

PBF Logistics LP  
Form 10-Q  
August 04, 2016

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended: June 30, 2016

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36446

PBF LOGISTICS LP

(Exact name of registrant as specified in its charter)

DELAWARE 35-2470286  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

One Sylvan Way, Second Floor 07054  
Parsippany, New Jersey  
(Address of principal executive offices) (Zip Code)  
(973) 455-7500  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of August 2, 2016, there were 21,450,041 common units and 15,886,553 subordinated units outstanding.



## PBF LOGISTICS LP

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## EXPLANATORY NOTE

PBF Logistics LP (“PBFX” or the “Partnership”) is a Delaware limited partnership formed in February 2013. PBF Logistics GP LLC (“PBF GP” or “our general partner”) serves as the general partner of PBFX. PBF GP is wholly-owned by PBF Energy Company LLC (“PBF LLC”). PBF Energy Inc. (“PBF Energy”) is the sole managing member of PBF LLC and, as of June 30, 2016, owned 95.2% of the total economic interest in PBF LLC. In addition, PBF LLC is the sole managing member of PBF Holding Company LLC (“PBF Holding”), a Delaware limited liability company and affiliate of PBFX. On May 14, 2014, PBFX completed its initial public offering (the “Offering”). PBF LLC holds a 49.4% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights (“IDR”), with the remaining 50.6% limited partner interest owned by public unitholders as of June 30, 2016.

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to “Predecessor,” and “we,” “our,” “us,” or like terms, when used in the context of periods prior to May 14, 2014, refer to PBF MLP Predecessor, our predecessor for accounting purposes, which includes assets, liabilities and results of operations of certain crude oil and refined product transportation, terminaling and storage assets, previously operated and owned by PBF Holding’s subsidiaries, Delaware City Refining Company LLC (“DCR”), Toledo Refining Company LLC (“TRC”), and PBF Holding’s previously held subsidiary, Delaware Pipeline Company LLC (“DPC”). As of June 30, 2016, PBF Holding, together with its subsidiaries, owns and operates four oil refineries and related facilities in North America. PBF Energy, through its ownership of PBF LLC, controls all of the business and affairs of PBFX and PBF Holding.



PBFX's initial assets consisted of the Delaware City Rail Unloading Terminal ("DCR Rail Terminal"), which was part of PBF Holding's Delaware City, Delaware refinery, and the Toledo Truck Unloading Terminal ("Toledo Truck Terminal"), which was part of PBF Holding's Toledo, Ohio refinery, which together with the DCR Rail Terminal, we refer to as the "IPO Assets". On September 30, 2014, the Partnership acquired from PBF LLC the Delaware City West Heavy Unloading Rack (the "DCR West Rack"), a heavy crude oil rail unloading facility at the Delaware City refinery with total throughput capacity of at least 40,000 barrels per day ("bpd"). In addition, on December 11, 2014, the Partnership acquired from PBF LLC a tank farm and related facilities located at PBF Holding's Toledo refinery, including a propane storage and loading facility (the "Toledo Storage Facility"). Furthermore, on May 14, 2015, the Partnership acquired from PBF LLC a 23.4 mile, 16-inch interstate petroleum products pipeline with capacity in excess of 125,000 bpd (the "Delaware City Products Pipeline") and a 15-lane, 76,000 bpd capacity truck loading rack (the "Delaware City Truck Rack") located at PBF Holding's Delaware City, Delaware refinery. The Delaware City Products Pipeline and the Delaware City Truck Rack are collectively referred to as the "Delaware City Products Pipeline and Truck Rack." The transactions entered into after the Offering are collectively referred to as "Acquisitions from PBF." The Acquisitions from PBF were transfers between entities under common control. Accordingly, the financial information of the Predecessor and the Partnership contained herein have been retrospectively adjusted to include the historical results of the Acquisitions from PBF for all periods presented prior to the effective date of each transaction. On April 29, 2016, the Partnership's wholly-owned subsidiary, PBF Logistics Products Terminals LLC ("PLPT"), purchased four refined product terminals (the "East Coast Terminals") from an affiliate of Plains All American Pipeline, L.P. (the "Plains Asset Purchase"). PBFX accounted for the Plains Asset Purchase as a business combination under U.S. generally accepted accounting principles ("U.S. GAAP") whereby the Partnership recognizes assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. References in this Form 10-Q to "PBF Logistics LP," "PBFX," the "Partnership" and "we," "our," "us," or like terms used in the context of periods on or after May 14, 2014, refer to PBF Logistics LP and its subsidiaries.

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Important factors that could cause actual results to differ materially from our expectations, which we refer to as "cautionary statements," are disclosed under "Item 1A. Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2015, which we refer to as our 2015 Form 10-K, and in our other filings with the U.S. Securities and Exchange Commission ("SEC"). All forward-looking information in this Form 10-Q and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:



- our limited operating history as a separate public partnership;
- changes in general economic conditions;
- our ability to make, complete and integrate acquisitions from affiliates or third parties;
- our ability to have sufficient cash from operations to enable us to pay the minimum quarterly distribution;
- competitive conditions in our industry;
- actions taken by our customers and competitors;
- the supply of, and demand for, crude oil, refined products and logistics services;
- our ability to successfully implement our business plan;
- our dependence on PBF Energy for a substantial majority of our revenues, which subjects us to the business risks of PBF Energy;
- a substantial majority of our revenue is generated at two of PBF Energy's facilities, and any adverse development at either facility could have a material adverse effect on us;
- our ability to complete internal growth projects on time and on budget;
  - our ability to make, complete and integrate acquisitions from affiliates or third parties, including the recently completed Plains Asset Purchase, and to realize the benefits from such acquisitions;
- the price and availability of debt and equity financing;
- operating hazards and other risks incidental to handling crude oil and petroleum products;
- natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- interest rates;
- labor relations;
- changes in the availability and cost of capital;
- the effects of existing and future laws and governmental regulations, including those related to the shipment of crude oil by trains;
- changes in insurance markets impacting costs and the level and types of coverage available;
- the timing and extent of changes in commodity prices and demand for PBF Energy's refined products and the differential in the prices of different crude oils;
- the suspension, reduction or termination of PBF Energy's obligations under our commercial agreements;
- disruptions due to equipment interruption or failure at our facilities, PBF Energy's facilities or third-party facilities on which our business is dependent;
- incremental costs as a separate public partnership;
- our general partner and its affiliates, including PBF Energy, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to the detriment of us and our other common unitholders;
- our partnership agreement restricts the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty;
- holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors;
- our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as our not being subject to a material amount of entity level taxation by individual states;
- changes at any time (including on a retroactive basis) in the tax treatment of publicly traded partnerships or an investment in our common units;
- our unitholders will be required to pay taxes on their share of our taxable income even if they do not receive any cash distributions from us;

