines. In addition, the benefits we realize from completed projects may take longer to realize and / or be less than we anticipated. Our inability to complete and / or realize the benefits of construction and / or maintenance projects in a cost- efficient and timely manner could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. 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 Delek Holdings 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 Delek Holdings 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 Delek Holdings, our business operations could be materially adversely affected. **35 |** If we are unable to obtain needed capital or financing on satisfactory terms to fund expansions of our asset base, our ability to make quarterly cash distributions may be diminished or our financial leverage could increase. In order to expand our asset base, we will need to make significant capital expenditures. If we do not make sufficient or effective expansion capital expenditures, we will be unable to expand our business operations and may be unable to maintain or raise the level of our quarterly cash distributions. We will be required to use cash from our operations or incur borrowings or sell additional limited partner units or interests in order to fund our expansion capital expenditures. Using cash from operations will reduce cash available for distribution to our common unitholders. Our ability to obtain financing or to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering, as well as the covenants in our debt agreements, general economic conditions and contingencies and uncertainties that are beyond our control. Even if we are successful in obtaining funds for expansion capital expenditures through equity or debt financings, the terms thereof could limit our ability to pay distributions to our common unitholders. Moreover, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional limited partner interests may result in significant common unitholder dilution and increase the aggregate amount of cash required to maintain the then- current distribution rate, which could materially decrease our ability to pay distributions at the then- current distribution rate. If third- party pipelines, terminals or other facilities interconnected to our pipeline systems or terminals become partially or fully unavailable, or if we are unable to fulfill our contractual obligations, our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders could be adversely affected. Our pipelines and terminals connect to other pipelines, terminals and facilities owned and operated by unaffiliated third parties. Our shippers often need to use such pipelines, terminals and facilities; however, the continuing operation of such third- party pipelines, terminals and other facilities is not within our control. These pipelines, terminals and other facilities may become unavailable because of testing, turnarounds, line repair, reduced operating pressure, lack of operating capacity, regulatory requirements, curtailments of receipt or deliveries due to insufficient capacity, corporate business decisions or because of damage from hurricanes or other operational hazards. In addition, we do not have interconnect agreements with all of these pipelines, terminals and other facilities, and the interconnect agreements we do have may be terminated in certain circumstances, including circumstances beyond our control, and on short notice. If any of these pipelines, terminals or other facilities becomes unable to receive or transport crude oil or refined products, we may be unable to perform our obligations under our commercial agreements with Delek Holdings and third parties, and our financial condition, results of operations, cash flows and ability to make distributions to our unitholders could be adversely affected. Similarly, if additional shippers begin transporting volumes of refined products or crude oil over interconnecting pipelines, the allocations to us and other existing shippers on these interconnecting pipelines could be reduced, which could also reduce volumes distributed through our terminals or transported through our crude oil pipelines. Allocation reductions of this nature are not infrequent and are beyond our control. Any significant reduction in volumes could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. ~~39 |~~ An interruption or reduction of supply and delivery of refined products to our wholesale marketing business could result in a decline in our sales and profitability. In our West Texas wholesale marketing business, we sell refined products that we purchase from Delek Holdings and unaffiliated third parties. ~~The prior contract under which we purchased the majority of the products we sold in West Texas expired in December 2017.~~ We ~~are now purchasing~~ **purchase** the majority of product we sell in West Texas from Delek Holdings. The remainder of the barrels we sell in West Texas are spot purchased from various suppliers or refiners. We could experience an interruption or reduction in the supply or delivery of refined products if our suppliers, the refineries who supply us or our suppliers, or the pipelines that deliver that product partially or completely ceased operations, temporarily or permanently, or ceased to supply us with refined products for any reason. The ability of these refineries and our suppliers to supply refined products to us could be disrupted by anticipated events, such as scheduled upgrades or maintenance, as well as events beyond their control, such as unscheduled maintenance, ~~the COVID- 19 Pandemic~~ **regional or global disease outbreaks** , fires, floods, storms, explosions, power outages, accidents, acts of terrorism or other catastrophic events, labor difficulties and work stoppages, governmental or private party litigation, or legislation or regulation that adversely impacts refinery operations. An interruption or reduction in the volume of refined products supplied to our wholesale business could adversely affect our sales and profitability. We are exposed to the credit risks and certain other risks of our key customers and other contractual counterparties, including Delek Holdings and its assignees, and any material nonpayment or nonperformance by our key customers or other counterparties could adversely affect our business, which could have a material adverse effect on our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. We are subject to risks of loss resulting from nonpayment or nonperformance by our customers and other contractual counterparties. Any material nonpayment or nonperformance or default by our key customers or other contractual counterparties, including Delek Holdings or its assignees, could adversely affect our business, financial condition, results of operations and our ability to make distributions to our unitholders. Furthermore, some of our customers may be highly leveraged and subject to their own operating and regulatory risks. Any loss of our key customers, including Delek Holdings, could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to our unitholders. **36 |** Restrictions in our revolving credit facility and in the respective indentures governing the 2025 Notes and 2028 Notes could adversely affect our business, financial condition, results of operations and ability to make quarterly cash distributions to our unitholders. Our revolving credit facility and the respective indentures governing the 2025 Notes and 2028 Notes (as defined in Note 11 to our consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10- K) contain, and any future financing agreements may contain, operating and financial restrictions and covenants that could limit our ability to finance future operations or capital needs, or to expand or pursue our business activities, which may, in turn, limit our ability to make cash distributions to our unitholders. For example, our revolving credit facility limits our ability to, among other things: • incur or guarantee additional debt; • incur certain liens on assets; • dispose of assets; • make certain cash distributions or redeem or repurchase units; • change the nature of our business; • engage in certain mergers or acquisitions or make certain investments (including in joint ventures); and • enter into certain transactions with affiliates. Our revolving credit facility contains covenants requiring us to maintain certain financial ratios. Our ability to meet those financial ratios can be affected by events beyond our control, and we cannot assure you that we will meet those ratios. In addition, our revolving credit facility contains events of default customary for agreements of this nature, including the occurrence of certain change of control events. Similarly, the respective indentures governing the 2025 Notes and 2028 Notes contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to (i) incur, assume or guarantee additional indebtedness or issue certain convertible or redeemable equity securities; (ii) create liens to secure indebtedness; (iii) pay distributions on equity interests, repurchase equity securities or redeem subordinated securities; (iv) make investments; (v) make distributions, loans or other asset transfers from our restricted subsidiaries; (vi) consolidate with or merge with or into, or sell substantially all of our properties to, another person; (vii) sell or otherwise dispose or assets, including equity interests in subsidiaries; and (viii) enter into transactions with affiliates. The provisions of our revolving credit facility and of the respective indentures governing the 2025 Notes and 2028 Notes may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. In addition, a failure to comply with the provisions of our revolving credit facility or the indentures governing the 2025 Notes and 2028 Notes could result in a default or an event of default that could enable our lenders to declare the outstanding principal of that debt, together with accrued and unpaid interest and certain other indebtedness and other outstanding amounts, to be immediately due and payable. Such event of default would also permit our lenders to foreclose on our assets serving as collateral for our obligations under the revolving credit ~~40 |~~ facility. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full, and our unitholders could experience a partial or total loss of their investment. The revolving credit facility and the respective indentures governing the 2025 Notes and 2028 Notes also have cross- default provisions that would apply to certain other indebtedness we may have. Our debt levels may limit our flexibility to obtain financing and to pursue other business opportunities. As of December 31, ~~2022~~ **2023** , we had approximately $ 1, ~~670~~ **711** . ~~5~~ **8** million in debt outstanding. We have the ability to incur additional debt; however, such ability is subject to limitations under our revolving credit facility and the respective indentures governing the 2025 Notes and 2028 Notes. Our level of debt could have important consequences to us, including the following: • our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms; • our funds available for operations, future business opportunities and distributions to unitholders will be reduced by that portion of our cash flows required to make payments on our debt and any interest thereon; • we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and • our flexibility in responding to changing business and economic conditions may be limited. Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, which is within our control, or such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital, which actions we may not be able to effect on satisfactory terms or at all. **37 |** Transportation on certain of our pipelines is subject to federal or state regulation, and the imposition and / or cost of compliance with such regulation could adversely affect our operations and cash flows available for distribution to our unitholders. In addition, certain of our other contracts are eligible for fee increases tied to other inflationary indexes, which could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. Certain of our pipelines provide services subject to regulation by the FERC and / or state regulators. The FERC uses prescribed rate methodologies for developing regulated tariff rates for interstate oil and product pipelines. The FERC' s primary rate- making authority is currently price- indexing; if the methodology changes, the new methodology may result in tariffs that generate lower revenues and cash flows. The indexing method annually adjusts the maximum rate for a given transportation service based on a percentage change in the producer price index for refined goods and is not based on pipeline- specific costs. If the index in a given year results in an increase in the applicable rate ceiling, pipelines are allowed to raise rate to the new ceiling. If the index in a given year results in a decrease in the applicable rate ceiling, we will be required to reduce our rates that are based on the FERC' s price indexing methodology if they exceed the new maximum available rate. In addition, changes in the index might not be large enough to fully reflect actual increases in our costs. The FERC' s rate- making methodologies may limit our ability to set rates based on our true costs or may delay the use of rates that reflect increased costs. Any of the foregoing could adversely affect our revenues and cash flows. ~~We note that the FERC index has been set at a level for the period from 2021- 2025 that is lower than that which was in effect from 2016- 2021; this is likely to result in lower annual rate increases, where there are increases permitted, for the coming period for our transportation rates that are subject to the FERC index for annual adjustments, compared to the previous five- year period, and has in the past and may in the future require us to decrease our interstate transportation rates to comply with the reduced ceiling level.