

PBF Logistics LP
Form 10-Q
November 05, 2015

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: September 30, 2015

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

(State or other jurisdiction of
incorporation or organization)

35-2470286

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

One Sylvan Way, Second Floor
Parsippany, New Jersey
(Address of principal executive offices)
(973) 455-7500

07054

(Zip Code)

(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 November 3, 2015, there were 18,466,257 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 September 30, 2015 owned 94.4% 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 53.7% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights (“IDR”), with the remaining 46.3% limited partner interest owned by public unitholders as of September 30, 2015.

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 (“DPC”). As of September 30, 2015, PBF Holding, together with its subsidiaries, owns and operates

three 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 Energy'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.

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 Quarterly Report on Form 10-Q for the three months ended September 30, 2015, in our Annual Report on Form 10-K for the year ended December 31, 2014, which we refer to as our 2014 Form 10-K, in our Form 8-K issued September 2, 2015, which retrospectively adjusted Items 6, 7 and 8 of our 2014 Form 10-K to give retrospective effect to the acquisition of the Delaware City Products Pipeline and Truck Rack, 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 all of our revenues and, therefore, we are subject to the business risks of PBF Energy;
- all 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;
- 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 stand-alone public company;
- 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)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$18,236	\$14,165
Accounts receivable - affiliates	24,272	11,630
Prepaid expenses and other current assets	775	397
Total current assets	43,283	26,192
Property, plant and equipment, net	145,642	146,867
Marketable securities	234,249	234,930
Other assets, net	9,489	2,152
Total assets	\$432,663	\$410,141
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable - affiliates	\$3,299	\$3,223
Accounts payable and accrued liabilities	12,151	1,498
Total current liabilities	15,450	4,721
Long-term debt	608,700	510,000
Other long-term liabilities	—	—
Total liabilities	624,150	514,721
Commitments and contingencies (Note 8)		
Equity:		
Net Investment- Predecessor	—	15,713
Common unitholders - Public (15,893,313 and 15,812,500 units issued and outstanding, as of September 30, 2015 and December 31, 2014, respectively)	336,933	336,369
Common unitholder - PBF LLC (2,572,944 and 1,284,524 units issued and outstanding, as of September 30, 2015 and December 31, 2014, respectively)	(249,361)	(167,787)
Subordinated unitholder - PBF LLC (15,886,553 units issued and outstanding)	(278,878)	(288,875)
IDR holders - PBF LLC	(181)	—
Total equity	(191,487)	(104,580)
Total liabilities and equity	\$432,663	\$410,141

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 September 30, 2015		Nine Months Ended September 30, 2015	
		2014*		2014*
Revenue from affiliates	\$37,082	\$17,060	\$104,796	\$29,409
Costs and expenses:				
Operating and maintenance expenses	4,963	7,219	18,165	16,884
General and administrative expenses	3,007	2,722	9,798	5,128
Depreciation and amortization	1,649	1,177	4,919	2,906
Total costs and expenses	9,619	11,118	32,882	24,918
Income from operations	27,463	5,942	71,914	4,491
Other expense:				
Interest expense, net and other financing costs	(6,757	) (685	) (13,174	) (968
Amortization of loan fees	(423	) (142	) (891	) (215
Net income	20,283	5,115	57,849	3,308
Less: Net income (loss) attributable to Predecessor	—	(4,193	) 1,274	(11,417
Limited partners' interest in net income attributable to the Partnership	\$20,283	\$9,308	\$56,575	\$14,725
Net income per limited partner unit:				
Common units - basic	\$0.59	\$0.29	\$1.68	\$0.46
Common units - diluted	0.59	0.29	1.68	0.46
Subordinated units- basic and diluted	0.59	0.29	1.68	0.46
Weighted average limited partner units outstanding:				
Common units - basic	18,455,575	15,886,553	17,784,133	15,886,553
Common units - diluted	18,455,575	15,894,691	17,784,133	15,887,683
Subordinated units- basic and diluted	15,886,553	15,886,553	15,886,553	15,886,553
Cash distributions declared per unit	\$0.39	\$0.30	\$1.11	\$0.46

* Prior-period financial information has been retrospectively adjusted for the acquisitions of the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack.

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2015	2014*
Cash flows from operating activities:		
Net income	\$57,849	\$3,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,919	2,906
Amortization of deferred financing fees	891	215
Unit-based compensation expense	2,428	653
Changes in operating assets and liabilities:		
Accounts receivable - affiliates	(12,642)	(5,277)
Prepaid expenses and other current assets	(423)	(572)
Accounts payable - affiliates	76	1,279
Accounts payable and accrued liabilities	10,312	(1,808)
Other assets and liabilities	(21)	(4)
Net cash provided by operations	63,389	700
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(1,182)	(40,993)
Purchase of marketable securities	(1,609,286)	(1,188,906)
Maturities of marketable securities	1,609,983	923,996
Net cash used in investing activities	(485)	(305,903)
Cash flows from financing activities:		
Proceeds from issuance of common units, net of underwriters' discount and commissions	—	340,957
Offering costs for issuance of common units	—	(5,000)
Distribution to PBF LLC related to Offering	—	(328,664)
Distribution to PBF LLC related to acquisitions	(112,500)	(135,000)
Distribution to unitholders	(35,772)	(5,127)
Distribution to Parent	(1,036)	—
Contribution from Parent	—	47,386
Proceeds from issuance of senior notes	350,000	—
Proceeds from revolving credit agreement	24,500	140,100
Repayment of revolving credit agreement	(275,100)	—
Proceeds from term loan	—	300,000
Repayment of term loan	(700)	(35,100)
Deferred financing costs	(8,225)	(2,339)
Net cash (used in) provided by financing activities	(58,833)	317,213
Net change in cash and cash equivalents	4,071	12,010
Cash and cash equivalents at beginning of year	14,165	75
Cash and cash equivalents at end of period	\$18,236	\$12,085

Supplemental disclosure of non-cash investing and financing activities:

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Contribution of net assets from PBF LLC	\$2,549	\$30,906
Accrued capital expenditures	—	1,716

* Prior-period financial information has been retrospectively adjusted for the acquisitions of the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack.