the effects of future litigation; and  
other factors discussed elsewhere in this Form 10-Q.

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

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



## PART 1 - FINANCIAL INFORMATION

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

	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$49,883	\$ 18,678
Marketable securities - current	136,144	—
Accounts receivable - affiliates	21,904	23,949
Accounts receivable, net	2,462	—
Prepaid expenses and other current assets	5,001	469
Total current assets	215,394	43,096
Marketable securities	—	234,258
Property, plant and equipment, net	243,188	145,548
Total assets	\$458,582	\$ 422,902
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable - affiliates	\$3,850	\$ 3,438
Accounts payable and accrued liabilities	9,242	5,504
Current portion of long-term debt	135,864	—
Deferred revenue	638	—
Total current liabilities	149,594	8,942
Long-term debt	434,978	599,635
Other long-term liabilities	2,023	—
Total liabilities	586,595	608,577
Commitments and contingencies (Note 8)		
Equity:		
Common unitholders - Public (18,876,597 and 15,924,676 units issued and outstanding, as of June 30, 2016 and December 31, 2015, respectively)	378,669	340,317
Common unitholder - PBF LLC (2,572,944 units issued and outstanding, as of June 30, 2016 and December 31, 2015, respectively)	(231,825 )	(248,363 )
Subordinated unitholder - PBF LLC (15,886,553 units issued and outstanding, as of June 30, 2016 and December 31, 2015, respectively)	(275,739 )	(277,094 )
IDR holder - PBF LLC	882	(535 )
Total equity	(128,013 )	(185,675 )
Total liabilities and equity	\$458,582	\$ 422,902

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Affiliate	\$37,965	\$34,868	\$74,514	\$67,713
Third-party	2,694	—	2,694	—
Total revenue	40,659	34,868	77,208	67,713
Costs and expenses:				
Operating and maintenance expenses	7,720	4,768	13,741	13,202
General and administrative expenses	6,909	3,729	9,474	6,791
Depreciation and amortization	2,142	1,637	3,782	3,270
Total costs and expenses	16,771	10,134	26,997	23,263
Income from operations	23,888	24,734	50,211	44,450
Other expense:				
Interest expense, net	(7,212 )	(4,624 )	(14,018 )	(6,418 )
Amortization of loan fees	(422 )	(306 )	(845 )	(467 )
Net income	16,254	19,804	35,348	37,565
Less: Net income attributable to Predecessor	—	221	—	1,274
Net income attributable to the Partnership	\$16,254	\$19,583	\$35,348	\$36,291
Net income per limited partner unit:				
Common units - basic	\$0.41	\$0.58	\$0.94	\$1.09
Common units - diluted	0.41	0.58	0.94	1.09
Subordinated units - basic and diluted	0.41	0.58	0.95	1.09
Weighted average limited partner units outstanding:				
Common units - basic	21,248,969	17,776,831	19,873,294	17,442,561
Common units - diluted	21,264,691	17,801,429	19,881,339	17,455,155
Subordinated units - basic and diluted	15,886,553	15,886,553	15,886,553	15,886,553
Cash distributions declared per unit	\$0.43	\$0.37	\$0.85	\$0.72

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$35,348	\$ 37,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,782	3,270
Amortization of deferred financing fees	845	467
Unit-based compensation expense	2,710	1,613
Changes in operating assets and liabilities:		
Accounts receivable - affiliates	2,045	(8,703 )
Accounts receivable, net	(2,462 )	—
Prepaid expenses and other current assets	(348 )	(319 )
Accounts payable - affiliates	412	(1,392 )
Accounts payable and accrued liabilities	138	5,507
Deferred revenue	638	—
Other assets and liabilities	(265 )	(20 )
Net cash provided by operations	42,843	37,988
Cash flows from investing activities:		
Plains Asset Purchase	(98,336 )	—
Expenditures for property, plant and equipment	(2,066 )	(220 )
Purchase of marketable securities	(1,310,000)	(1,379,386)
Maturities of marketable securities	1,408,124	1,380,085
Net cash (used in) provided by investing activities	(2,278 )	479
Cash flows from financing activities:		
Proceeds from issuance of common units, net of underwriters' discount and commissions	51,575	—
Distribution to PBF LLC related to Delaware City Products Pipeline and Truck Rack acquisition	—	(112,500 )
Distributions to unitholders	(31,099 )	(22,911 )
Distribution to Parent	—	(1,036 )
Proceeds from issuance of senior notes	—	350,000
Proceeds from revolving credit facility	98,500	24,500
Repayment of revolving credit facility	(30,000 )	(275,100 )
Repayment of term loan	(98,336 )	(700 )
Deferred financing costs	—	(8,225 )
Net cash used in financing activities	(9,360 )	(45,972 )
Net change in cash and cash equivalents	31,205	(7,505 )
Cash and cash equivalents at beginning of year	18,678	14,165
Cash and cash equivalents at end of period	\$49,883	\$ 6,660
Supplemental disclosure of non-cash investing and financing activities:		

Contribution of net assets from PBF LLC	\$15	\$2,164
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See notes to condensed consolidated financial statements.