~~ Shippers may protest, and the FERC may investigate, the lawfulness of new or changed tariff rates. The FERC can suspend those tariff rates for up to seven months. It can also require refunds of amounts collected, based on rates that are ultimately found to be unlawful, and prescribe new rates prospectively. The FERC and interested parties can also challenge tariff rates that have become final and effective. The FERC can order new rates to take effect prospectively and order refunds for past rates that exceed the just and reasonable level for time periods up to two years prior to the date of a complaint. Due to the complexity of rate making, the lawfulness of any rate is never assured. A successful challenge of our rates could adversely affect our revenues. In addition, the FERC issued a final order on March 15, 2018 (Docket No. PL17- 1- 000) in which the FERC found that an impermissible double recovery results from granting a Master Limited Partnership pipeline, such as the Partnership, both an income tax allowance and a return on equity pursuant to the discounted cash flow methodology. Accordingly, the FERC revised its policy and no longer permits an MLP to recover an income tax allowance in its cost of service. These changes could require us to change our rate design and potentially lower our rates if they are challenged on a cost of service basis. The FERC also regulates the terms and conditions of service, including access rights, for interstate transportation on common carrier pipelines subject to its jurisdiction. While the FERC regulates rates and terms and conditions of service for transportation of crude oil or refined products in interstate commerce by pipeline, state agencies may regulate rates and terms and conditions of service for petroleum pipeline transportation in intrastate commerce. Whether a pipeline provides service in interstate commerce or intrastate commerce is highly fact- dependent and determined on a case- by- case basis. We cannot provide assurance that the FERC will not, at some point, assert that some or all of the transportation service we provide that is not currently subject to our FERC tariffs **is** within its jurisdiction. If the FERC were successful with any such assertion, we may be required to pay refunds to customers and the FERC' s rate- making methodologies may limit our ability to set rates based on our actual costs, delay the use of rates that reflect increased costs and subject us to potentially burdensome and expensive operational, reporting and other requirements. ~~41 |~~ Service on the East Texas Crude Logistics System is currently subject to a temporary waiver issued by the FERC. If the conditions to the continued effectiveness of that East Texas Waiver Order are no longer true at any point, service on that system would become fully subject to the FERC tariff filing requirements and other regulatory requirements for the provision of transportation service. If we file tariffs, we may be required to provide a cost justification for the transportation charge. We would also be required to provide service to all prospective shippers making reasonable requests for service without undue discrimination and to operate in a manner that does not provide any undue preference to shippers. The rates under such tariffs may be insufficient to allow us to recover fully our cost of providing service on the affected pipelines, which could adversely affect our business, financial condition and results of operations. In addition, regulation by the FERC may subject us to potentially burdensome and expensive operational, reporting and other requirements. We own pipeline assets in Texas, Arkansas, Louisiana **, New Mexico** and Oklahoma. In Texas, a pipeline, with some exceptions, is required to operate as a common carrier and provide transportation without discrimination. Arkansas provides that all intrastate oil pipelines are common carriers, but it exercises light- handed regulation over petroleum pipelines. In Louisiana, all pipelines conveying petroleum from a point of origin within the state to a destination within the state are declared common carriers. The Louisiana Public Service Commission is empowered with the authority to establish reasonable rates and regulations for the transport of petroleum by a common carrier, mandating public tariffs and providing ~~of~~ transportation without discrimination. In Oklahoma, oil and gas companies engaged in transporting oil or gas by pipeline within the state operate as common carriers, and are not permitted to engage in unlawful discrimination. State commissions have generally not been aggressive in regulating common carrier pipelines, have generally not investigated the rates or practices of petroleum pipelines in the absence of shipper complaints and generally resolve complaints informally. If the regulatory commissions in the states in which we operate change their policies and aggressively regulate the rates or terms of service of pipelines operating in those states, it could adversely affect our business, financial condition and results of operations. **38 |** The Federal Trade Commission, the FERC and the Commodity Futures Trading Commission (" CFTC") hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical sales of oil or other energy commodities, and any related hedging activities that we undertake, we are required to observe the market- related regulations enforced by these agencies, which hold substantial enforcement authority. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition. In addition, the fees we charge on certain of our other contracts not involving regulated or other pipelines are also subject to change based on inflation- based indices, such as certain sub- indices of the producer price index or the consumer price index. If the index rises, we will be able to increase our rates. However, if the index falls, we will be required to reduce our rates. Delek Holdings' level of indebtedness, the terms of its borrowings and any future credit ratings could adversely affect our ability to grow our business, our ability to make cash distributions to our unitholders and our credit profile. Our current and future credit ratings may also be affected by Delek Holdings' level of indebtedness and creditworthiness. Delek Holdings must devote a substantial portion of its cash flows from operations to service its debt and lease obligations, thereby reducing the availability of its cash flows to fund its growth strategy, including capital expenditures, acquisitions and other business opportunities that would expand its needs for logistics operations. Furthermore, a higher level of indebtedness at Delek Holdings may increase the risk that it may default on its obligations, including commercial agreements with us. The covenants contained in the agreements governing Delek Holdings' outstanding and future indebtedness may limit its ability to borrow additional funds for development and make certain investments and may directly or indirectly impact our operations in a similar manner. For example, Delek Holdings' indebtedness requires that any transactions it enters into with us must be on terms no less favorable to Delek Holdings than those that could have been obtained with an unrelated person. There is also the risk that if Delek Holdings were to default under certain of its debt obligations, Delek Holdings' creditors would attempt to assert claims against our assets during the litigation of their claims against Delek Holdings. The defense of any such claims could be costly and could materially impact our financial condition, even absent any adverse determination. In the event these claims were successful, our ability to meet our obligations to our creditors, make distributions and finance our operations could be materially and adversely affected. Although we are not contractually bound by and are not liable for Delek Holdings' debt under its credit arrangements, we may be indirectly affected by certain prohibitions and limitations contained therein. Due to its ownership and control of our general partner, Delek Holdings has the ability to prevent us from taking actions that would cause Delek Holdings to violate any covenants in its credit arrangements, or otherwise to be in default under any of its credit arrangements. In deciding whether to prevent us from taking any such action, Delek Holdings will have no fiduciary duty to us or our unitholders. Delek Holdings' compliance with the covenants in its credit arrangements may restrict our ability to undertake certain actions that might otherwise be considered beneficial, including borrowing under our revolving credit facility. Any debt instruments that Delek Holdings or any of its affiliates enter into in the future, including any amendments to existing credit facilities, may include additional or more restrictive limitations on Delek Holdings that may impact our ability to conduct our business. These additional restrictions could adversely affect our ability to finance our future operations or capital needs or engage in, expand or pursue our business activities. Our current and future credit ratings may be adversely affected by any current and future credit rating of Delek Holdings, as credit rating agencies may consider the leverage and credit profile of Delek Holdings and its affiliates, because of their ownership interest in and control of us and because Delek Holdings accounts for a substantial majority of our contribution margin. Any adverse effect on our current and future ~~42 |~~ credit ratings could increase our cost of borrowing or hinder our ability to raise financing in the capital markets, which could impair our ability to grow our business and make cash distributions to our unitholders. Increases in interest rates could adversely impact the price of our common units, our ability to issue equity or incur debt for acquisitions or other purposes and our ability to make cash distributions at our intended levels. Floating interest rates on our revolving credit facility, to the extent not hedged, and interest rates under 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. ~~Further, the administrator for LIBOR ceased publishing one- week and two-month U. S. dollar LIBOR at the end of 2021 and will cease publishing all remaining U. S. dollar LIBOR tenors in mid- 2023. Concurrently, the United Kingdom' s Financial Conduct Authority announced the cessation or loss of representativeness of the U. S. dollar LIBOR tenors from those dates. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of, among other entities, large U. S. financial institutions, has recommended replacing U. S. dollar LIBOR with a new index, the Secured Overnight Financing Rate (" SOFR"), that measures the cost of borrowing cash overnight, backed by U. S. Treasury securities. SOFR is observed and backward- looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward- looking rate and relies, to some degree, on the expert judgement of submitting panel members. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the dominant replacement. Certain of our agreements use LIBOR as a " benchmark " or " reference rate " for various terms. Some agreements contain an existing LIBOR alternative. Where there is not an alternative, we expect to replace the LIBOR benchmark with an alternative reference rate. While we do not expect the transition to an alternative rate to have a significant impact on our business or operations, it is possible that the move away from LIBOR could materially impact our borrowing costs on our variable rate indebtedness.~~ Fixed rate debt, such as the 2025 Notes and 2028 Notes, exposes us to changes in the fair value of our debt due to changes in market interest rates. Fixed rate debt also exposes us to the risk that we may need to refinance maturing debt with new debt at higher rates. **39 |** ~~Our right of first offer to acquire certain of Delek Holdings' existing logistics assets and certain assets that it may acquire or construct in the future is subject to risks and uncertainty, and we ultimately may not acquire any of those assets. The Omnibus Agreement provides us with a right of first offer on certain of Delek Holdings' existing logistics assets and certain assets that it may acquire or construct in the future, subject to certain exceptions and time limitations. The consummation and timing of any future acquisitions pursuant to this right will depend on, among other things, Delek Holdings' willingness to offer such assets for sale and obtain any necessary consents, our ability to negotiate acceptable purchase agreements and commercial agreements with respect to such assets and our ability to obtain financing on acceptable terms. We can offer no assurance that we will be able to successfully consummate any future acquisitions pursuant to our right of first offer, and Delek Holdings is under no obligation to accept any offer that we may choose to make. In addition, we may decide not to exercise our right of first offer, if and when any assets are offered for sale, and our decision will not be subject to unitholder approval. In addition, our right of first offer may be terminated by Delek Holdings at any time in the event that it no longer controls our general partner.