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 September 30, 2015 owned 94.4% 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”) of 15,812,500 common units (including 2,062,500 common units issued pursuant to the exercise of the underwriters' over-allotment option). PBF LLC holds a 53.7% limited partner interest in PBFX and owns all of PBFX’s incentive distribution rights (“IDR”), with the remaining 46.3% limited partner interest owned by public unitholders as of September 30, 2015. PBFX engages in the receiving, handling and transferring of crude oil and the receipt, storage and delivery 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 or products that it handles and does not engage in the trading of any commodities. PBFX’s assets are integral to the operations of PBF Energy’s refineries located in Toledo, Ohio, Delaware City, Delaware and Paulsboro, New Jersey. Subsequent to the Offering, PBFX generates all of its revenues from transactions with PBF Holding.

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 were owned and operated by PBF Holding’s subsidiaries, Delaware City Refining Company LLC (“DCR”) and Toledo Refining Company LLC (“TRC”), and were contributed to the Partnership in connection with the Offering. PBF Holding, together with its subsidiaries, owns and operates three oil refineries and related facilities in North America. PBF Energy, through its ownership in PBF LLC, controls all of the business affairs of PBFX and PBF Holding.

PBFX’s initial assets consisted of 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”. In connection with the Offering, the IPO Assets were distributed from PBF Holding to PBF LLC. The DCR Rail Terminal consists of a double loop track and ancillary pumping and unloading equipment. Construction of the DCR Rail Terminal began in July 2012 and it commenced operations in February 2013. The Toledo Truck Terminal commenced operations in December 2012 with one lease automatic custody transfer (“LACT”) unit. Two additional LACT units were made operational in May 2013. In July 2013, a fourth LACT unit was purchased that had previously been owned and operated at the Toledo Truck Terminal by a vendor in connection with a crude oil supply agreement. Two additional LACT units were placed into service in June 2014. The IPO Assets, along with the LACT units placed into service in June 2014, operate within the totality of the Toledo refinery and adjacent to the Delaware City refinery. The IPO Assets did not generate third party or affiliate revenue prior to the Offering. However, subsequent to the Offering, both of the IPO Assets have generated affiliate revenue.

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 Energy’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.” These transactions are collectively referred to as “Acquisitions from PBF.” Subsequent to the Acquisitions from PBF, the DCR Rail Terminal, the Toledo Truck Terminal, the DCR West Rack, the Toledo

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Storage Facility and the Delaware City Products Pipeline and Truck Rack are collectively referred to as the “Contributed Assets.”

The Acquisitions from PBF were transfers of assets between entities under common control. Accordingly, the accompanying financial statements and related notes of PBF MLP Predecessor (the “Predecessor”), our predecessor for accounting purposes, and the Partnership have been retrospectively adjusted to include the historical results of the DCR West Rack, the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack for all periods presented prior to the effective date of each transaction. The financial statements of our Predecessor, the DCR West Rack, the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack have been prepared from the separate records maintained by subsidiaries of PBF Energy and may not necessarily be indicative of the conditions that would have existed or the results of operations if they were operated as an unaffiliated company. Portions of certain expenses represent allocations made from corporate expenses applicable to PBF Energy as a whole. See Note 2 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further discussion.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by 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 nine months ended September 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for the full year.

The financial statements presented in this Form 10-Q include the condensed consolidated financial results of the Predecessor for the period presented prior to May 13, 2014, and the condensed consolidated financial results of PBFX for the period beginning May 14, 2014, the completion date of the Offering. 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.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”), which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the debt liability rather than as an asset. The standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. The Partnership is currently evaluating the impact of this new standard on its condensed consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-06, “Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions” (“ASU 2015-06”), which specifies that for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner. The standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. The Partnership believes that its current methodology for calculating earnings per unit is in compliance with the requirements of ASU 2015-06, but will continue to evaluate whether the adoption will have any impact on its consolidated financial statements or disclosures.

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” (“ASU 2015-14”), which defers the effective date of ASU 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”) for all entities by one year. The guidance in ASU 2014-09 will replace

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

most existing revenue recognition guidance in GAAP when it becomes effective. Under ASU 2015-14, this guidance becomes effective for interim and annual periods beginning after December 15, 2017 and permits the use of either the retrospective or cumulative effect transition method. Under ASU 2015-14, early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Partnership continues to evaluate the impact of this new standard on its consolidated financial statements and related disclosures.

2. ACQUISITIONS

During 2014, following the Offering, PBFX completed two acquisitions from PBF LLC, pursuant to which PBFX acquired from PBF LLC the following assets:

- the DCR West Rack, which consists of a heavy crude oil rail unloading facility at the Delaware City refinery with total throughput capacity of at least 40,000 bpd (the “DCR West Rack Acquisition”); and

- the Toledo Storage Facility, which consists of a tank farm and related facilities, including a propane storage and loading facility, located at PBF Energy's Toledo refinery (the “Toledo Storage Acquisition”).

See the Annual Report on Form 10-K for the year ended December 31, 2014 of PBF Logistics LP and our annual audited financial statements included in a Form 8-K filed with the SEC on September 2, 2015, which retrospectively adjusts our historical financial statements to include the activities of the Delaware City Products Pipeline and Truck Rack, for additional information regarding the 2014 acquisitions from PBF LLC and the commercial agreements executed in connection with these acquisitions.

