GLOBAL PAYMENTS INC
Form 10-K
July 27, 2012

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2012
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 No. 001-16111

GLOBAL PAYMENTS INC.
(Exact name of registrant as specified in charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-2567903 (I.R.S. Employer Identification No.)
10 Glenlake Parkway, North Tower, Atlanta, Georgia (Address of principal executive offices)	30328-3473 (Zip Code)

Registrant's telephone number, including area code: 770-829-8000

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

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	New York Stock Exchange
Series A Junior Participating Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x
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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $3,439,642,327.

The number of shares of the registrant's common stock outstanding at July 16, 2012 was 78,658,674 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically identified portions of the registrant's proxy statement for the 2012 annual meeting of shareholders are incorporated by reference in Part III.

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GLOBAL PAYMENTS INC.
2012 FORM 10-K ANNUAL REPORT

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context requires otherwise, references in this report to "Global Payments," the "Company," "we," "us," and "our" refer to Global Payments Inc. and our respective subsidiaries.

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular: our business strategy and means to implement the strategy; measures of future results of operations, such as revenue, expenses, operating margins, income tax rates, and earnings per share; other operating metrics such as shares outstanding and capital expenditures; our success and timing in developing and introducing new products or services and expanding our business; and the successful integration of future acquisitions. You can sometimes identify forward looking-statements by our use of the words "believes," "anticipates," "expects," "intends," "plan," "forecast," "guidance" and similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, many of which are beyond our control, cannot be foreseen and reflect future business decisions that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth rates and margins, other results of operations and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors, many of which are beyond our ability to predict or control. These factors include, but are not limited to, those set forth in Item 1A - Risk Factors of this report, those set forth elsewhere in this report and those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission, or SEC. These cautionary statements qualify all of our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements.

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PART I

ITEM 1- BUSINESS

General Developments

Financial Highlights

In the year ended May 31, 2012, or fiscal 2012, revenue increased 18% to $2,203.8 million from $1,859.8 million in the year ended May 31, 2011, or fiscal 2011. This revenue growth was primarily due to growth in most of our markets around the world and also due to the impact of our acquisition in Spain on December 20, 2010.

Consolidated operating income was $307.3 million for fiscal 2012, compared to $331.6 million for fiscal 2011. Consolidated operating income for fiscal 2012 includes processing system intrusion costs of $84.4 million. Net income attributable to Global Payments decreased $21.0 million, or 10%, to $188.2 million in fiscal 2012 from $209.2 million in the prior year, resulting in a $0.23 decrease in diluted earnings per share to $2.37 in fiscal 2012 from $2.60 in fiscal 2011.

North America merchant services segment revenue increased $204.4 million or 15% to $1,567.3 million in fiscal 2012 from $1,362.9 million in fiscal 2011. North America merchant services segment operating income increased to $281.3 million in fiscal 2012 from $268.2 million in fiscal 2011, with operating margins of 17.9% and 19.7% for fiscal 2012 and 2011, respectively.

International merchant services segment revenue increased $139.7 million or 28% to $636.6 million in fiscal 2012 from $496.9 million in fiscal 2011. International merchant services operating income also increased to $196.1 million in fiscal 2012 from $143.9 million in fiscal 2011, with operating margins of 30.8% and 29.0% for fiscal 2012 and 2011, respectively.

Refer to “Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations” for a detailed explanation of these results.

Fiscal 2012 Acquisitions

During the fiscal year 2012 we completed three targeted acquisitions which expanded our International and e-commerce presence. In December 2011, our UCS subsidiary acquired Alfa-Bank's merchant acquiring business. Alfa-Bank is the largest privately owned bank in Russia. In December 2011, we also acquired a merchant acquiring business in Malta and in January 2012 acquired a U.S. e-commerce portfolio. The aggregate purchase price for these three transactions was approximately $44 million.