~~ If we are unable to make investments in joint ventures or acquisitions on economically acceptable terms, our future growth could be limited, and any investments or acquisitions we may make may negatively impact our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. A portion of our strategy to grow our business and increase distributions to unitholders is dependent on our ability to make acquisitions or invest in joint ventures that result in an increase in cash flow. If we are unable to make acquisitions from Delek Holdings or third parties or invest in joint ventures, because we are unable to identify attractive acquisition or project candidates or negotiate acceptable purchase contracts, or if we are unable to obtain financing for these acquisitions or investments on economically acceptable terms, or if we are outbid by competitors or if we or the seller are unable to obtain any necessary consents, our future growth and ability to increase distributions to unitholders may be limited. Furthermore, even if we do consummate acquisitions or investments in joint ventures that we believe will be accretive, they may in fact result in a decrease in cash flow. Any acquisition or investment involves potential risks, including, among other things: • mistaken assumptions about revenues and costs, including synergies; • the assumption of known or unknown liabilities; • limitations on rights to indemnity from the seller; • mistaken assumptions about the overall costs of equity or debt; • the diversion of management' s attention from other business concerns; • ineffective or poor integration of such acquisitions; ~~43 |~~ • unforeseen difficulties operating multi- customer and product assets in new product areas or new markets; and • customer or key employee losses at the acquired businesses. If we consummate any future acquisitions or investments in joint ventures, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources. The expansion of existing assets and construction of new assets, including through joint venture investments, may not result in revenue increases and will be subject to regulatory, environmental, political, legal, economic and other risks, which could adversely affect our financial condition, results of operations, cash flows, ability to service our indebtedness and ability to make distributions to unitholders. A portion of our strategy to grow and increase distributions to unitholders is dependent on our ability to expand existing assets and to construct additional assets, including through investments in joint ventures. The construction of a new pipeline or terminal, or the expansion of an existing pipeline or terminal, involves numerous regulatory, environmental, political and legal uncertainties, most of which are beyond our control. If we, or joint ventures we invest in, undertake these types of projects, they may not be completed on schedule, or at all, or at the budgeted cost. Moreover, we, or the joint ventures we invest in, may not receive sufficient long- term contractual commitments from customers to provide the revenue needed to support such projects. Even if such commitments are received, an increase in revenue may not be realized for an extended period of time. For instance, if we build, or invest in a joint venture that builds, a new pipeline, the construction will occur over an extended period of time, and we will not receive any material increases in revenues until after completion of the project, if at all. In addition, we, or the joint ventures we invest in, may construct facilities to capture anticipated future growth in production in a region or gain access to crude supplies at lower costs, and such growth or access may not materialize. As a result, new facilities may not be able to attract enough throughput to achieve the expected return on investment, which could adversely affect our results of operations and financial condition and our ability to make distributions to our unitholders. We do not own all of the land on which most of our pipelines and several of our facilities are located, which could result in disruptions to our operations. We do not own all of the land on which most of our pipelines, tank farms and terminal facilities are located, and we are therefore subject to the possibility of more onerous terms and / or increased costs to retain necessary land use if we do not have valid rights- of- way or leases, if such rights- of- way or leases lapse or terminate or if our facilities are not properly located within the boundaries of such leases or rights- of- way. We obtain the rights to construct and operate our pipelines on land owned by third parties and governmental agencies, and some of those agreements may grant us those rights for only a specific period of time. Our loss of such rights, through our inability to renew any rights- of- way contracts, or a significant increase in the costs of these rights, could have a material adverse effect on our business, financial condition, results of operations **, ability to maintain our assets** and cash flows and our ability to make distributions to our unitholders. **40 |** We could incur substantial costs or disruptions in our business if we cannot obtain or maintain, or otherwise fail to maintain, necessary permits and authorizations or otherwise comply with health, safety, environmental and other laws and regulations. Our operations require numerous permits and authorizations under various laws and regulations. These authorizations and permits are subject to revocation, renewal or modification and can require operational changes to limit impacts or potential impacts on the environment and / or health and safety. A violation of authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and / or facility shutdowns. In addition, material modifications of our operations or changes in applicable laws 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 have not obtained independent evaluations of all of the reserves connected to our gathering systems; therefore, in the future, customer volumes on our systems could be less than we anticipate. We do not routinely obtain or update independent evaluations of the reserves connected to our systems. Moreover, even if we did obtain independent evaluations of all of the reserves connected to our systems, such evaluations may prove to be incorrect. Crude oil and natural gas reserve engineering requires subjective estimates of underground accumulations of crude oil and natural gas and assumptions concerning future crude oil and natural gas prices, future production levels and operating and development costs. Accordingly, we may not have accurate estimates of total reserves dedicated to our systems of the anticipated life of such reserves. If the total reserves or estimated life of the reserves connected to our gathering system is less than we anticipate and we are unable to secure additional volumes, it could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders. Certain of our gathering agreements contain provisions that can reduce that cash flow stability that the agreements were designed to achieve. We designed those gathering agreements that contain MVC provisions to generate stable cash flows for us over the life of the MVC contract term. Under certain of these agreements, Delek Holdings agreed to ship a minimum volume on our gathering systems or over certain periods during the term of the agreement. If Delek Holdings' actual throughput volumes are less than its MVC for the contracted measurement period, it must make a shortfall payment to us at the end of the applicable measurement period. The amount of the shortfall payment is based on the difference between the actual throughput volume shipped or processed for the applicable period and the MVC for the applicable period, multiplied by the applicable fee. To the extent that Delek Holdings' actual throughput volumes are above or below its MVC for the applicable contracted measurement period, certain of our gathering agreements contain provisions that allow Delek Holdings to use the excess volumes or the shortfall payment to credit against future excess volumes or future shortfall payments, which could have a material adverse effect on our results of operations, financial condition and cash flows and our ability to make cash distributions to our unitholders** . Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating and capital costs and reduced demand for our products and services. The threat of climate change continues to attract considerable attention in the United States and in foreign countries. Numerous proposals have been made and could continue to be made at the international, national, regional and state levels of government to monitor and limit existing emissions of greenhouse gases, or " GHGs " as well as to restrict or eliminate such future emissions. As a result, our operations are subject to a series of regulatory, political, litigation, and financial risks associated with the production and processing of fossil fuels and emission of GHGs. In the United States, no comprehensive climate change legislation has been implemented at the federal level. However, following the U. S. Supreme Court finding that GHG emissions constitute a pollutant under the Clean Air Act, the EPA has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources in the United States, implement New Source Performance Standards directing the reduction of methane from certain new, modified, or reconstructed facilities in the oil and natural gas sector, and together with the DOT, implement GHG emissions limits on vehicles manufactured for operation in the United States. ~~44 |~~ Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of GHG emissions. At the international level, in April 2016, the U. S. became a signatory to the 2015 United Nations Conference on Climate Change, which led to the creation of the Paris Agreement. After beginning the process to withdraw from participation in the Paris Agreement in 2017, in 2021 the U. S. rejoined the Paris Agreement. The adoption and implementation of new or more stringent legislation or regulations could result in increased costs of compliance or costs of consuming, and thereby reduce demand for, oil and natural gas, which could reduce demand for our services and products. Concern over the threat of climate change may also result in political action deleterious to our interests. Separately, increased attention to climate change risks has increased the possibility of claims brought by public and private entities against oil and gas companies in connection with their GHG emissions. While courts have generally declined to assign direct liability for climate change to large sources of GHG emissions, new claims for damages and increased government scrutiny, especially from state and local governments, will likely continue. Moreover, to the extent societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to the company' s causation of or contribution to the asserted damage, or to other mitigating factors. **41 |** There are also increasing financial risks for fossil fuel producers as shareholders currently invested in fossil- fuel energy companies concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non- energy related sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil fuel energy companies. Additionally, the lending practices of institutional lenders have been the subject of intensive lobbying efforts in recent years, oftentimes public in nature, by environmental activists, proponents of the international Paris Agreement, and foreign citizenry concerned about climate change. Limitation of investments in and financings for fossil fuel energy companies could result in the restriction, delay or cancellation of drilling programs or development or production activities. One or more of these developments could have a material adverse effect on our business, financial condition and results of operation. Finally, it should be noted that many 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, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on our operations or our customers' exploration and production operations, which in turn could affect demand for our services. In 2010, the EPA and the National Highway Transportation Safety Administration (" NHTSA") finalized new standards, raising the required Corporate Average Fuel Economy, or CAFE, standard of the nation' s passenger fleet by 40 % to approximately 35 miles per gallon by 2016 and imposing the first ever federal GHG emissions standards on cars and light trucks. In September 2011, the EPA and the DOT finalized first- time standards for fuel economy of medium and heavy duty trucks. On August 28, 2012, the EPA and NHTSA announced final regulations that mandated further decreases in passenger vehicle GHG emissions and increases in fuel economy beginning with 2017 model year vehicles and increasing to the equivalent of 54. 