On May 5, 2015, the Partnership entered into a contribution agreement between the Partnership and PBF LLC (the “Contribution Agreement”). Pursuant to the Contribution Agreement, PBF LLC contributed to the Partnership all of the issued and outstanding limited liability company interests of Delaware Pipeline Company LLC (“DPC”) and Delaware City Logistics Company LLC (“DCLC”), whose assets collectively consist of the Delaware City Products Pipeline and Truck Rack, for total consideration to PBF LLC of \$143,000, consisting of \$112,500 of cash and \$30,500 of Partnership common units, or 1,288,420 common units (the “Delaware City Products Pipeline and Truck Rack Acquisition”). The cash consideration was funded by the Partnership with \$88,000 in proceeds from the Partnership’s 6.875% Senior Notes due 2023, sale of approximately \$700 in marketable securities and \$23,800 in borrowings under the Partnership’s Revolving Credit Facility (as defined in Note 4). The Delaware City Products Pipeline and Truck Rack Acquisition closed on May 14, 2015. The Partnership borrowed an additional \$700 under its Revolving Credit Facility to repay \$700 of its Term Loan (as defined in Note 4) in order to release the \$700 in marketable securities that had collateralized the Term Loan.

The Delaware City Products Pipeline consists of a 23.4 mile, 16-inch interstate petroleum products pipeline with in excess of 125,000 bpd of capacity located at PBF Holding's Delaware City, Delaware refinery. The pipeline transports refined petroleum products from the Delaware City refinery to Sunoco Logistics Partners, L.P.’s (“Sunoco Logistics”) Twin Oaks pump station at Delaware County, Pennsylvania, with connections to Buckeye Partners, L.P.’s Laurel pipeline and Sunoco Logistics’ northeast pipeline systems that serve Western Pennsylvania and New York. The Delaware City Truck Rack consists of a 15-lane, 76,000 bpd capacity truck loading rack utilized to distribute gasoline and distillates.

Total transaction costs of approximately \$530 associated with the Delaware City Products Pipeline and Truck Rack Acquisition were expensed as incurred and included in general and administrative expense in the Partnership's condensed consolidated statements of operations. In connection with such acquisition, the Partnership entered into two commercial agreements with PBF Holding and amended and restated each of the omnibus agreement and the operational services agreement with PBF Holding. See Note 9—Related Party Transactions, for a summary of the terms of these agreements.

As the Delaware City Products Pipeline and Truck Rack Acquisition was considered a transfer of businesses between entities under common control, the Delaware City Products Pipeline and Truck Rack was transferred at

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its historical carrying value, which was \$15,975 as of May 14, 2015. The historical financial statements have been retrospectively adjusted to reflect the results of operations, financial position, and cash flows of the Delaware City Products Pipeline and Truck Rack as if it was owned by the Partnership for all periods presented. Net income attributable to the Delaware City Products Pipeline and Truck Rack prior to the effective date was allocated entirely to PBF GP as if only PBF GP had rights to that net income; therefore, there is no retrospective adjustment to net income per unit.

The following tables present the Partnership's statement of financial position and results of operations after giving effect to the Acquisitions from PBF for the periods prior to the effective dates of the transactions. For the nine months ended September 30, 2015 and the three and nine months ended September 30, 2014, the consolidated results of the DCR West Rack prior to the DCR West Rack Acquisition are included under "DCR West Rack," the consolidated results of the Toledo Storage Facility prior to the Toledo Storage Acquisition are included under "Toledo Storage Facility," and the consolidated results of the Delaware City Products Pipeline and Truck Rack prior to the Delaware City Products Pipeline and Truck Rack Acquisition are included under "Delaware City Products Pipeline and Truck Rack." The previously reported consolidated results of the DCR Rail Terminal, the Toledo Truck Rack, the DCR West Rack, the Toledo Storage Facility and the Delaware City Products Pipeline and Truck Rack subsequent to each acquisition are included in "PBF Logistics LP."

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	December 31, 2014		
	PBF Logistics LP	Delaware City Products Pipeline and Truck Rack	Consolidated Results
Assets			
Current assets:			
Cash and cash equivalents	\$ 14,165	\$—	\$ 14,165
Accounts receivable - affiliates	11,630	—	11,630
Prepaid expenses and other current assets	295	102	397
Total current assets	26,090	102	26,192
Property, plant and equipment, net	130,779	16,088	146,867
Marketable securities	234,930	—	234,930
Other assets, net	2,152	—	2,152
Total assets	\$ 393,951	\$ 16,190	\$ 410,141
Liabilities			
Current liabilities:			
Accounts payable - affiliates	\$ 3,223	\$—	\$ 3,223
Accounts payable and accrued liabilities	1,021	477	1,498
Total current liabilities	4,244	477	4,721
Long-term debt	510,000	—	510,000
Other long-term liabilities	—	—	—
Total Liabilities	514,244	477	514,721
Equity			
Net investment	—	15,713	15,713
Common unitholders - Public	336,369	—	336,369
Common unitholder - PBF LLC	(167,787	) —	(167,787
Subordinated unitholder - PBF LLC	(288,875	) —	(288,875
Total Equity	(120,293) 15,713	(104,580
Total Liabilities and Equity	\$ 393,951	\$ 16,190	\$ 410,141