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PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

PBF Logistics LP (“PBFX” or the “Partnership”) is a Delaware limited partnership formed in February 2013. PBF Logistics GP LLC (“PBF GP” or “our general partner”) serves as the general partner of PBFX. PBF GP is wholly-owned by PBF Energy Company LLC (“PBF LLC”). PBF Energy Inc. (“PBF Energy”) is the sole managing member of PBF LLC and, as of June 30, 2016, owned 95.2% of the total economic interest in PBF LLC. In addition, PBF LLC is the sole managing member of PBF Holding Company LLC (“PBF Holding”), a Delaware limited liability company and affiliate of PBFX. PBF LLC holds a 49.4% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights (“IDR”), with the remaining 50.6% limited partner interest owned by public unitholders as of June 30, 2016. PBFX engages in the receiving, handling, storage and transferring of crude oil, refined products and intermediates. The Partnership does not take ownership of or receive any payments based on the value of the crude oil, products or intermediates that it handles and does not engage in the trading of any commodities. PBFX’s assets are integral to the operations of PBF Holding’s refineries located in Toledo, Ohio, Delaware City, Delaware and Paulsboro, New Jersey. On April 29, 2016, the Partnership’s wholly-owned subsidiary, PBF Logistics Products Terminals LLC (“PLPT”), purchased four refined product terminals (the “East Coast Terminals”), from an affiliate of Plains All American Pipeline, L.P. (the “Plains Asset Purchase”) for an aggregate purchase price of \$100,000. This acquisition is accounted for as a business combination under U.S. generally accepted accounting principles (“GAAP”). See Note 2 in this Quarterly Report on Form 10-Q (this “Form 10-Q”) for further discussion regarding the Plains Asset Purchase. On April 5, 2016, PBFX completed a public offering of an aggregate of 2,875,000 common units, including 375,000 common units that were sold pursuant to the full exercise by the underwriter of its option to purchase additional common units, for net proceeds of \$51,575, after deducting underwriting discounts and commissions and other offering expenses (the “April 2016 Offering”).

Subsequent to the Partnership’s initial public offering (the “Offering”), the Acquisitions from PBF (as defined below) and the Plains Asset Purchase, the Partnership continues to generate a substantial majority of its revenue from transactions with PBF Holding.

Principles of Combination and Consolidation and Basis of Presentation

In connection with the Offering, PBF LLC contributed the assets, liabilities and results of operations of certain crude oil terminaling assets to the Partnership. The assets consisted of the Delaware City Rail Unloading Terminal (“DCR Rail Terminal”), which included a double loop track and ancillary pumping and unloading equipment, and the Toledo Truck Unloading Terminal (“Toledo Truck Terminal”), which included six lease automatic custody transfer (“LACT”) units.

Subsequent to the Offering, the Partnership acquired from PBF LLC the Delaware City West Heavy Unloading Rack (the “DCR West Rack”), a heavy crude oil rail unloading facility at the Delaware City refinery, a tank farm and related facilities, which included a propane storage and loading facility (the “Toledo Storage Facility”) and an interstate petroleum products pipeline and truck loading rack (the “Delaware City Products Pipeline and Truck Rack”). These transactions are collectively referred to as the “Acquisitions from PBF.” Subsequent to the Acquisitions from PBF, the DCR Rail Terminal, the Toledo Truck Terminal, the DCR West Rack, the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack are collectively referred to as the “Contributed Assets.” The assets, liabilities and results of operations of the Contributed Assets prior to their acquisition by PBFX are collectively referred to as the “Predecessor”. The Contributed Assets were transfers of assets between entities under common control. Accordingly, the accompanying condensed combined consolidated financial statements and related notes present the results of operations and cash flow of our Predecessor for all periods presented prior to the effective date of each transaction. The financial statements of our Predecessor have been prepared from the separate records maintained by PBF and may not necessarily be indicative of the conditions that would have existed



PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

or the results of operations if the Predecessor had been operated as an unaffiliated entity. See the Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 Form 10-K”) for additional information regarding the Acquisitions from PBF and the commercial agreements and amendments to other agreements with related parties in connection with these acquisitions.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, PBFX has included all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations and cash flows of PBFX and the Predecessor, as applicable, for the periods presented. The results of operations for the three and six months ended June 30, 2016 and 2015 are not necessarily indicative of the results that may be expected for the full year.

The Predecessor did not historically operate its respective assets for the purpose of generating revenues independent of other PBF Energy businesses prior to the Offering or for assets acquired in the Acquisitions from PBF, with the exception of the Delaware City Products Pipeline, prior to the effective dates of each transaction. All intercompany accounts and transactions have been eliminated.

Summary of Significant Accounting Policies

Product Imbalances

The Partnership incurs product imbalances as a result of variances in tank storage meter readings and volume fluctuations within the East Coast Terminals. The Partnership uses a year-to-date weighted average market price to value our assets and liabilities related to product imbalances. Product imbalance liabilities are included in “accounts payable and accrued liabilities” and product imbalance assets are included in “prepaid expenses and other current assets” in the consolidated balance sheets. For the three and six months ended June 30, 2016, the imbalances resulted in an immaterial amount included in prepaid expenses and other current assets.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”), which amends how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. ASU 2016-01 also changes certain disclosure requirements and other aspects of current US GAAP but does not change the guidance for classifying and measuring investments in debt securities and loans. Under ASU 2016-01, this guidance becomes effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted in certain circumstances. The Partnership is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018, and requires a modified retrospective approach to adoption. Early adoption is permitted. The Partnership is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-06, “Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments a consensus of the FASB Emerging Issues Task Force” (“ASU 2016-06”), to increase consistency in practice in applying guidance on determining if an embedded derivative is clearly and closely related to the economic characteristics of the host contract, specifically for assessing whether call (put) options that can accelerate the repayment of principal on a debt instrument meet the clearly and closely related





## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

criterion. The guidance in ASU 2016-06 applies to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. ASU 2016-06 is effective for interim and annual periods beginning after December 15, 2016, and requires a modified retrospective approach to adoption. Early adoption is permitted. The Partnership is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13") which requires that credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments in ASU 2016-13 require that credit losses be presented as an allowance rather than as a write-down. This approach is an improvement to current GAAP because an entity will be able to record reversals of credit losses (in situations in which the estimate of credit losses declines) in current period net income, which in turn should align the income statement recognition of credit losses with the reporting period in which changes occur. Current GAAP prohibits reflecting those improvements in current period earnings. ASU 2016-13 is effective for interim and annual periods beginning after December 15, 2019, and requires a modified retrospective approach to adoption. Early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Partnership is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

## 2. Acquisition

### Plains Asset Purchase

On April 29, 2016, the Partnership's wholly-owned subsidiary, PLPT, completed the Plains Asset Purchase. The East Coast Terminals, located in and around Philadelphia, Pennsylvania, include product tanks, pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, truck loading lanes and marine facilities capable of handling barges and ships.

The aggregate purchase price for the Plains Asset Purchase was \$100,000, less a preliminary estimate for working capital, which is subject to final purchase price valuation and working capital adjustment. The consideration was funded by the Partnership with \$98,336 in proceeds from the sale of marketable securities. The Partnership borrowed an additional \$98,500 under its Revolving Credit Facility (as defined in Note 4), which was used to repay \$98,336 of its Term Loan (as defined in Note 4) in order to release \$98,336 in marketable securities that had collateralized the Term Loan.

PBFX accounted for the Plains Asset Purchase as a business combination under US GAAP whereby the Partnership recognizes assets acquired and liabilities assumed in an acquisition at their estimated fair values as of the date of acquisition. Any excess consideration transferred over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. The final purchase price and its allocation are dependent on final reconciliations of working capital and other items subject to agreement by both parties.

The total purchase consideration and the estimated fair values of the assets and liabilities at the acquisition date were as follows:

	Purchase Price
Gross purchase price	\$100,000
Preliminary estimate for working capital	(1,664 )
Total consideration	\$98,336



## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

The following table summarizes the preliminary amounts recognized for assets acquired and liabilities assumed as of the acquisition date:

	Fair Value Allocation
Prepaid expenses and other current assets	\$ 4,184
Property, plant and equipment	99,342
Accounts payable and accrued expenses	(3,174 )
Other long-term liabilities	(2,016 )
Estimated fair value of net assets acquired	\$ 98,336

The Partnership's consolidated financial statements for the three and six months ended June 30, 2016 include the results of operations of the East Coast Terminals since April 29, 2016 during which period the East Coast Terminals contributed affiliate revenue of \$620, third-party revenue of \$2,694 and net income of \$1,529. On an unaudited pro forma basis, the revenues and net income of PBFX assuming the acquisition had occurred on January 1, 2015, are shown below. The unaudited pro forma information does not purport to present what PBFX's actual results would have been had the Plains Asset Purchase occurred on January 1, 2015, nor is the financial information indicative of the results of future operations. The unaudited pro forma financial information includes the depreciation and amortization expense related to the acquisition and interest expense associated with the Plains Asset Purchase financing.

(Unaudited)	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Pro forma revenues	\$84,002	\$76,342
Pro forma net income attributable to the Partnership:	39,494	33,494
Pro forma net income available per limited partner units:		
Common units - basic	\$ 1.02	\$ 0.89
Common units - diluted	1.02	0.89
Subordinated units - basic and diluted	1.02	0.89

## Acquisition Expenses

PBFX incurred acquisition related costs consisting primarily of consulting and legal expenses related to the Plains Asset Purchase and other pending and non-consummated acquisitions of \$2,435 and \$2,578 for the three and six months ended June 30, 2016, respectively. Acquisition related costs of \$530 for the three and six months ended June 30, 2015 related to the Delaware City Products Pipeline and Truck Rack acquisition. These costs are included in the condensed consolidated income statement in general and administrative expenses.

## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

## 3. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following:

	June 30, 2016	December 31, 2015
Land	\$16,167	\$ 2,417
Terminals and equipment	163,237	80,718
Storage equipment	60,985	60,959
Pipeline Assets	18,568	18,546
Construction in progress	5,110	5
	264,067	162,645
Accumulated depreciation	(20,879 )	(17,097 )
Property, plant and equipment, net	\$243,188	\$ 145,548

## 4. DEBT

Total debt was comprised of the following:

	June 30, 2016	December 31, 2015
6.875% Senior Notes due 2023	\$350,000	\$350,000
Term Loan	135,864	234,200
Revolving Credit Facility (a)	93,000	24,500
Total debt outstanding	578,864	608,700
Unamortized debt issuance costs	(8,022 )	(9,065 )
Net carrying value of debt	570,842	599,635
Less- Current maturities (b)	(135,864 )	—
Long-term debt	\$434,978	\$599,635

(a) PBFX had \$3,610 outstanding letters of credit and \$263,390 available under our five year \$360,000 revolving credit facility (“Revolving Credit Facility”) as of June 30, 2016. The maximum amount of the Revolving Credit Facility was increased from \$325,000 to \$360,000 in May 2016.

(b) PBFX’s Term Loan matures in May 2017 and has been classified as current on the balance sheet as of June 30, 2016. Additionally, Marketable securities have also been classified as current on the balance sheet as of June 30, 2016 as these securities collateralize the Term Loan.

## Plains Asset Purchase

On April 29, 2016, the Partnership’s wholly-owned subsidiary, PLPT, completed the Plains Asset Purchase. The East Coast Terminals, located in and around Philadelphia, Pennsylvania, include product tanks, pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, truck loading lanes and marine facilities capable of handling barges and ships.