5 miles per gallon by 2025. During 2016, the EPA conducted a mid- term evaluation of progress in meeting vehicle GHG standards and in January 2017 the EPA issued a determination to maintain the current GHG emissions standards for model year (MY) 2022- 2025 vehicles, but that action was subsequently withdrawn on April 13, 2018. In March 2017, EPA announced its decision to reopen the mid- term evaluation process and reconsider the January 2017 determination. As a result, GHG emissions standards for MY 2022- 2025 vehicles remain uncertain. In August 2016, the EPA and the NHTSA jointly finalized standards for medium- and heavy- duty vehicles regulating fuel efficiency and carbon pollution. On August 10, 2021, the NHTSA proposed to amend the CAFE standards previously published in 2020 (for model years 2024- 2026) to increase the stringency at a rate of 8 % a year, rather than the 1. 5 % set previously. Such increases in fuel economy standards and potential electrification of the vehicle fleet, along with mandated increases in use of renewable fuels discussed above, could result in decreasing demand for petroleum fuels. Decreasing demand for petroleum fuels could materially affect profitability at Delek Holdings' refineries, which could adversely impact our business, results of operations and cash flows. Our operations are subject to federal and state laws and regulations relating to product quality specifications, and we could be subject to damages based on claims brought against us by our customers or lose customers as a result of the failure of products we distribute to meet certain quality specifications. Various federal and state agencies prescribe specific product quality specifications for refined products, including vapor pressure, sulfur content, benzene content, ethanol content and biodiesel content. Changes in product quality specifications or blending requirements could reduce our throughput volume, require us to incur additional handling costs or require capital expenditures. For example, mandated increases in use of renewable fuels could require the construction of additional storage and blending equipment. If we are unable to recover these costs through increased revenues, our cash flows and ability to pay cash distributions to our unitholders could be adversely affected. Violations of product quality laws attributable to our operations could subject us to significant fines and penalties as well as negative publicity. In addition, changes in the product quality of the products we receive on our pipeline system could reduce or eliminate our ability to blend products. **Increased regulation of hydraulic fracturing could result in reductions or delays in customer production, which could materially adversely impact our revenues. Hydraulic fracturing is an important and increasingly common practice that is used to stimulate production of natural gas and / or crude oil from dense subsurface rock formations and is primarily regulated by state agencies. However, Congress has in the past, and may in the future consider legislation to regulate hydraulic fracturing by federal agencies. Many states have already adopted laws and / or regulations that require disclosure of the chemicals used in hydraulic fracturing. States also could elect to prohibit hydraulic fracturing altogether, as New York, Maryland, and Vermont have done. In addition, certain local governments have adopted, and additional local governments may adopt, ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. These initiatives and similar efforts elsewhere could restrict oil and gas development in the future. The EPA has also moved forward with various regulatory actions, including a proposal to issue new regulations under the New Source**

Performance Standards (NSPS) to expand and strengthen emissions reduction requirements under NSPS OOOOa for new, modified and reconstructed oil and natural gas sources, and require states to reduce methane emissions from existing sources nationwide. The BLM has also asserted regulatory authority over aspects of the hydraulic fracturing process and issued a final rule in March 2015 that established more stringent standards for performing hydraulic fracturing on federal and Indian lands, including requirements relating to well construction and integrity, handling of wastewater and chemical disclosure. However, in December 2017, the BLM published a final rule rescinding the 2015 rule. The U. S. District Court for the Northern District of California upheld the December 2017 rescission rule in a March 2020 decision, and the State of California and environmental plaintiffs appealed. Litigation is currently ongoing. 42 | Further, several federal governmental agencies have conducted reviews and studies on the environmental aspects of hydraulic fracturing, including the EPA. The results of such reviews or studies could spur initiatives to further regulate hydraulic fracturing. State and federal regulatory agencies recently have focused on a possible connection between the hydraulic fracturing related activities and the increased occurrence of seismic activity. When caused by human activity, such events are called induced seismicity. Some state regulatory agencies, including those in Colorado, Ohio, and Texas, have modified their regulations or guidance to account for induced seismicity. These developments could result in additional regulation and restrictions on the use of injection disposal wells and hydraulic fracturing. Such regulations and restrictions could cause delays and impose additional costs and restrictions on our customers. Additionally, certain of our customers produce oil and gas on federal lands. On January 20, 2021, the Acting Secretary for the Department of the Interior signed an order effectively suspending new fossil fuel leasing and permitting on federal lands for 60 days. Then on January 27, 2021, President Biden issued an executive order indefinitely suspending new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Several states filed lawsuits challenging the suspension, and on June 15, 2021, a judge in the U. S. District Court for the Western District of Louisiana issued a nationwide temporary injunction blocking the suspension. The Department of the Interior appealed the U. S. District Court' s ruling, but resumed oil and gas leasing pending resolution of the appeal. In November 2021, the Department of the Interior completed its review and issued a report on the federal oil and gas leasing program. The Department of the Interior' s report recommends several changes to federal leasing practices, including changes to royalty payments, bidding, and bonding requirements. If new or more stringent federal, state or local legal restrictions relating to drilling activities or to the hydraulic fracturing process are adopted, this could result in a reduction in the supply of natural gas and / or crude oil that our customers produce and could thereby adversely affect our revenues and results of operations. Compliance with such rules could also generally result in additional costs, including increased capital expenditures and operating costs, for our customers, which could ultimately decrease end- user demand for our services and could have a material adverse effect on our business. Increasing attention ~~to~~ **on** environmental, social and governance matters may impact our business, financial results or stock price. In recent years, increasing attention has been given to corporate activities related to environmental, social and governance (" ESG ") matters in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. ~~45 |~~These activities include increasing attention and demands for action related to climate change, promoting the use of substitutes to fossil fuel products, and encouraging the divestment of companies in the fossil fuel industry. For example, in recent years, private litigation has been increasingly initiated against oil and gas companies by local and state agencies and private parties alleging climate change impacts arising from their operations and seeking damages and equitable relief. We have not had any climate change litigation initiated against us to date and we cannot reasonably predict whether any such litigation will be initiated against us or, if initiated, what the outcome would be. If any such litigation were to be initiated against us, at a minimum, we would incur legal and other expenses to defend such lawsuits, which amounts may be significant. If we failed to prevail in any such litigation and were required to pay significant damages and / or materially alter the manner in which we conduct our business, there could be a material adverse impact on our operations, financial condition or results of operations. ~~These~~ -- **The increasing attention to ESG** activities **and a shift by consumers to more fuel- efficient or alternative fuel vehicles** could reduce demand for our products, reduce our profits, increase the potential for investigations and litigation, impair our brand and have negative impacts on our common limited partner unit price and access to capital markets **. Additionally, increased attention may increase opposition to the development, permitting, construction or operation of our pipelines and facilities from environmental groups, landowners, local groups and other advocates. In addition to litigation such opposition may take the form of organized protests, attempts to block or sabotage our operations, intervention in regulatory or administrative proceedings involving our assets or other actions designed to prevent, disrupt or delay the development, operation, or maintenance of our assets and business** . In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings systems for evaluating companies on their approach to ESG matters. These ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital. Acts of terror or sabotage, threats of war, armed conflict or war may hinder or prevent us from conducting our business. Acts of sabotage or terrorist attacks (including cyber- attacks) in the U. S., as well as events occurring in response to or in connection with them, including political instability in significant oil producing regions such as the Middle East, Africa, the former Soviet Union and South America, may harm our business. Energy- related assets (which could include refineries, pipelines and terminals) may be at greater risk of future terrorist attacks than other possible targets in the U. S. In addition, the State of Israel, where Delek Holdings Group, the former parent company of Delek Holdings, is based, has suffered armed conflicts and political instability in recent years **, including the Israel- Hamas War** . We may be more susceptible to a direct attack as a result of our connection to Israel. A direct attack on our assets, or the assets of others used by us, could have a material adverse effect on our business, financial condition and results of operations. **43 |** Uncertainty surrounding new or continued global hostilities or other sustained military campaigns, and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror, armed conflict or war, may affect our operations in unpredictable ways, including disruptions of crude oil supplies and markets for refined products. In addition, any terrorist attack, armed conflict, war or political instability in the significant oil producing regions such as the Middle East, Africa, the former Soviet Union and South America could have an adverse impact on energy prices, including prices for crude oil, other feedstocks and refined petroleum products, and an adverse impact on the margins from our petroleum product marketing operations. The long- term impacts of terrorist attacks and the threat of future terrorist on ~~the~~ energy transportation **infrastructure** ~~terrorist attacks~~ or vandalism could result in increased costs to our business. In addition, disruption or significant increases in energy prices could result in government- imposed price controls. Any one of, or a combination of, these occurrences could have a material adverse effect on our business, financial condition and results of operations. Further, changes in the insurance markets attributable to terrorist attacks or acts of sabotage could make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism, sabotage or war could also affect our ability to raise capital, including our ability to repay or refinance debt. Our customers' operating results are seasonal and generally lower in the first and fourth quarters of the year. Our customers depend on favorable weather conditions in the spring and summer months. The volume and throughput of crude oil and refined products transported through our pipelines and sold through our terminals and to third parties is directly affected by the level of supply and demand for all of such products in the markets served directly or indirectly by our assets. Supply and demand for such products fluctuates during the calendar year. Demand for gasoline, for example, is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and demand for asphalt products, which is a substantial product of Delek Holdings' El Dorado