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	Nine Months Ended September 30, 2015		
	PBF Logistics LP	Delaware City Products Pipeline and Truck Rack	Consolidated Results
Revenues from affiliates	\$ 101,413	\$ 3,383	\$ 104,796
Costs and expenses:			
Operating and maintenance expenses	16,800	1,365	18,165
General and administrative expenses	9,317	481	9,798
Depreciation and amortization	4,643	276	4,919
Total costs and expenses	30,760	2,122	32,882
Income from operations	70,653	1,261	71,914
Other income (expense):			
Interest expense, net and other financing costs	(13,187	) 13	(13,174
Amortization of loan fees	(891	) —	(891
Net income	56,575	1,274	57,849
Less: Net income attributable to Predecessor	—	1,274	1,274
Limited partners' interest in net income attributable to the Partnership	\$ 56,575	\$ —	\$ 56,575

	Three Months Ended September 30, 2014				Consolidated Results
	PBF Logistics LP	DCR West Rack	Toledo Storage Facility	Delaware City Products Pipeline and Truck Rack	
Revenues from affiliates	\$ 14,744	\$ —	\$ —	\$ 2,316	\$ 17,060
Costs and expenses:					
Operating and maintenance expenses	1,765	2,305	2,128	1,021	7,219
General and administrative expenses	2,524	45	43	110	2,722
Depreciation and amortization	323	263	405	186	1,177
Total costs and expenses	4,612	2,613	2,576	1,317	11,118
Income (loss) from operations	10,132	(2,613	) (2,576	) 999	5,942
Other income (expense):					
Interest expense, net and other financing costs	(682	) —	—	(3	) (685
Amortization of loan fees	(142) —	—	—	(142
Net income (loss)	9,308	(2,613) (2,576) 996	5,115

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Less: Net (loss) income attributable to Predecessor	—	(2,613)	(2,576)	996	(4,193)
Limited partners' interest in net income attributable to the Partnership	\$9,308	\$—		\$—		\$—	\$9,308	

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	Nine Months Ended September 30, 2014				Consolidated Results	
	PBF Logistics LP	DCR West Rack	Toledo Storage Facility	Delaware City Products Pipeline and Truck Rack		
Revenues from affiliates	\$22,526	\$—	\$—	\$6,883	\$29,409	
Costs and expenses:						
Operating and maintenance expenses	4,998	2,305	6,786	2,795	16,884	
General and administrative expenses	4,584	111	103	330	5,128	
Depreciation and amortization	898	263	1,188	557	2,906	
Total costs and expenses	10,480	2,679	8,077	3,682	24,918	
Income (loss) from operations	12,046	(2,679	) (8,077	) 3,201	4,491
Other income (expense):					—	
Interest expense, net and other financing costs	(969) —	—	1	(968)
Amortization of loan fees	(215) —	—	—	(215)
Net income (loss)	10,862	(2,679	) (8,077	) 3,202	3,308
Less: Net (loss) income attributable to Predecessor	(3,863) (2,679) (8,077) 3,202	(11,417)
Limited partners' interest in net income attributable to the Partnership	\$14,725	\$—	\$—	\$—	\$14,725	

3. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, consisted of the following:

	September 30, 2015	December 31, 2014	
Land	\$2,417	\$2,329	
Terminals and equipment	82,657	81,826	
Storage equipment	57,117	55,006	
Pipeline Assets	17,250	17,250	
Construction in progress	1,636	972	
	161,077	157,383	
Accumulated depreciation	(15,435) (10,516)
Property, plant and equipment, net	\$145,642	\$146,867	

4. DEBT

On May 14, 2014, in connection with the closing of the Offering, the Partnership entered into agreements for a five-year, \$275,000 senior secured revolving credit facility (the "Revolving Credit Facility") and a three-year, \$300,000 term loan facility (the "Term Loan"), each with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of lenders. The Partnership has the ability to increase the maximum amount of the Revolving Credit Facility

up to a total facility size of \$600,000, subject to receiving increased commitments from lenders or other financial institutions and satisfaction of certain conditions. The Revolving Credit Facility was increased from \$275,000 to \$325,000 in December 2014, which means the Partnership has the further ability

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to increase the maximum amount of the Revolving Credit Facility by an aggregate amount of up to \$275,000, to a total facility size of \$600,000, subject to receiving increased commitments from lenders or other financial institutions and satisfaction of certain conditions.

The Revolving Credit Facility is available to fund working capital, acquisitions, distributions and capital expenditures and for other general partnership purposes. The Revolving Credit Facility includes a \$25,000 sublimit for standby letters of credit and for swingline loans. Obligations under the Revolving Credit Facility and certain cash management and hedging obligations designated by the Partnership are guaranteed by its restricted subsidiaries, and are secured by a first priority lien on the Partnership's assets (including the Partnership's equity interests in its restricted subsidiaries) and the assets of the Partnership's restricted subsidiaries other than excluded assets (as defined in the Revolving Credit Facility) and a guaranty of collection from PBF LLC. The maturity date of the Revolving Credit Facility may be extended for one year on up to two occasions, subject to certain customary terms and conditions. Borrowings under the Revolving Credit Facility bear interest at either a Base Rate (as defined in the Revolving Credit Facility) plus an applicable margin ranging from 0.75% to 1.75%, or at LIBOR plus an applicable margin ranging from 1.75% to 2.75%. The applicable margin will vary based upon the Partnership's Consolidated Total Leverage Ratio, as defined in the Revolving Credit Facility.

The Term Loan was used to fund distributions to PBF LLC and is guaranteed by a guaranty of collection from PBF LLC and secured at all times by cash or U.S. Treasury securities in an amount equal to or greater than the outstanding principal amount of the Term Loan. Borrowings under the Term Loan bear interest either at Base Rate (as defined in the Term Loan), or at LIBOR plus an applicable margin equal to 0.25%.