Business Description

Global Payments Inc. is a leading provider of electronic payments transaction processing services for consumers, merchants, Independent Sales Organizations (“ISO”s), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, the Czech Republic, and the Russian Federation. We serve as an intermediary to facilitate electronic payment transactions and operate in two business segments, North America Merchant Services and International Merchant Services. We were incorporated in Georgia as Global Payments Inc. in September 2000, and we spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in the payments business since 1967.

Our North America Merchant Services and International Merchant Services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities. Please see Note 14 in the notes to consolidated financial statements for additional segment information and “Item 1A - Risk Factors” for a discussion of risks involved with our operations.

Merchant Services Overview

Our merchant acquiring services are similar around the world in that we accept a variety of card and electronic based payments at the point of sale. The majority of our business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that,

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in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe.

We provide our merchant customers with the ability to accept check, card and electronic-based payments. The term “merchant” generally refers to any organization that accepts credit or debit cards for the payment of goods and services. We sell our services through multiple sales channels around the world and target customers in many vertical industries. Card-based payment forms consist of credit, debit, gift, stored value, and electronic benefits transfer cards. Credit and debit card transaction processing includes the processing of the world's major international card brands, including American Express, China UnionPay, Discover, JCB, MasterCard, and Visa, as well as certain domestic debit networks, such as Interac in Canada. Electronic payment processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card or other electronic method as the form of payment. We are the processing intermediary between the merchant, the credit and debit networks and the financial institutions that issue cards. Our comprehensive offerings include terminal sales and deployment, front-end authorization processing, settlement and funding processing, full customer support and help-desk functions, chargeback resolution, industry compliance, PCI security, consolidated billing and statements, and on-line reporting. Our value proposition is to provide high quality, responsive, secure and full end-to-end service to all of our customers. Currently, we target merchant customers in the United States, Canada, the United Kingdom, Spain, Czech Republic, Malta, the Asia-Pacific region and the Russian Federation.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. The majority of credit cards and signature debit cards, which are only a U.S. based card type, are based on a percentage of transaction value along with other related fees, while PIN debit cards are typically a fee per transaction.

Credit and Debit Card Transaction Processing

Credit and debit networks establish uniform regulations that govern much of the payment card industry. During a typical card transaction, the merchant and the card issuer do not interface directly with each other, but instead rely on merchant acquirers. Merchant acquirers are typically financial institutions or independent processors like Global Payments. Global Payments performs a series of services including authorization, electronic draft capture, file transfers to facilitate funds settlement and certain exception-based, back office support services such as chargeback and retrieval resolution.

Electronic draft capture is the process of transferring sales draft data into an electronic format so that it may be sent through networks for clearing and settlement. The card networks, primarily Visa, MasterCard, and Discover, use a system known as interchange in the case of credit and signature debit cards for this purpose. Financial institutions use the debit networks for PIN-based debit cards to transfer the information and funds between the card issuers and merchant acquirers to complete the link between merchants and card issuers. Debit card payments differ slightly from traditional credit card transactions in that the cardholder is required to have sufficient funds available in a deposit account at the time of the transaction, or the debit card transaction will not be authorized. PIN-based debit transactions are sent through a debit network while signature-based debit or check card transactions, which are offered exclusively in the United States, are sent through Visa and MasterCard and require a signature at the time of purchase. Also, PIN-based debit transactions typically deduct the purchase amount from the cardholder's deposit account within a day of the purchase, depending on the time of the purchase. Signature-based debit, or check card transactions, typically debit the cardholder's deposit account two to three days after the purchase, although the funds are “held” with a memo posted to the cardholder's bank account. A credit card transaction posts to a cardholder's card account, reducing the available credit limit in a similar manner.