Refinery, is lower in the winter months. In addition, our refining customers, such as Delek Holdings, occasionally slow or shut down operations to perform planned maintenance during the winter, when demand for their products is lower. Accordingly, these factors can affect the need for crude oil or refined products by our customers, and therefore limit our volumes or throughput during these periods, and could adversely affect our customers' business, financial condition and results of operations, which may adversely affect our business, financial condition and results of operations. Legislative and regulatory measures could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business. Provisions of the Dodd- Frank Wall Street Reform and Consumer Protection Act and certain rules and regulations promulgated by the CFTC, the SEC, and other governmental bodies may have a material adverse effect on our ability to hedge our exposure to commodity prices, interest rates and other risks to the extent that we use derivatives to do so. ~~46 |~~ We rely on information technology in our operations, and any material failure, inadequacy, interruption, cyber- attack or security failure of that technology could harm our business. We rely on information technology across our operations, including in the monitoring of the movement of petroleum through our pipelines and terminals and ~~of~~ **in** various other processes and transactions. We **also** utilize information technology systems and controls throughout our operations to capture accounting, technical and regulatory data for subsequent archiving, analysis and reporting. Disruption, failure, or cyber security breaches affecting or targeting our computer ~~and~~ **or** telecommunications **systems** , our infrastructure, or the infrastructure of our cloud- based IT service providers may materially impact our business and operations. **A** ~~An undetected~~ failure of these systems, ~~because of~~ **whether due to** power loss, unsuccessful transition to upgraded or replacement systems, unauthorized access or other cyber breach or attack could result in disruption to our business operations, access to or disclosure or loss of data and / or proprietary information, personal injuries and environmental damage, **any of** which could have an adverse effect on our business, reputation, and effectiveness. We could also be subject to resulting investigation and remediation costs **,** as well as regulatory enforcement ~~of~~ **,** private litigation and related costs, **any of** which could have a material adverse impact on our cash flow and results of operations **. Furthermore, public disclosure of any such event could result in negative publicity and a loss of investor confidence, which could have a negative impact on the trading price of our common units** . We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal credit information ~~. The implementation of social distancing measures and other limitations on the workforce of our affiliates in response to the COVID-19 Pandemic have necessitated portions of the workforce of our affiliates switching to remote work arrangements. The increase in companies and individuals working remotely has increased the frequency and scope of cyber- attacks and the risk of potential cybersecurity incidents, both deliberate attacks and unintentional events~~ . Despite our security measures, we experience attempts by external parties to penetrate and attack our networks and systems. Although such attempts to date have not, to our knowledge, resulted in any material breaches, disruptions, or loss of business- critical information, our systems and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient in the future and such attacks could have an adverse impact on our business and operations, including damage to our reputation and competitiveness, remediation costs, litigation or regulatory actions. In addition, as technologies evolve **, work trends change such as the increase in remote work in the wake of the COVID- 19 Pandemic** , and cyber- attacks become more sophisticated, we may incur significant costs to upgrade or enhance our security measures to protect against such attacks and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm. We could also be liable under laws that protect the privacy of personal information, subject to regulatory penalties, experience damage to our reputation or a loss of consumer confidence, or incur additional costs for remediation and modification or enhancement of our information systems to prevent future occurrences, all of which could adversely affect our reputation, business, operations or financial results. **44 |** We may be adversely affected by the effects of inflation. Inflation has the potential to adversely affect our liquidity, business, financial condition and results of operations by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has the potential to result in higher interest rates and capital costs, supply shortages, increased costs of labor, weakening exchange rates and other similar effects. As a result of inflation, we have experienced and may continue to experience, cost increases. Although we may take measures to mitigate the impact of this inflation, if these measures are not effective our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost inflation is incurred. Our business could be adversely impacted as a result of Delek Holdings' and our general partner' s failure to retain or attract key talent. We are dependent on the services of Delek Holdings' and our general partner' s employees. Their failure to retain or attract key talent with specific capabilities could interfere with our ability to execute our business strategy, and could diminish our ability to execute and integrate strategic transactions. As a result, our ability to remain competitive in our industry sector and / or to operate effectively could be adversely impacted. Evolving employee preferences and values, inflationary pressures, shortages in the labor market, increased employee turnover, and changes in the availability of workers could make it more difficult for Delek Holdings and our general partner to retain or attract key talent and could increase their labor costs, which could have a material adverse effect on our liquidity, business, financial condition and results of operations. Inflation, and other factors, could increase Delek Holdings' and our general partner' s costs of providing employee benefits. Their failure, or any perceived failure to provide such benefits, could impact our competitive position, which could in turn negatively affect our liquidity, business, financial condition and results of operations. Our business is subject to complex and evolving laws, regulations and security standards regarding privacy, cybersecurity and data protection (" data protection laws "). Many of these data protection laws are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or other harm to our business. The constantly evolving regulatory and legislative environment surrounding data privacy and protection poses increasingly complex compliance challenges, and complying with such data protection laws could increase the costs and complexity of compliance. While we do not collect significant amounts of personal information from consumers, we do have personal information from our employees, job applicants and some business partners, such as contractors and distributors. ~~47 |~~ Any failure, whether real or perceived, by us to comply with applicable data protection laws could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments, and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. Our compliance with emerging privacy / security laws, as well as any associated inquiries or investigations or any other government actions related to these laws, may increase our operating costs. In the second quarter of 2021, the Department of Homeland Security' s Transportation Security Administration (" TSA ") announced two new security directives. These directives require critical pipeline owners to comply with mandatory reporting measures, including, among other things, to appoint personnel, report confirmed and potential cybersecurity incidents to the DHS Cybersecurity and Infrastructure Security Agency (" CISA ") and provide vulnerability assessments. As legislation continues to develop and cyber incidents continue to evolve, we may be required to expend significant additional resources to respond to cyberattacks, to continue to modify or enhance our protective measures, or to detect, assess, investigate and remediate any critical infrastructure security vulnerabilities and report any cyber incidents to the applicable regulatory authorities. Any failure to remain in compliance with these government regulations may ~~results~~ - **result** in enforcement actions which may have a material adverse effect on our business and operations. An impairment of our long- lived assets or goodwill could reduce our earnings or negatively impact our financial condition and results of operations. An impairment of our long- lived assets or goodwill could reduce our earnings or negatively impact our results of operations and financial condition. We continually monitor our business, the business environment and the performance of our operations to determine if an event has occurred that indicates that a long lived asset or goodwill may be impaired. If a triggering event occurs, which is a determination that involves judgment, we may be required to utilize cash flow projections to assess our ability to recover the carrying value based on the ability to generate future cash flows. We may also conduct impairment testing based on both the guideline public company and guideline transaction methods. Our long- lived assets and goodwill impairment analyses are sensitive to changes in key assumptions used in our analysis, estimates of future tariff rates, forecasted throughput levels, operating costs and capital expenditures. If the assumptions used in our analysis are not realized, it is possible a material impairment charge may need to be recorded in the future. We cannot accurately predict the amount and timing of any additional impairments of long- lived assets or goodwill in the future. **45 |** The Partnership' s ongoing study of strategic options could materially impact our strategic direction, business and results of operations. Delek Holdings' board of directors, with the assistance of outside advisors, is evaluating a wide range of strategies for Delek Holdings to unlock and enhance stockholder value. This process, including any uncertainty created by this process, involves a number of risks which could impact our business and our unitholders, including the following: significant fluctuations in our unit price could occur in response to developments or actions relating to the process or market speculation regarding any such developments or actions; we may encounter difficulties in hiring, retaining and motivating key personnel who provide services to us during this process or as a result of uncertainties generated by this process or any developments or actions relating to it; we may incur substantial increases in general and administrative expense associated with increased legal fees and the need to retain and compensate third- party advisors; and we may experience difficulties in preserving the commercially sensitive information that may need to be disclosed to third parties during this process or in connection with an assessment of our strategic alternatives. The review process also requires significant time and attention from management, which could distract them from other tasks in operating our business or otherwise disrupt our business. Such disruptions could cause concern to our customers, strategic partners, or other constituencies and may have material impact on our business and operating results and volatility in our unit price. There can be no assurance that this process will result in the pursuit or consummation of any potential transaction or strategy, or that any such potential transactions or strategy, if implemented, will provide greater value to our unitholders than that reflected in the price of our units representing limited partner interest. Any outcome of this process would be dependent upon a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, regulatory approvals, and the availability of financing on reasonable terms. The occurrence of any one or more of the above risks could have a material adverse impact on our business, financial condition, results of operations and cash flows. If our cost efficiency measures are not successful, we may become less competitive. We continue to focus on minimizing operating expenses through cost improvements and simplification of our corporate structure. We may experience delays or unanticipated costs in implementing our cost efficiency plans, which could prevent the timely or full achievement of expected cost efficiencies and adversely affect our competitive position. ~~48~~ **46** | Delek Holdings controls our general partner and appoints all of the officers and directors of our general partner. In addition, all of the officers and three of the directors of our general partner are also officers and / or directors of Delek Holdings. See Item 10. Directors, Executive