At September 30, 2015, PBFX had \$24,500 of secured indebtedness and \$2,000 of letters of credit outstanding under the Revolving Credit Facility and \$234,200 outstanding under the Term Loan. Both the Revolving Credit Agreement and Term Loan contain covenants that limit or restrict the Partnership's ability to make cash distributions. The Partnership is required to maintain certain financial ratios, each tested on a quarterly basis for the immediately preceding four quarter period.

Senior Notes

On May 12, 2015, the Partnership entered into an Indenture (the "Indenture") among the Partnership, PBF Logistics Finance Corporation, a Delaware corporation and wholly-owned subsidiary of the Partnership ("PBF Finance," and together with the Partnership, the "Issuers"), the Guarantors (as defined below) and Deutsche Bank Trust Company Americas, as Trustee, under which the Issuers issued \$350,000 in aggregate principal amount of 6.875% Senior Notes due 2023 (the "2023 Notes"). The initial purchasers in the offering purchased \$330,090 aggregate principal amount of 2023 Notes pursuant to a private placement transaction conducted under Rule 144A and Regulation S of the Securities Act of 1933, as amended, and certain of PBF Energy's officers and directors and their affiliates and family members purchased the remaining \$19,910 aggregate principal amount of 2023 Notes in a separate private placement transaction. The Issuers received net proceeds of approximately \$343,000 from the offering after deducting the initial purchasers' discount and estimated offering expenses, and used such proceeds to pay \$88,000 of the cash consideration due in connection with the Delaware City Products Pipeline and Truck Rack Acquisition and to repay \$255,000 of outstanding indebtedness under the Revolving Credit Facility.

The 2023 Notes are guaranteed on a senior unsecured basis by Delaware City Terminaling, Toledo Terminaling Company LLC ("Toledo Terminaling"), DPC and DCLC (collectively, the "Guarantors" and each a "Guarantor"). In addition, PBF LLC agreed to a limited guarantee of collection of the principal amount of the 2023 Notes, but is not otherwise subject to the covenants of the Indenture. The 2023 Notes are general senior unsecured obligations of the Issuers and are equal in right of payment with all of the Issuers' existing and future senior indebtedness, including amounts outstanding under the Revolving Credit Facility and Term Loan. The 2023 Notes will be senior to any future subordinated indebtedness the Issuers may incur. The 2023 Notes are effectively subordinated to all of the Issuers' and the Guarantors' existing and future secured debt, including the Revolving Credit Facility and Term Loan, to the extent

of the value of the assets securing that secured debt and will be structurally subordinated to all indebtedness of the Partnership's subsidiaries that do not guarantee the 2023 Notes. The Partnership will pay

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interest on the 2023 Notes semi-annually in cash in arrears on May 15 and November 15 of each year, beginning on November 15, 2015. The 2023 Notes will mature on May 15, 2023.

The Indenture contains customary terms, events of default and covenants for an issuer of non-investment grade debt securities. These covenants include limitations on the Partnership's and its restricted subsidiaries' ability to, among other things: (i) make investments, (ii) incur additional indebtedness or issue preferred units, (iii) pay dividends or make distributions on units or redeem or repurchase our subordinated debt, (iv) create liens, (v) incur dividend or other payment restrictions affecting subsidiaries, (vi) sell assets, (vii) merge or consolidate with other entities and (viii) enter into transactions with affiliates. These covenants are subject to a number of important limitations and exceptions.

At any time prior to May 15, 2018, the Issuers may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2023 Notes in an amount not greater than the net cash proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest to the date of redemption. On or after May 15, 2018, the Issuers may redeem all or part of the 2023 Notes, in each case at the redemption prices described in the Indenture, together with any accrued and unpaid interest to the date of redemption. In addition, prior to May 15, 2018, the Issuers may redeem all or part of the 2023 Notes at a "make-whole" redemption price described in the Indenture, together with any accrued and unpaid interest to the date of redemption. If the Partnership undergoes certain change of control events, holders of the 2023 Notes will have the right to require the Issuers to purchase all or any part of the 2023 Notes at a price equal to 101% of the aggregate principal amount of the 2023 Notes, together with any accrued and unpaid interest to the date of purchase. In connection with certain asset dispositions, the Issuers will be required to use the net cash proceeds of the asset dispositions (subject to a right to reinvest such net cash proceeds) to make an offer to purchase the 2023 Notes at 100% of the principal amount, together with any accrued and unpaid interest to the date of purchase.

The Issuers may issue additional 2023 Notes from time to time pursuant to the Indenture.

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 September 30, 2015 and December 31, 2014 were not material. As of September 30, 2015, these investments are used as collateral to secure 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 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 \$328,976 at September 30, 2015. The carrying value and

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fair value of our debt was approximately \$608,700 and \$587,676 as of September 30, 2015 and \$510,000 and \$510,000 as of December 31, 2014, respectively. The carrying and fair values of our debt do not include the unamortized issuance costs associated with our total debt.

5. EQUITY

PBFX had 15,893,313 common units held by the public outstanding as of September 30, 2015. PBF Energy owns 2,572,944 of PBFX's common units and 15,886,553 of PBFX's subordinated units constituting an aggregate of 53.7% 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 the consideration and on the terms and conditions determined by PBFX's general partner without the approval of the unitholders. In 2015, 85,757 of the Partnership's phantom units issued under the PBFX 2014 Long-Term Incentive Plan ("LTIP") vested into common units held by certain directors, officers and current and former employees of our general partner or its affiliates. In addition, 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. It is possible that PBFX will fund future acquisitions through the issuance of additional common units, subordinated units or other partnership interests.