The aggregate purchase price for the Plains Asset Purchase was \$100,000, less a preliminary working capital adjustment. The consideration was funded by the Partnership with \$98,336 in proceeds from the sale of marketable securities. The Partnership borrowed an additional \$98,500 under its Revolving Credit Facility, which was used to

repay \$98,336 of its Term Loan in order to release \$98,336 in marketable securities that had collateralized the Term Loan.

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

Fair Value Measurement

A fair value hierarchy (Level 1, Level 2, or Level 3) is used to categorize fair value amounts based on the quality of inputs used to measure fair value. Accordingly, fair values derived from Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Fair values derived from Level 2 inputs are based on quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are either directly or indirectly observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Debt or equity securities are classified into the following reporting categories: held-to-maturity, trading or available-for-sale securities. While PBFX does not routinely sell marketable securities prior to their scheduled maturity dates, some of PBFX's investments may be held and restricted for the purpose of funding future capital expenditures and acquisitions. Such investments are classified as available-for-sale marketable securities as they may occasionally be sold prior to their scheduled maturity dates due to the unexpected timing of cash needs. The carrying value of these marketable securities approximates fair value and is measured using Level 1 inputs. The terms of the marketable securities range from one to three months and are classified on the balance sheet as non-current assets. The gross unrecognized holding gains and losses as of June 30, 2016 and December 31, 2015 were not material. As of June 30, 2016, these investments are used as collateral to secure the Partnership's obligations under its three year \$300,000 term loan facility with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of lenders (the "Term Loan") and are intended to be used only to fund future capital expenditures.

The estimated fair values of the Revolving Credit Facility and Term Loan approximate their carrying values, categorized as a Level 2 measurement, as these borrowings bear interest based upon short-term floating market interest rates. The estimated fair value of the Partnership's 6.875% Senior Notes due 2023 ("2023 Notes"), categorized as a Level 2 measurement, was calculated based on the present value of future expected payments utilizing implied current market interest rates based on quoted prices of the 2023 Notes and was approximately \$344,714 and \$321,722 at June 30, 2016 and December 31, 2015, respectively. The carrying value and fair value of PBFX's debt, exclusive of unamortized debt issuance costs, was approximately \$578,864 and \$573,578 as of June 30, 2016 and \$608,700 and \$580,422 as of December 31, 2015, respectively.

5. EQUITY

PBFX had 18,876,597 common units held by the public outstanding as of June 30, 2016. PBF Energy owns 2,572,944 of PBFX's common units and 15,886,553 of PBFX's subordinated units constituting an aggregate of 49.4% of PBFX's limited partner interest. In accordance with PBFX's partnership agreement, PBF Energy's subordinated units will convert into common units on a one-for-one basis once PBFX has met specified distribution targets and successfully completed other tests set forth in PBFX's partnership agreement.

Issuance of Additional Interests

PBFX's partnership agreement authorizes PBFX to issue an unlimited number of additional partnership interests for consideration and on the terms and conditions determined by PBFX's general partner without the approval of the unitholders. On May 14, 2015, PBFX partially funded the Delaware City Products Pipeline and Truck Rack acquisition with \$30,500 of Partnership common units, or 1,288,420 common units.

On April 5, 2016, the Partnership completed the April 2016 Offering. It is possible that PBFX will fund future acquisitions through the issuance of additional common units, subordinated units or other partnership interests. Additionally, 111,224 and 59,507 of the Partnership's phantom units issued under the PBFX 2014 Long-Term Incentive Plan ("LTIP") vested and were converted into common units held by certain of PBF GP's management and directors during the six months ended June 30, 2016 and 2015, respectively.



## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

Holders of any additional common units PBFX issues will be entitled to share equally with the then-existing common unitholders in PBFX's distributions of available cash.

## Equity Activity

The summarized changes in the carrying amount of our equity during the six months ended June 30, 2016 are as follows:

	Common Units - Public	Common Units - PBF	Subordinated Units - PBF	IDR	Total
Balance at December 31, 2015	\$340,317	\$(248,363)	\$(277,094 )	\$(535)	\$(185,675)
Quarterly distributions to unitholders (including IDRs)	(14,864 )	(2,136 )	(13,185 )	(1,340)	(31,525 )
Net income attributable to Partnership	16,212	2,439	15,058	1,639	35,348
Contributions from PBF LLC	—	15	—	—	15
Unit-based compensation expense	2,710	—	—	—	2,710
Issuance of Common Units, net of expenses	35,271	16,304	—	—	51,575
Other	(977 )	(84 )	(518 )	1,118	(461 )
Balance at June 30, 2016	\$378,669	\$(231,825)	\$(275,739 )	\$882	\$(128,013)

## Allocations of Net Income

PBFX's partnership agreement contains provisions for the allocation of net income and loss to the unitholders. For purposes of maintaining partner capital accounts, PBFX's partnership agreement specifies that items of income and loss shall be allocated among the partners in accordance with their respective percentage interest. Normal allocations according to percentage interests are made after giving effect, if any, to priority income allocations in an amount equal to incentive cash distributions allocated 100% to PBF LLC.

## Cash distributions

PBFX's partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common and subordinated unitholders and general partner will receive. On March 8, 2016, the Partnership paid a quarterly cash distribution, based on the results of the fourth quarter of 2015, totaling \$14,680, or \$0.41 per unit, to unitholders of record on February 22, 2016. On May 31, 2016 the Partnership paid a quarterly cash distribution, based on the results of the first quarter of 2016, totaling \$16,419, or \$0.42 per unit, to unitholders of record on May 13, 2016.



## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

The allocation of total quarterly cash distributions to general and limited partners, in the table below, for the three and six months ended June 30, 2016 and 2015, is as follows. The Partnership's distributions are declared subsequent to quarter end (distributions of \$0.43 and \$0.37 per unit declared for the three months ended June 30, 2016 and 2015, respectively and \$0.42 and \$0.35 per unit declared for the three months ended March 31, 2016 and 2015, respectively); therefore, the table represents total cash distributions applicable to the period in which the distributions are earned:

	Three Months		Six Months	
	Ended June 30, 2016	2015	Ended June 30, 2016	2015
IDR - PBF LLC	\$882	\$151	\$1,639	\$181
Limited partners' distributions:				
Common – public	8,366	6,049	16,536	11,773
Common – PBF LLC	1,106	952	2,187	1,853
Subordinated – PBF LLC	6,831	5,878	13,503	11,438
Total distributions	17,185	13,030	33,865	25,245
Total cash distributions <sup>(1)</sup>	\$16,937	\$12,852	\$33,356	\$24,878

<sup>(1)</sup> Excludes phantom unit distributions which are accrued and paid upon vesting.

## 6. UNIT-BASED COMPENSATION

PBF GP's board of directors adopted the LTIP in connection with the completion of the Offering. The LTIP is for the benefit of employees, consultants, service providers and non-employee directors of the general partner and its affiliates.

Under the LTIP, PBFX issues phantom unit awards to certain directors, officers and seconded employees of our general partner or its affiliates as compensation. The fair value of each phantom unit on the grant date is equal to the market price of PBFX's common units on that date. The estimated fair value of PBFX's phantom units is amortized over the vesting period of four years, using the straight-line method.

Unit-based compensation expense related to the Partnership that was included in general and administrative expense in the Partnership's condensed consolidated statements of operations was \$1,981 and \$2,710 for the three and six months ended June 30, 2016, respectively, and \$683 and \$1,613 for the three and six months ended June 30, 2015, respectively.

In the three and six months ended June 30, 2016, unit-based compensation expense includes \$1,123 of expense associated with the accelerated vesting of phantom units in accordance with grant agreements related to the retirement of certain of PBF GP's officers. In the three and six months ended June 30, 2015, \$0 and \$510 of unit-based compensation expense was associated with the accelerated vesting of such phantom units.

## 7. NET INCOME PER UNIT

Earnings in excess of distributions are allocated to the limited partners based on their respective percentage interests. Payments made to PBFX's unitholders are determined in relation to actual distributions declared and are not based on the net income (loss) allocations used in the calculation of net income (loss) per unit.

Diluted net income per unit includes the effects of potentially dilutive units of PBFX's common units that consist of unvested phantom units. For the three and six months ended June 30, 2016, there were 502,630 and 528,880 anti-dilutive phantom units, respectively. For the three and six months ended June 30, 2015, there were 437,485 and 442,375 anti-dilutive phantom units, respectively. Basic and diluted net income per unit applicable to subordinated limited partners are the same because there are no potentially dilutive subordinated units outstanding.



## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

In addition to the common and subordinated units, PBFX has also identified the general partner interest and incentive distribution rights as participating securities and uses the two-class method when calculating the net income per unit applicable to limited partners that is based on the weighted-average number of common units outstanding during the period. The Partnership issued 1,288,420 common units in 2015 to PBF LLC in conjunction with the Delaware City Products Pipeline and Truck Rack acquisition and issued 2,875,000 common units in 2016 in connection with the April 2016 Offering.

When calculating basic earnings per unit under the two-class method for a master limited partnership, net income for the current reporting period is reduced by the amount of available cash that has been or will be distributed to the general partner, limited partners, and IDR holders for that reporting period. The following table shows the calculation of earnings less distributions:

	Three Months		Six Months	
	Ended June 30, 2016	2015	Ended June 30, 2016	2015
Net income (loss)	\$16,254	\$19,804	\$35,348	\$37,565
Less distributions on:				
Limited partner common units - public	8,366	6,049	16,536	11,773
Limited partner common units - PBF LLC	1,106	952	2,187	1,853
Limited partner subordinated units - PBF LLC	6,831	5,878	13,503	11,438
IDR holder - PBF LLC	882	151	1,639	181
Total distributions	17,185	13,030	33,865	25,245
Earnings less distributions	\$(931)	\$6,774	\$1,483	\$12,320

	Three Months Ended June 30, 2016				Total
	Limited Partner Common Units - Public	Limited Partner Common Units - PBF LLC	Limited Partner Subordinated Units - PBF LLC	Incentive Distribution Rights - PBF LLC	
Net income (loss):					
Distributions	\$8,366	\$1,106	\$6,831	\$882	\$17,185
Earnings less distributions	(647)	(39)	(245)	—	(931)
Net income (loss)	\$7,719	\$1,067	\$6,586	\$882	\$16,254

Weighted-average units outstanding - basic	18,676,025	15,886,553
Weighted-average units outstanding - diluted	18,691,746	15,886,553

Net income per limited partner unit - basic	\$0.41	\$0.41	\$0.41
Net income per limited partner unit - diluted	\$0.41	\$0.41	\$0.41

## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

	Three Months Ended June 30, 2015				
	Limited Partner Common Units – Public	Limited Partner Common Units – PBF LLC	Limited Partner Subordinated Units – PBF LLC	Incentive Distribution Rights - PBF LLC	Total
Net income:					
Distributions	\$6,049	\$ 952	\$ 5,878	\$ 151	\$13,030
Earnings less distributions	3,168	168	3,368	70	6,774
Net income	\$9,217	\$ 1,120	\$ 9,246	\$ 221	\$19,804
Weighted-average units outstanding - basic	15,834,092	1,942,739	15,886,553		
Weighted-average units outstanding - diluted	15,858,690	1,942,739	15,886,553		
Net income per limited partner unit - basic	\$0.58	\$ 0.58	\$ 0.58		
Net income per limited partner unit - diluted	\$0.58	\$ 0.58	\$ 0.58		
	Six Months Ended June 30, 2016				
	Limited Partner Common Units – Public	Limited Partner Common Units – PBF LLC	Limited Partner Subordinated Units – PBF LLC	Incentive Distribution Rights - PBF LLC	Total
Net income:					
Distributions	\$16,536	\$ 2,187	\$ 13,503	\$ 1,639	\$33,865
Earnings less distributions	(324 )	252	1,555	—	1,483
Net income	\$16,212	\$ 2,439	\$ 15,058	\$ 1,639	\$35,348
Weighted-average units outstanding - basic	17,300,350	2,572,944	15,886,553		
Weighted-average units outstanding - diluted	17,308,392	2,572,944	15,886,553		
Net income per limited partner unit - basic	\$0.94	\$ 0.95	\$ 0.95		
Net income per limited partner unit - diluted	\$0.94	\$ 0.95	\$ 0.95		

## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

	Six Months Ended June 30, 2015				Total
	Limited Partner Common Units – Public	Limited Partner Common Units – PBF LLC	Limited Partner Subordinated Units – PBF LLC	Incentive Distribution Rights - PBF LLC	
Net income:					
Distributions	\$11,773	\$ 1,853	\$ 11,438	\$ 181	\$25,245
Earnings less distributions	5,454	(84 )	5,857	1,093	12,320
Net income	\$17,227	\$ 1,769	\$ 17,295	\$ 1,274	\$37,565
Weighted-average units outstanding - basic	15,823,475	15,619,086	15,886,553		
Weighted-average units outstanding - diluted	15,836,069	15,619,086	15,886,553		
Net income per limited partner unit - basic	\$ 1.09	\$ 1.09	\$ 1.09		
Net income per limited partner unit - diluted	\$ 1.09	\$ 1.09	\$ 1.09		

## 8. COMMITMENTS AND CONTINGENCIES

## Environmental Matters

PBFX's assets, along with PBF Energy's refineries, are subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, those relating to the discharge of materials into the environment or that otherwise relate to the protection of the environment, waste management and the characteristics and the composition of fuels. Compliance with existing and anticipated laws and regulations can increase the overall cost of operating the Partnership's assets, including remediation, operating costs and capital costs to construct, maintain and upgrade equipment and facilities.

In connection with PBF Holding's acquisition of the DCR assets, Valero Energy Corporation ("Valero") remains responsible for certain pre-acquisition environmental obligations up to \$20,000 and the predecessor to Valero in ownership of the refinery retains other historical obligations.

In connection with its acquisition of the DCR assets and the Paulsboro refinery, PBF Holding and Valero purchased ten year, \$75,000 environmental insurance policies to insure against unknown environmental liabilities at each site. In connection with PBF Holding's Toledo refinery acquisition, Sunoco Inc. (R&M) remains responsible for environmental remediation for conditions that existed on the closing date for twenty years from March 1, 2011, subject to certain limitations.

In connection with the Plains Asset Purchase, the Partnership is responsible for the environmental remediation costs for conditions that existed on the closing date up to a maximum of \$250 per year for ten years, with Plains All American Pipeline, L.P. remaining responsible for any and all additional costs above such amounts during such period. The environmental liability of \$2,273 recorded as of June 30, 2016 represents the present value of expected future costs discounted at a rate of 1.83%. At June 30, 2016 the undiscounted liability is \$2,500 and the Partnership expects to make aggregate payments for this liability of \$1,250 over the next five years. The current portion of the environmental liability is recorded in Accrued expenses and the non-current portion is recorded in Other long-term liabilities.



PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

9. RELATED PARTY TRANSACTIONS

Commercial Agreements

PBFX currently derives the majority of its revenue from long-term, fee-based agreements with PBF Holding, supported by fee escalations for inflation adjustments and certain increases in operating costs. PBFX believes the terms and conditions under these agreements, as well as the omnibus and services agreements with PBF Holding described below, are generally no less favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services.

East Coast Terminals

The commercial agreements with PBF Holding related to the East Coast Terminals have initial terms ranging from approximately three months to one year and include:

tank lease agreements, under which the Partnership provides tank lease services to PBF Holding at the East Coast Terminals, with fees ranging from \$0.45 to \$0.55 per barrel received into the tank, up to 448,000 barrels, and \$0.30 to \$0.351 for all additional barrels received in excess of that amount. Additionally, the lease agreements include ancillary fees for tank to tank transfers; and terminaling service agreements, under which the Partnership provides terminaling and other services to PBF Holding at the East Coast Terminals, with fees ranging from \$0.10 to \$1.25 per barrel based on services provided, with additional flat rate fees for certain unloading/loading activities at the terminal.

The tank lease agreements contain minimum requirements for the amount of leased tank capacity contracted by PBF Holding. Additionally, the fees under each commercial agreement are indexed for inflation based on the changes in the U.S. Consumer Price Index for All Urban Consumers (the "CPI-U"). Each of these commercial agreements also include automatic renewal options ranging from three months to one year terms, unless written notice is provided by either the Partnership or PBF Holding thirty days prior to the end of the previous term.

The Contributed Assets

The commercial agreements with PBF Holding related to the Contributed Assets have initial terms ranging from approximately seven to ten years and include:

- a rail terminaling services agreement with PBF Holding, with an initial term of approximately seven years, under which the Partnership provides terminaling services at the DCR Rail Terminal. Pursuant to the rail terminaling services agreement, and based on the change in the U.S. Producer Price Index (the "PPI"), effective January 1, 2016, the terminaling service fee was decreased to \$2.014 per barrel up to the minimum throughput commitment and \$0.503 per barrel for volumes that exceed the minimum throughput commitment;
- a truck unloading and terminaling services agreement with PBF Holding, with an initial term of approximately seven years, under which the Partnership provides terminaling services at the Toledo Truck Terminal. Pursuant to the truck unloading and terminaling services agreement, and based on the change in the PPI, effective January 1, 2016, the terminaling service fee was decreased to \$1.007 per barrel;
- a terminaling services agreement, with an initial term of approximately seven years, under which the Partnership provides rail terminaling services to PBF Holding at the DCR West Rack;
- a storage and terminaling services agreement, with an initial term of ten years, under which the Partnership provides storage and terminaling services to PBF Holding at the Toledo Storage Facility;
- a pipeline service agreement with PBF Holding, with an initial term of approximately ten years, under which the Partnership, through Delaware Pipeline Company ("DPC"), provides pipeline services to PBF Holding at the Delaware City Products Pipeline; and





## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

•a truck loading service agreement with PBF Holding, with an initial term of approximately ten years, under which the Partnership, through Delaware City Logistics Company LLC (“DCLC”), provides terminaling services to PBF Holding at the Delaware City Truck Rack.