Officers and Corporate Governance. Although our general partner has a contractual obligation to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to Delek Holdings. Conflicts of interest will arise from time to time between Delek Holdings, and our general partner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of Delek Holdings over our interests and the interests of our unitholders. These conflicts include the following situations, among others: • Our Partnership Agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limits our general partner' s liabilities and restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty. • Neither our Partnership Agreement nor any other agreement requires Delek Holdings to pursue a business strategy that favors us or utilizes our assets, including whether to increase or decrease refinery production, whether to shut down or reconfigure a refinery or what markets to pursue or grow. The directors and officers of Delek Holdings have a fiduciary duty to make these decisions in the best interests of the stockholders of Delek Holdings, which may be contrary to our interests. Delek Holdings may choose to shift the focus of its investment and growth to areas not served by our assets. • Delek Holdings, as our primary customer, has an economic incentive to cause us not to seek higher service fees, even if such higher fees could be obtained in arm' s- length, third- party transactions. Furthermore, under many of our commercial agreements with them, Delek Holdings' consent is required before we may enter into an agreement with any third party with respect to certain of our assets, including those that serve the El Dorado, Tyler and Big Spring Refineries, and Delek Holdings has an incentive to cause us not to pursue such third-party contracts in certain circumstances. • Our general partner is allowed to take into account the interests of parties other than us, such as Delek Holdings, in resolving conflicts of interest. • All of the officers and three of the directors of our general partner are also officers and / or directors of Delek Holdings and owe fiduciary duties to Delek Holdings. These officers will also devote significant time to the business of Delek Holdings and will be compensated by Delek Holdings accordingly. • Delek Holdings may be constrained by the terms of its debt instruments from taking actions, or refraining from taking actions, that may be in our best interests. • Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval. • Disputes may arise under our commercial agreements with Delek Holdings. • Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuances of additional partnership units and the creation, reduction or increase of cash reserves, each of which can affect the amount of cash available for distribution to our unitholders. • Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion or investment capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders. • Our general partner determines which costs incurred by it are reimbursable by us. • Our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on their common units. • 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. • If at any time our general partner and its affiliates together own 85 % or more of our outstanding common units, then our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates. This 85 % threshold will automatically decrease to 80 % if at any time our general partner and its affiliates together own less than 77 % of our outstanding common units. • Our general partner decides whether to retain separate counsel, accountants or other advisers to perform services for us. ~~49~~ **47** | Our Partnership Agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties. Our Partnership Agreement contains provisions that eliminate the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law and replaces those duties with several different contractual standards. For example, our Partnership Agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, free of any duties to us and our unitholders other than the implied contractual covenant of good faith and fair dealing, which means that a court will enforce the reasonable expectations of the partners where the language in the Partnership Agreement does not provide for a clear course of action. This provision entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include: • how to allocate corporate opportunities among us and its other affiliates; • whether to exercise its limited call right; • whether to seek approval of the resolution of a conflict of interest by the conflicts committee of the board of directors of our general partner; • how to exercise its voting rights with respect to the units it owns; • whether to exercise its registration rights; • whether to elect to reset target distribution levels; and • whether or not to consent to any merger or consolidation of the Partnership or amendment to the Partnership Agreement. Delek Holdings may compete with us. Delek Holdings may compete with us. Under the Omnibus Agreement, Delek Holdings and its affiliates have agreed not to engage in, whether by acquisition or otherwise, the business of owning or operating crude oil or refined products pipelines, terminals or storage facilities in the United States that are not within, directly connected to, substantially dedicated to, or otherwise an integral part of, any refinery owned, acquired or constructed by Delek Holdings. This restriction, however, does not apply to: • any assets that were owned by Delek Holdings upon the completion of our initial public offering (including replacements or expansions of those assets); • any asset or business that Delek Holdings acquires or constructs that has a fair market value of less than $ 5. 0 million; and • any asset or business that Delek Holdings acquires or constructs that has a fair market value of $ 5. 0 million or more if we have been offered the opportunity to purchase the asset or business for fair market value not later than six months after completion of such acquisition or construction, and we decline to do so. As a result, Delek Holdings has the ability to construct assets which directly compete with our assets. The limitations on the ability of Delek Holdings to compete with us are terminable by either party if Delek Holdings ceases to control our general partner. Pursuant to the terms of our Partnership Agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers and directors and Delek Holdings. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our common unitholders. If unitholders are not eligible holders, their common limited partner units may be subject to redemption. We have adopted certain requirements regarding those investors who may own our common units. Eligible holders are limited partners whose (i) federal income tax status is not reasonably likely to have a material adverse effect on the rates that can be charged by us on assets that provide services that are subject to regulation by the FERC or an analogous regulatory body and (ii) nationality, citizenship or other related status would not create a substantial risk of cancellation or forfeiture of any property in which we have an interest, in each case as determined by our general partner with the advice of counsel. If you are not an eligible holder, in certain circumstances as set forth in our Partnership Agreement, your units may be redeemed by us at the then- current market price. The redemption price will be paid in cash or by delivery of a promissory note, as determined by our general partner. ~~50~~ **48** | Our Partnership Agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions. We expect that we will distribute all of our available cash quarterly to our unitholders and, to the extent not otherwise reserved for, will rely primarily upon cash flows from operations, borrowings under our revolving credit facility and potential future issuances of debt and equity securities, to fund our acquisitions and expansion capital expenditures. As a result, to the extent we are unable to finance growth, our cash distribution policy could significantly impair our ability to grow. In addition, because we intend to distribute all of our available cash, our growth may not be as fast as that of businesses that reinvest some of their available cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion of capital expenditures, the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per- unit distribution level. There are no limitations in our Partnership Agreement, and we do not anticipate there being limitations in any of our credit facilities, on our ability to issue additional units, including units ranking senior to the common limited partner units. The incurrence of additional borrowings, or other debt, to finance our growth strategy would result in increased interest expense, which in turn may impact the available cash that we have to distribute to our unitholders. Our Partnership Agreement restricts the remedies available to holders of our common limited partner units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty. Our Partnership Agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our Partnership Agreement provides that: • whenever our general partner, the board of directors of our general partner or any committee thereof (including the conflicts committee) makes a determination or takes, or declines to take, any other action in their respective capacities, our general partner, the board of directors of our general partner and any committee thereof (including the conflicts committee), as applicable, is required to make such determination, or take or decline to take such other action, in good faith, meaning that it subjectively believed that the decision was in the best interests of the Partnership, and, except as specifically provided by our Partnership Agreement, will not be subject to any other or different standard imposed by our Partnership Agreement, Delaware law, or any other law, rule or regulation, or at equity; • our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith; • our general partner and its officers and directors will not be liable for monetary damages to us or our limited partners resulting from any act or omission, unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and • our general partner will not be in breach of its obligations under the Partnership Agreement (including any duties to us or our unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is: ◦ approved by the conflicts committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval; ◦ approved by the vote of a majority of the outstanding common limited partner units, excluding any common units owned by our general partner and its affiliates; ◦ determined by the board of directors of our general partner to be on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or ◦ determined by the board of directors of our general partner to be fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us. In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner or its conflicts committee must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the conflicts committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth sub bullets above, then it will be presumed that, in making its decision, the board of directors of our general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the Partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. The general partner may still take action with respect to any affiliate transactions or the resolution of a conflict of interest without satisfying any of the sub bullets above. In such case, it is not entitled to the presumption of good faith discussed above. **49 | Our Partnership Agreement designates the Court of Chancery of the State of Delaware as the exclusive forum for certain types of actions and proceedings that may be initiated by our unitholders, which limits our unitholders' ability to choose the judicial forum for disputes with us or our general partner' s directors, officers or other employees. Our Partnership Agreement provides that, with certain limited exceptions, the Court of Chancery of the State of Delaware is the exclusive forum for any claims, suits, actions or proceedings (1) arising out of or relating in any way to our Partnership Agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of our Partnership Agreement of the duties, obligations or liabilities among our partners, or obligations or liabilities of our partners to us, of the rights of powers of, or restrictions on, our partners or us), (2) brought in a derivative manner on our behalf, (3) asserting a claim of breach of a duty (including a fiduciary duty) owed by any of our, or general partner' s, directors, officers, or other employees, or owed by our general partner, to us or our partners, (4) asserting a claim against us arising pursuant to any provision of the Delaware Revised Uniform Limited Partnership Act or (5) asserting a claim against us governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in our common units is deemed to have received notice of and consented to the foregoing provisions. This exclusive forum provision does not apply to a cause of action brought under federal or state securities laws. Although management believes this choice of forum provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against us and our general partner' s directors and officers. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation or similar governing documents has been challenged in legal proceedings and it is possible that in connection with any action a court could find the choice of forum provision contained in our Partnership Agreement to be inapplicable or unenforceable in such action. If a court where to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our financial position, results of operations and ability to make cash distributions to our unitholders.** The administrative services fee and reimbursements due to our general partner and its affiliates for services provided to us or on our behalf will reduce our cash available for distribution to our common unitholders. The amount and timing of such reimbursements will be determined by our general partner. Prior to making any distribution on our common limited partner units, we will reimburse our general partner and its affiliates, including Delek Holdings, for costs and expenses they incur and payments they make on our behalf. Under the Omnibus Agreement, we will pay Delek ~~51 |~~ Holdings an annual fee and reimburse Delek Holdings and its subsidiaries for Delek Holdings' provision of various centralized corporate services. Additionally, we will reimburse Delek Holdings for direct or allocated costs and expenses incurred on our behalf, including administrative costs, such as compensation expense for those persons who provide services necessary to run our business, and insurance expenses. We also expect to incur incremental annual general and administrative expense as a result of being a publicly traded partnership. Our Partnership Agreement provides that our general partner will determine in good faith the expenses that are allocable to us. The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates will reduce the amount of available cash to pay cash distributions to our common unitholders. Holders of our common limited partner units have limited voting rights and are not entitled to elect our general partner or its directors. Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management' s decisions regarding our business. Unitholders will have no right on an annual or ongoing basis to elect our general partner or its board of directors. Rather, the board of directors of our general partner will be appointed by the sole member of the general partner, Delek Logistics Services Company. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. As a result of these limitations, the price at which the common limited partner units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Our Partnership Agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Even if holders of our common limited partner units are dissatisfied, they cannot remove our general partner without its consent. Unitholders are unable to remove our general partner without its consent, because our general partner and its affiliates, including Delek Holdings, own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 2 / 3 % of all outstanding common limited partner units is required to remove our general partner. As of February ~~24~~ **21** , ~~2023~~ **2024** , Delek Holdings owned 78. ~~8~~ **7** % of our outstanding common limited partner units. Our Partnership Agreement restricts the voting rights of unitholders owning 20 % or more of our common limited partner units. Unitholders' voting rights are further restricted by a provision of our Partnership Agreement providing that any units held by a person that owns 20 % or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. **50 |** Our general partner' s interest in us and the control of our general partner may be transferred to a third party without unitholder consent. Our Partnership Agreement does not restrict the ability of Delek Holdings to transfer all or a portion of its general partner interest or its ownership interest in our general partner to a third party. Our general partner, or the new owner of our general partner, would then be in a position to replace the board of directors and officers of our general partner with its own designees and thereby exert significant control over the decisions made by the board of directors and officers of our general partner. We may issue additional units without unitholder approval, which would dilute unitholder interests. Our Partnership Agreement does not limit the number of additional limited partner interests, including limited partner interests that rank senior to the common limited partner units that we may issue at any time without the approval of our unitholders. The issuance by us of additional common limited partner units or other equity securities of equal or senior rank will have the following effects: • our existing unitholders' proportionate ownership interest in us will decrease; • the amount of cash available for distribution on each unit may decrease; • the ratio of taxable income to distributions may increase; • the relative voting strength of each previously outstanding unit may be diminished; and • the market price of the common limited partner units may decline. Delek Holdings may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units. As of February 24, 2023, Delek Holdings held 34, 311, 278 common limited partner units. In addition, we have agreed to provide Delek Holdings with certain registration rights on a portion of these units. We have filed a shelf registration statement with the SEC for the re- sale or other disposition from time to time by Delek Holdings of up to 14. 0 million common limited partner units. We will not receive any proceeds from the sale of these units by Delek Holdings. 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 ~~52 |~~ other obligations that are nonrecourse to our general partner. Our Partnership Agreement permits our general partner to limit its liability, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution to our unitholders. Our general partner has a limited call right that may require our unitholders to sell their units at an undesirable time or price. If at any time our general partner and its affiliates own more than 85 % of our common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then- current market price, as calculated pursuant to the terms of our Partnership Agreement. The ownership threshold will drop to 80 % automatically if the ownership of common units by our general partner and its affiliates falls below 77 % of the outstanding common units. As a result, our unitholders may be required to sell their common units at an undesirable time or price and may not receive any positive return on their investment. Our unitholders may also incur a tax liability upon any such sale of their units to Delek Holdings. At February ~~24~~ **21** , ~~2023~~ **2024** , Delek Holdings owned 34, 311, 278 common limited partner units, or 78. ~~8~~ **7** % of our total outstanding common limited partner units. Our unitholders' liability may not be limited if a court finds that unitholder action constitutes control of our business. A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. The Partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. Our unitholders could be held liable for any and all of our obligations as if they were general partners if a court or government agency were to determine that: • we were conducting business in a state but had not complied with that particular state' s partnership statute; or • our unitholders' right to act with other unitholders to remove or replace our general partner, to approve some amendments to our Partnership Agreement or to take other actions under our Partnership Agreement constitute " control " of our business. **51 |** Unitholders may have liability to repay distributions that were wrongfully distributed to them. Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17- 607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Transferees of common limited partner units are liable both for the obligations of the transferor to make contributions to the Partnership that were known to the transferee at the time of transfer and for those obligations that were unknown if the liabilities could have been determined from the Partnership Agreement. Neither liabilities to partners on account of their partnership interest nor liabilities that are non- recourse to the partnership are counted for purposes of determining whether a distribution is permitted. The NYSE does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements. Our common limited partner units are listed on the New York Stock Exchange (the" NYSE"). Because we are a publicly traded limited partnership, the NYSE does not require us to have a majority of independent directors on our general partner' s board of directors or to establish and maintain a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders may not have the same protections afforded to certain corporations that are subject to all of the NYSE corporate governance requirements. Tax Risks to Common Unitholders The tax treatment of publicly traded partnerships or an investment in our common limited partner units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis. The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common limited partner units may be modified by administrative, legislative or judicial changes or differing interpretations at any time. From time to time, members of the U. S.

Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships ~~, such as with the" Clean Energy for America Act", which is similar to legislation that was commonly proposed during the Obama Administration~~ . If successful, such a proposal could eliminate the qualifying income exception to the treatment of publicly traded partnerships as corporations upon which we rely for our treatment as a partnership for federal income tax purposes. We are unable to predict whether any changes or proposals will ultimately be enacted, but it is possible that a change in law could affect us and may, if enacted, be applied retroactively. Any such changes could negatively impact the value of an investment in our common limited partner units. ~~53 |~~ Our tax treatment depends on our status as a partnership for federal income tax purposes. If the Internal Revenue Service, or IRS, were to treat us as a corporation for federal income tax purposes, which would subject us to entity- level taxation, then our cash available for distribution to our unitholders would be substantially reduced. The anticipated after- tax economic benefit of an investment in the common limited partner units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service (the" IRS") on this or any other tax matter affecting us. Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity. If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 21. 0 %, and would likely pay state and local income tax at varying rates. Distributions to our unitholders would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions or credits would flow through to such unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution would be substantially reduced. Therefore, if we were treated as a corporation for federal income tax purposes, there would be material reductions in the anticipated cash flow and after- tax return to our unitholders, likely causing a substantial reduction in the value of our common limited partner units. Our Partnership Agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity- level taxation for federal, state or local income tax purposes, the target distribution amounts may be adjusted to reflect the impact of that law on us. If we were subjected to a material amount of additional entity- level taxation by individual states, it would reduce our cash available for distribution to our unitholders. Changes in current state law may subject us to additional entity- level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity- level taxation through the imposition of state income or franchise taxes, and other forms of taxation. Imposition of such additional tax on us by a state will reduce the cash available for distribution to our unitholders. Our Partnership Agreement provides that, if a law is enacted or an existing law is modified or interpreted in a manner that subjects us to entity- level taxation, the target distribution amounts may be adjusted to reflect the impact of that law on us. **52 |** Our unitholders are required to pay income taxes on their share of our taxable income even if they do not receive any cash distributions from us. A unitholder' s share of our taxable income, and its relationship to any distributions we make, may be affected by a variety of factors, including our economic performance, transactions in which we engage or changes in law and may be substantially different from any estimate we make in connection with a unit offering. A unitholder' s allocable share of our taxable income will be taxable to it, which may require it to pay federal income taxes and, in some cases, state and local income taxes, even if it receives cash distributions from us that are less than the actual tax liability that results from that income or no cash distributions at all. A unitholder' s share of our taxable income, and its relationship to any distributions we make, may be affected by a variety of