Holder 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 nine months ended September 30, 2015 are as follows:

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	Net Investment	Common Units - Public	Common Units - PBF	Subordinated Units - PBF	IDR	Total
Balance at December 31, 2014	\$15,713	\$336,369	\$(167,787)	\$(288,875)	\$—	\$(104,580)
Net income attributable to Delaware City Products Pipeline and Truck Rack	1,274	—	—	—	—	1,274
Distributions from Delaware City Products Pipeline and Truck Rack	(1,012)	—	—	—	—	(1,012)
Allocation of Delaware City Products Pipeline and Truck Rack assets acquired to unitholders	(15,975)	(11,390)	27,365	—	—	—
Distributions to PBF LLC related to Delaware City Products Pipeline and Truck Rack acquisition	—	—	(112,500)	—	—	(112,500)
Quarterly distributions to unitholders (including IDRs)	—	(17,082)	(2,278)	(16,680)	(181)	(36,221)
Net income attributable to Partnership	—	26,608	3,290	26,677	—	56,575
Contributions from PBF LLC	—	—	2,549	—	—	2,549
Unit-based compensation expense	—	2,428	—	—	—	2,428
Balance at September 30, 2015	\$—	\$336,933	\$(249,361)	\$(278,878)	\$(181)	\$(191,487)

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 4, 2015, we paid a quarterly cash distribution, based on the results of the fourth quarter of 2014, totaling \$10,885, or \$0.33 per unit, to unitholders of record on February 23, 2015. On May 20, 2015, we paid a quarterly cash distribution, based on the results of the first quarter of 2015, totaling \$12,026, or \$0.35 per unit, to unitholders of record on May 15, 2015. On August 31, 2015, we paid a quarterly cash distribution, based on the results of the second quarter of 2015, totaling \$12,861, or \$0.37 per unit, to unitholders of record on August 15, 2015.

The allocation of total quarterly cash distributions to general and limited partners is as follows in the table below for the three and nine months ended September 30, 2015 and 2014. The Partnership's distributions are declared subsequent to quarter end; therefore, the table represents total cash distributions applicable to the period in which the distributions are earned:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
IDR - PBF LLC	\$ 354	\$—	\$535	\$—
Limited partners' distributions:				
Common – public	6,376	4,829	18,149	7,402
Common – PBF LLC	1,003	199	2,856	211
Subordinated – PBF LLC	6,196	4,766	17,634	7,308
Total distributions	13,929	9,794	39,174	14,921
Total cash distributions ⁽¹⁾	\$ 13,752	\$ 9,708	\$ 38,639	\$ 14,792

⁽¹⁾ 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.

In 2014 and 2015, PBFX issued phantom unit awards under the LTIP to certain directors, officers and 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.

In 2015, upon retirement of certain of PBF GP's officers, phantom units held by these individuals accelerated vesting pursuant to the terms of their grant agreements.

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 \$815 and \$2,428, inclusive of \$0 and \$510 associated with the accelerated vesting of certain phantom units described above, for the three and nine month period ended September 30, 2015.

7. NET INCOME PER UNIT

Net income per unit is calculated for the Partnership only for periods after the Offering as no units were outstanding prior to May 14, 2014. Earnings in excess of distributions are allocated to the limited partners based on their respective ownership 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 nine months ended September 30, 2015 there were 454,625 anti-dilutive phantom units. For the three and nine months ended September 30, 2014 there were 0 and 279,000 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.

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 1,210,471 additional common units in 2014 and 1,288,420 in 2015 to PBF LLC in conjunction with the Acquisitions from PBF.

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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 Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Net income (loss)	\$20,283	\$5,115	\$57,849	\$3,308	
Less distributions declared on:					
Limited partner common units - public	6,376	4,829	18,149	7,402	
Limited partner common units - PBF LLC	1,003	199	2,856	211	
Limited partner subordinated units - PBF LLC	6,196	4,766	17,634	7,308	
Incentive distribution rights - PBF LLC	354	—	535	—	
Total distributions declared	13,929	9,794	39,174	14,921	
Earnings less distributions	\$6,354	\$(4,679)	\$18,675	\$(11,613))
	Three Months Ended September 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 (loss):					
Distributions declared	\$6,376	\$1,003	\$6,196	\$354	\$13,929
Earnings less distributions	3,005	516	3,187	(354)	) 6,354
Net income (loss)	\$9,381	\$1,519	\$9,383	\$—	\$20,283
Weighted-average units outstanding - basic	15,882,631	2,572,944	15,886,553		
Weighted-average units outstanding - diluted	15,882,631	2,572,944	15,886,553		
Net income per limited partner unit - basic	\$0.59	\$0.59	\$0.59		
Net income per limited partner unit - diluted	\$0.59	\$0.59	\$0.59		

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	Three Months Ended September 30, 2014				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 declared	\$4,829	\$199	\$4,766	\$—	\$9,794
Earnings less distributions	(197)	(177)	(112)	(4,193)	(4,679)
Net income (loss)	\$4,632	\$22	\$4,654	\$(4,193)	\$5,115
Weighted-average units outstanding - basic	15,812,500	74,053	15,886,553		
Weighted-average units outstanding - diluted	15,820,638	74,053	15,886,553		
Net income per limited partner unit - basic	\$0.29	\$0.29	\$0.29		
Net income per limited partner unit - diluted	\$0.29	\$0.29	\$0.29		
	Nine Months Ended September 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 (loss):					
Distributions declared	\$18,149	\$2,856	\$17,634	\$535	\$39,174
Earnings less distributions	8,459	434	9,043	739	18,675
Net income (loss)	\$26,608	\$3,290	\$26,677	\$1,274	\$57,849
Weighted-average units outstanding - basic	15,843,600	1,940,533	15,886,553		
Weighted-average units outstanding - diluted	15,843,600	1,940,533	15,886,553		
Net income per limited partner unit - basic	\$1.68	\$1.70	\$1.68		
Net income per limited partner unit - diluted	\$1.68	\$1.70	\$1.68		