Each of these commercial agreements contain minimum volume commitments. Additionally, the storage and terminaling services agreement contains minimum requirements for the amount of storage contracted by PBF Holding. The fees under each commercial agreement are indexed for inflation and the agreements give PBF Holding the option to renew for two additional five year terms following the expiration of the initial term.

## Other Agreements

In addition to the commercial agreements described above, the Partnership also entered into an omnibus agreement with PBF GP, PBF LLC and PBF Holding, which addresses the payment of an annual fee, in the amount of \$2,350 per year, for the provision of various general and administrative services, and reimbursement of salary and benefit costs for certain PBF Energy employees, among other matters, and an operations and management services and secondment agreement with PBF Holding and certain of its subsidiaries under which PBFX reimburses PBF Holding for the provision of certain operational services to the Partnership in support of its operations, including operational services performed by certain of PBF Holding’s field-level employees.

## Predecessor Transactions

Related-party transactions of the Predecessor were settled through division of equity.

## Summary of Transactions

A summary of revenue and expense transactions with our affiliates, including expenses directly charged and allocated to PBFX and our Predecessor, is as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2016	2015	2016	2015
Revenues	\$37,965	\$34,868	\$74,514	\$67,713
Operating and maintenance expenses	1,121	1,134	2,243	2,290
General and administrative expenses	1,415	1,234	2,259	2,470

## 10. SEGMENT INFORMATION

The Partnership’s operations are organized into two reportable segments, Transportation and Terminaling and Storage. Operations that are not included in either the Transportation and Terminaling or the Storage segments are included in Corporate.

Our Transportation and Terminaling segment consists of the following assets:

- the DCR Rail Terminal, which serves PBF Holding’s Delaware City and Paulsboro refineries;
- the DCR West Rack, which serves PBF Holding’s Delaware City refinery;
- the Toledo Truck Terminal, which serves PBF Holding’s Toledo refinery, comprised of LACT units;
- a propane truck loading facility, located within the Toledo Storage Facility, which is part of PBF Holding’s Toledo, Ohio refinery;
- the Delaware City Products Pipeline, which consists of an interstate petroleum products pipeline located at PBF Holding’s Delaware City refinery;

## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

- the Delaware City Truck Rack, which consists of a truck loading rack utilized to distribute gasoline, distillates and LPGs located at PBF Holding's Delaware City refinery; and
- the East Coast Terminals, which consist of product tanks, pipeline connections to the Colonial Pipeline Company, Buckeye Partners, Sunoco Logistics Partners and other proprietary pipeline systems, truck loading lanes and marine facilities capable of handling barges and ships.

Our Storage segment consists of the following asset:

- the Toledo Storage Facility, excluding the propane truck loading facility, which services the Toledo refinery and consists of tanks for storing crude oil, refined products and intermediates; and

Revenues are generated from third-party transactions as well as commercial agreements entered into with PBF Holding under which the Partnership receives fees for transportation, terminaling and storage of crude oil and refined products. The commercial agreements with PBF Holding are described in Note 8 of the Condensed Consolidated Financial Statements in this Form 10-Q. The Partnership does not have any foreign operations.

The operating segments adhere to the accounting policies used for the consolidated financial statements, as described in our 2015 Form 10-K Note 2 "Summary of Accounting Policies" of the Notes to Consolidated Financial Statements. The Partnership's operating segments are strategic business units that offer different services in different geographical locations. PBFX has evaluated the performance of each operating segment based on its respective operating income. Certain general and administrative expenses and interest and financing costs are included in Corporate as they are not directly attributable to a specific operating segment. Identifiable assets are those used by the operating segment, whereas assets included in Corporate are principally cash, deposits and other assets that are not associated with a specific operating segment.

	Three Months Ended June 30, 2016			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$35,297	\$5,362	\$ —	\$ 40,659
Depreciation and amortization expense	1,556	586	—	2,142
Income (loss) from operations	28,323	2,474	(6,909)	23,888
Interest expense, net and amortization of loan fees	—	—	7,634	7,634
Capital expenditures, including the Plains Asset Purchase	99,202	761	—	99,963
	Three Months Ended June 30, 2015			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$29,642	\$5,226	\$ —	\$ 34,868
Depreciation and amortization expense	993	644	—	1,637
Income (loss) from operations	25,620	2,843	(3,729)	24,734
Interest expense, net and amortization of loan fees	—	—	4,930	4,930
Capital expenditures	144	—	—	144

## PBF LOGISTICS LP

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT BARREL, PER BARREL, UNIT AND PER UNIT DATA)

	Six Months Ended June 30, 2016			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$66,364	\$10,844	\$ —	\$ 77,208
Depreciation and amortization expense	2,547	1,235	—	3,782
Income (loss) from operations	54,270	5,415	(9,474)	50,211
Interest expense, net and amortization of loan fees	—	—	14,863	14,863
Capital expenditures, including the Plains Asset Purchase	99,202	1,200	—	100,402
	Six Months Ended June 30, 2015			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$56,962	\$10,751	\$ —	\$ 67,713
Depreciation and amortization expense				