factors, including our economic performance and certain transactions in which we might engage, which may be affected by numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control. For example, we may engage in transactions that produce substantial taxable income allocations to some or all of our unitholders without a corresponding increase in cash distributions to our unitholders, such as a sale or exchange of assets, the proceeds of which are reinvested in our business or used to reduce our debt, or an actual or deemed satisfaction of our indebtedness for an amount less than the adjusted issue price of the debt. A unitholder' s ratio of its share of taxable income to the cash received by it may also be affected by changes in law. For instance, under the recently enacted tax reform law known as the Tax Cuts and Jobs Act (the" Tax Reform Act"), the net interest expense deductions of certain business entities, including us, are limited to 30 % of such entity' s" adjusted taxable income", which is generally taxable income with certain modifications. If the limit applies, a unitholder' s taxable income allocations will be more (or its net loss allocations will be less) than would have been the case absent the limitation. From time to time, in connection with an offering of our units, we may state an estimate of the ratio of federal taxable income to cash distributions that a purchaser of units in that offering may receive in a given period. These estimates depend in part on factors that are unique to the offering with respect to which the estimate is stated, so the expected ratio applicable to other units will be different, and in many cases less favorable, than these estimates. Moreover, even in the case of units purchased in the offering to which the estimate relates, the estimate may be incorrect, due to the uncertainties described above, challenges by the IRS to tax reporting positions which we adopt, or other factors. The actual ratio of taxable income to cash distributions could be higher or lower than expected, and any differences could be material and could materially affect the value of the common units. ~~54 |~~ If the IRS contests the federal income tax positions we take, the market for our common limited partner units may be adversely impacted and the cost of any IRS contest would likely reduce our cash available for distribution to unitholders. We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes. The IRS may adopt positions that differ from the conclusions of our counsel or from the positions we take, and the IRS' s positions may ultimately be sustained. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel' s conclusions or the positions we take and such positions may not ultimately be sustained. A court may not agree with some or all of our counsel' s conclusions or the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a material adverse effect on the market for our common limited partner units and the price at which they trade. In addition, our costs of any contest with the IRS would be borne indirectly by our unitholders and our general partner, because the costs would likely reduce our cash available for distribution. Tax gain or loss on the disposition of our common limited partner units could be more or less than expected. If any of our unitholders sell their common limited partner units, such unitholders must recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and such unitholder' s tax basis in those common limited partner units. Because distributions in excess of such unitholder' s allocable share of our net taxable income decrease such unitholder' s tax basis in such unitholder' s common limited partner units, the amount, if any, of such prior excess distributions with respect to the common limited partner units such unitholder sells will, in effect, become taxable income to such unitholder if it sells such common limited partner units at a price greater than its tax basis in those common limited partner units, even if the price such unitholder receives is less than its original cost. Furthermore, a substantial portion of the amount realized on any sale or other disposition of such unitholder' s common limited partner units, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder' s share of our nonrecourse liabilities, if a unitholder sells their common limited partner units, they may incur a tax liability in excess of the amount of cash they receive from the sale. Tax- exempt entities and non- U. S. persons face unique tax issues from owning our common limited partner units that may result in adverse tax consequences to them. Investment in our common limited partner units by tax- exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), and non- U. S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income (" UBTI") and will be taxable to them. Distributions to non- U. S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non- U. S. persons will be required to file U. S. federal income tax returns and pay tax on their share of our taxable income. Upon the sale, exchange or other disposition of a common limited partner unit by a non- U. S. person, the transferee is generally required to withhold 10 % of the amount realized on the sale, exchange or disposition of such unit if any portion of the gain would be treated as effectively connected with a trade or business within the United States. The Department of the Treasury and the IRS have recently issued final regulations providing guidance on the application of these rules for transfers of publicly traded partnership interests, including transfers of our common limited partner units. **53 |** Under these regulations, the " amount realized " on a transfer of an interest in a publicly traded partnership, such as our common limited partner units, will generally be the amount of gross proceeds paid to the broker effecting the applicable transfer on behalf of the transferor, and such broker will generally be responsible for the relevant withholding obligations. Distributions to non- U. S. persons may also be subject to additional withholding under these rules to the extent a portion of a distribution is attributable to an amount in excess of our cumulative net income that has not previously been distributed. If you are a tax- exempt entity or a non- U. S. person, you should consult a tax advisor before investing in our common limited partner units. We treat each holder of common limited partner units as having the same tax benefits without regard to the actual common limited partner units held. The IRS may challenge this treatment, which could adversely affect the value of the common limited partner units. Because we cannot match transferors and transferees of common limited partner units, and because of other reasons, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from a unitholder' s sale of common limited partner units and could have a negative impact on the value of our common limited partner units or result in audit adjustments to such unitholder' s tax returns. We prorate our items of income, gain, loss and deduction for U. S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders. We prorate our items of income, gain, loss and deduction for U. S. federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The U. S. Department of the Treasury adopted final Treasury Regulations allowing a similar monthly simplifying convention for taxable years beginning on or after August 3, 2015. However, such final regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss ~~55 |~~ and deduction among our unitholders. Our counsel has not rendered an opinion with respect to whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations. If the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it (and some states) may collect any resulting taxes (including any applicable penalties and interest) directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced. Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our general partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so (and will choose to do so) under all circumstances, or that we will be able to (or choose to) effect corresponding shifts in state income or similar tax liability resulting from the IRS adjustment in states in which we do business in the year under audit or in the adjustment year. If we make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders would be reduced, perhaps substantially. In the event the IRS makes an audit adjustment to our income tax returns and we do not or cannot shift the liability to our unitholders in accordance with their interests in us during the year under audit, we will generally have the ability to request that the IRS reduce the determined underpayment by reducing the suspended passive loss carryovers of our unitholders (without any compensation from us to such unitholders), to the extent such underpayment is attributable to a net decrease in passive activity losses allocable to certain partners. Such reduction, if approved by the IRS, will be binding on any affected unitholders. A unitholder whose common limited partner units are loaned to a " short seller " to cover a short sale of common limited partner units may be considered as having disposed of those common limited partner units. If so, such unitholder would no longer be treated for federal income tax purposes as a partner with respect to those common limited partner units during the period of the loan and may recognize gain or loss from the disposition. Because a unitholder whose common limited partner units are loaned to a " short seller " to cover a short sale of common limited partner units may be considered as having disposed of the loaned common limited partner units, such unitholder may no longer be treated for federal income tax purposes as a partner with respect to those common limited partner units during the period of the loan to the short seller and may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those common limited partner units may not be reportable by the unitholder, and any cash distributions received by the unitholder as to those common limited partner units could be fully taxable as ordinary income. Therefore, our unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from loaning their common limited partner units. **54 |** We have adopted certain valuation methodologies and monthly conventions for U. S. federal income tax purposes that may result in a shift of income, gain, loss and deduction between our general partner and our unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common limited partner units. When we issue additional units or engage in certain other transactions, we determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common limited partner units may have a greater portion of their Code Section 743 (b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743 (b) adjustment attributable to our tangible and intangible assets, and allocations of taxable income, gain, loss and deduction between our general partner and certain of our unitholders. A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of taxable gain from our unitholders' sale of common limited partner units and could have a negative impact on the value of the common limited partner units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions. As a result of investing in our common limited partner units, our unitholders may be subject to state and local taxes and return filing requirements in jurisdictions where we operate or own or acquire properties. In addition to federal income taxes, our unitholders may be subject to other taxes, including state and local income, franchise, unincorporated business, estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if such unitholders do not live or otherwise do business in any of those jurisdictions. Our unitholders may be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We currently own property and conduct business in Arkansas, Louisiana, Oklahoma, Tennessee and Texas. Many of these states impose a personal income tax on individuals, and each state imposes an income or similar tax on corporations and certain other entities. As we make acquisitions or expand our business, we may own property or conduct business in additional states that may impose personal income taxes or other state or local taxes on our unitholders. ~~56 |~~ Compliance with and changes in tax laws could adversely affect our performance. We are subject to extensive tax laws and regulations, including federal, state and foreign income taxes and transactional taxes such as excise, sales / use, payroll, franchise and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted that could result in increased tax expenditures in the future. Many of these tax liabilities are subject to audits by the respective taxing authority. These audits may result in additional taxes, as well as interest and penalties. Unitholders may be subject to limitation on their ability to deduct interest expense incurred by us. In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, under the Tax Reform Act, for taxable years beginning after December 31, 2017, our deduction for " business interest " is limited to the sum of our business interest income and 30 % of our " adjusted taxable income. " For purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income.