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Nine Months Ended September 30, 2014				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 declared	\$7,402	\$211	\$7,308	\$—	\$14,921
Earnings less distributions	(74)	(176)	54	(11,417)	(11,613)
Net income (loss)	\$7,328	\$35	\$7,362	\$(11,417)	\$3,308
Weighted-average units outstanding - basic	15,812,500	74,053	15,886,553		
Weighted-average units outstanding - diluted	15,813,630	74,053	15,886,553		
Net income per limited partner unit - basic	\$0.46	\$0.46	\$0.46		
Net income per limited partner unit - diluted	\$0.46	\$0.46	\$0.46		

8. COMMITMENTS AND CONTINGENCIES

The DCR Rail Terminal and the DCR West Rack are collocated with the Delaware City refinery, and are located in Delaware's coastal zone where certain activities are regulated under the Delaware Coastal Zone Act. On June 14, 2013, two administrative appeals were filed by the Sierra Club and Delaware Audubon (collectively, the "Appellants") regarding an air permit DCR obtained to allow loading of crude oil onto barges. The appeals allege that both the loading of crude oil onto barges and the operation of the DCR Rail Terminal violate the Delaware Coastal Zone Act. The first appeal is Number 2013-1 before the State Coastal Zone Industrial Control Board (the "CZ Board"), and the second appeal is before the Environmental Appeals Board ("EAB") and appeals Secretary's Order No. 2013-A-0020. The CZ Board held a hearing on the first appeal on July 16, 2013, and ruled in favor of DCR and the State of Delaware and dismissed the Appellants' appeal for lack of standing. Sierra Club and Delaware Audubon appealed that decision to the Delaware Superior Court, New Castle County, Case No. N13A-09-001 ALR, and DCR and the State of Delaware filed cross-appeals. A hearing on the second appeal before the EAB, case no. 2013-06, was held on January 13, 2014, and the EAB ruled in favor of DCR and the State of Delaware and dismissed the appeal for lack of jurisdiction. The Appellants also filed a Notice of Appeal with the Superior Court appealing the EAB's decision. On March 31, 2015 the Superior Court affirmed the decisions by both the CZ Board and the EAB stating they both lacked jurisdiction to rule on the Appellants' appeals. The Appellants appealed to the Delaware Supreme Court, and, on November 5, 2015, the Supreme Court affirmed the Superior Court decision.

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.

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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 Energy'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.

9. RELATED PARTY TRANSACTIONS

Commercial Agreements

PBFX currently derives all 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.

2014 Commercial Agreements

The commercial agreements entered into during the year ended December 31, 2014 with PBF Holding 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;
- 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;
- 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; and
- 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.

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.

2015 Commercial Agreements

On May 15, 2015, PBF Holding and DPC entered into an approximately ten-year pipeline services agreement (the "Delaware Pipeline Services Agreement") under which the Partnership, through DPC, will provide pipeline services to PBF Holding. PBF Holding also entered into an approximately ten-year terminaling services agreement with DCLC (the "Delaware Truck Loading Services Agreement") under which the Partnership, through DCLC, will provide terminaling services to PBF Holding. The Delaware Pipeline Services Agreement and the Delaware Truck Loading Services Agreement (collectively, the "Delaware City Pipeline and Terminaling Agreements") can be extended by PBF Holding for two additional five-year periods. Under the Delaware City Pipeline and Terminaling Agreements, the Partnership provides PBF Holding with pipeline and terminaling services in return for throughput fees.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The minimum throughput commitment for the Delaware City Products Pipeline is 50,000 bpd for a fee equal to \$0.5266 per barrel of product throughput up to the minimum throughput commitment and in excess of the minimum throughput commitment. If PBF Holding does not throughput the aggregate amounts equal to the minimum throughput commitment described above, PBF Holding will be required to pay a shortfall payment equal to the shortfall volume multiplied by the fee. Effective July 2015, the throughput fee was raised to \$0.5507 per barrel, due to an increase in the Federal Energy Regulatory Commission ("FERC") tariff. The minimum throughput commitment for the Delaware City Truck Rack is 30,000 bpd for refined clean products with a fee equal to \$0.462 per barrel and 5,000 bpd for liquefied petroleum gas ("LPG") with a fee equal to \$2.52 per barrel of product loaded up to the minimum throughput commitment and for volumes in excess of the minimum throughput commitment. If PBF Holding does not throughput the aggregate amounts equal to the minimum throughput commitment described above, PBF Holding will be required to pay a shortfall payment equal to the shortfall volume multiplied by the applicable fee.

The Partnership is required to maintain the Delaware City Products Pipeline and Truck Rack in a condition and with a capacity sufficient to handle a volume of PBF Holding's products at least equal to their current operating capacity as a whole subject to interruptions for routine repairs and maintenance and force majeure events. Failure to meet such obligations may result in a reduction of fees payable under the Delaware City Pipeline and Terminaling Agreements.

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, 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. The omnibus agreement and operations and management services and secondment agreement were amended on May 15, 2015 to include the Delaware City Products Pipeline and Truck Rack.

Predecessor Transactions

Related-party transactions of the Predecessor were settled through division 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 Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	\$37,082	\$17,060	\$104,796	\$29,409
Operating and maintenance expenses	1,122	546	3,412	1,584
General and administrative expenses	1,471	925	3,941	2,438

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

10. SEGMENT INFORMATION

The Partnership's operations are organized into two reportable segments, Transportation and Terminaling; and Storage. Operations that are not included in the Transportation and Terminaling and Storage segments are included in Corporate. Intersegment transactions are eliminated in the consolidated financial statements and are included in Eliminations.

Prior to the acquisition of the Delaware City Products Pipeline and Truck Rack, the Transportation and Terminaling segment was referred to as the Terminaling segment.

Our Transportation and Terminaling segment consists of the following assets:

- the DCR Rail Terminal, which serves PBF Energy's Delaware City and Paulsboro refineries and has an unloading capacity of 130,000 bpd;
- the DCR West Rack, which serves PBF Energy's Delaware City refinery with total throughput capacity of at least 40,000 bpd;
- the Toledo Truck Terminal, which serves PBF Energy's Toledo refinery, comprised of six LACT units and has unloading capacity of 22,500 bpd;
- a propane truck loading facility, located within the Toledo Storage Facility, which is part of PBF Energy's Toledo, Ohio refinery, with a throughput capacity of approximately 11,000 bpd;
- the Delaware City Products Pipeline, which consists of a 23.4 mile, 16-inch interstate petroleum products pipeline with capacity in excess of 125,000 bpd located at PBF Energy's Delaware City refinery; and
- the Delaware City Truck Rack, which consists of a 15-lane, 76,000 bpd capacity truck loading rack utilized to distribute gasoline, distillates and LPGs located at PBF Energy's Delaware City refinery.

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 30 tanks for storing crude oil, refined products and intermediates. The aggregate capacity of the Toledo Storage Facility is approximately 3.9 million barrels, of which 1.3 million barrels are dedicated to crude oil storage and 2.6 million barrels are allocated to refined products and intermediates.

Revenues are generated from commercial agreements entered into with PBF Holding under which PBF Holding pays the Partnership fees for transportation, terminaling and storage of crude oil and refined products. The commercial agreements with PBF Holding are described in Note 9 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 Note 2 of the Consolidated Financial Statements for the year ended December 31, 2014 included in a Form 8-K filed with the SEC on September 2, 2015, which retrospectively adjusts our historical financial statements to include the activities of the Delaware City Products Pipeline and Truck Rack. 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.

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended September 30, 2015			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$31,764	\$5,318	\$—	\$37,082
Depreciation and amortization expense	980	669	—	1,649
Income (loss) from operations	27,715	2,755	(3,007	) 27,463
Interest expense, net and amortization of loan fees	—	—	7,180	7,180
Capital expenditures	5	957	—	962
	Three Months Ended September 30, 2014			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$17,060	\$—	\$—	\$17,060
Depreciation and amortization expense	772	405	—	1,177
Income (loss) from operations	10,857	(2,193	) (2,722	) 5,942
Interest expense, net and amortization of loan fees	—	—	827	827
Capital expenditures	9,027	5,847	—	14,874
	Nine Months Ended September 30, 2015			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$88,727	\$16,069	\$—	\$104,796
Depreciation and amortization expense	2,964	1,955	—	4,919
Income (loss) from operations	73,138	8,574	(9,798	) 71,914
Interest expense, net and amortization of loan fees	—	—	14,065	14,065
Capital expenditures	225	957	—	1,182
	Nine Months Ended September 30, 2014			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Revenues	\$29,409	\$—	\$—	\$29,409
Depreciation and amortization expense	1,718	1,188	—	2,906
Income (loss) from operations	16,507	(6,888	) (5,128	) 4,491
Interest expense, net and amortization of loan fees	—	—	1,183	1,183
Capital expenditures	29,520	11,473	—	40,993
	Balance at September 30, 2015			
	Transportation and Terminaling	Storage	Corporate	Consolidated Total
Total assets	\$113,550	\$56,703	\$262,410	\$432,663
	Balance at December 31, 2014			
		Storage	Corporate	Consolidated Total

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	Transportation and Terminaling			
Total assets	\$ 105,631	\$ 53,038	\$ 251,472	\$ 410,141

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

11. SUBSEQUENT EVENTS

Cash distribution

On October 29, 2015, PBF GP's board of directors declared a cash distribution, based on the results of the third quarter of 2015, of \$0.39 per unit. The distribution is payable on November 30, 2015 to PBFX unitholders of record at the close of business on November 13, 2015.

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

12. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF PBF LOGISTICS

DCLC, DPC, Delaware City Terminaling and Toledo Terminaling are 100% owned subsidiaries of the Partnership and serve as guarantors of the obligations under the 2023 Notes. These guarantees are full and unconditional and joint and several. For purposes of the following footnote, the Partnership is referred to as “Issuer.” The indenture dated May 12, 2015, among the Partnership, PBF Logistics Finance, the guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee, governs subsidiaries designated as “Guarantor Subsidiaries.”

The 2023 Notes were co-issued by PBF Logistics Finance. For purposes of the following footnote, PBF Logistics Finance is referred to as “Co-Issuer.” The Co-Issuer has no independent assets or operations.

The following supplemental combining and condensed consolidating financial information reflects the Issuer’s separate accounts, the combined accounts of the Guarantor Subsidiaries, the combining and consolidating adjustments and eliminations and the Issuer’s consolidated accounts for the dates and periods indicated. For purposes of the following combining and consolidating information, the Issuer’s investment in its subsidiaries and the Guarantor Subsidiaries’ investment in its subsidiaries are accounted for under the equity method of accounting.

PBF LOGISTICS LP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

12. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF PBF LOGISTICS
CONDENSED CONSOLIDATING BALANCE SHEET

	September 30, 2015				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Combining and Consolidating Adjustments	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,236	\$—	\$—	\$—	\$ 18,236
Accounts receivable - affiliates	—	24,272	—	—	24,272
Prepaid expense and other current assets	437	338	—	—	775
Due from related parties	1,077	96,666	—	(97,743)	—
Total current assets	19,750	121,276	—	(97,743)	43,283