In order to provide credit and signature-based debit card transaction processing services for MasterCard and Visa, we must either be a member of these systems or be designated as a certified processor by MasterCard and Visa in addition to being a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. Currently, these designations are dependent upon member clearing banks of either organization sponsoring us and our adherence to the standards of the Visa and MasterCard networks. A financial institution that is a member of the Visa and/or MasterCard card networks (which we refer to in this discussion as Member) must sponsor an electronic transaction payment processor such as Global Payments. We have five primary financial institution sponsors in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, and the Russian Federation with whom we have sponsorship or depository and clearing agreements. These agreements allow us to route transactions under the member banks' control and identification numbers to clear credit card transactions through Visa and MasterCard. Certain of the member financial institutions of Visa and MasterCard are our competitors. Visa and MasterCard set the standards with which we must comply. In certain markets, we have achieved membership in various payment networks, allowing us to process and fund transactions without third-party financial institution sponsorship. We intend to pursue memberships in additional markets in the future.

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We also provide credit card transaction processing for Discover Financial Services or Discover Card (“Discover”) and are designated as an acquirer by Discover. This designation provides us with a direct relationship between us and Discover, and therefore a Member sponsorship is not required. Our agreement with Discover allows us to route and clear transactions directly through Discover's network. Otherwise, we process Discover transactions similarly to the way we process MasterCard and Visa transactions. Discover publishes acquirer operating regulations with which we must comply. We use our Members to assist in funding merchants for Discover transactions.

Additionally, we provide credit and debit card transaction processing for China Unionpay (“CUP”) in selected markets and through a variety of methods, and are either designated as an acquirer by China Unionpay or are sponsored by a China Unionpay member institution. China Unionpay publishes acquirer operating regulations with which we must comply. We use our Members to assist in funding merchants for China Unionpay transactions.

How a Card Transaction Works

A typical card transaction begins when a cardholder presents a card for payment at a merchant location where the card information is captured by a POS terminal card reader, which may be sold or leased, and serviced by Global Payments. Alternatively, card and transaction information may be captured and transmitted to our network through a POS device by one of a number of products that we offer directly or through a value added reseller (“VAR”). The terminal electronically records sales draft information, such as the card identification number, transaction date and value of the goods or services purchased.

After the card and transaction information is captured by the POS device, the terminal automatically either dials a pre-programmed phone number or otherwise connects to our network through the internet or other communication channels in order to receive authorization of the transaction. For a credit card transaction, authorization services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed defined credit limits. In a debit card transaction, the company obtains authorization for the transaction from the card issuer through the payment network verifying that the cardholder has sufficient funds for the transaction.

Timing differences, interchange expense, merchant reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process by region whereby, if the incoming amount from the card networks precedes the Member's funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member, in an account at the Member bank, and record a corresponding liability. Conversely, if the Member's funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member's net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member assesses a funding cost. Each participant in the transaction process receives compensation for its services.

As an illustration, on a $100.00 credit card transaction, the card issuer may fund the Member $98.50 after retaining approximately $1.50 referred to as an interchange fee or interchange expense. The card issuer seeks reimbursement of $100.00 from the cardholder in the cardholder's monthly credit card bill. The Member would, in turn, pay the merchant $100.00. The net settlement after this transaction would require Global Payments to advance the Member $1.50. After the end of the month, we would bill the merchant a percentage of the transaction, or discount, to cover the full amount of the interchange fee and our net revenue from the transaction. If our net revenue from the merchant in the above example was 0.5%, we would bill the merchant $2.00 at the end of the month for the transaction, reimburse ourselves for approximately $1.50 in interchange fees and retain $0.50 as our revenue for the transaction. Our profit on the transaction reflects the revenue less operating expenses, including the network and systems cost to process the transaction (including assessments) and commissions paid to our sales force or ISO. Assessments are fees charged by Visa and MasterCard based on the dollar value of transactions processed through their networks.

Business Segments

North America Merchant Services Segment

North America merchant services revenues represent 71% of our total consolidated fiscal 2012 revenues and include operations in the United States and Canada. In the United States, we sell our services via ISOs, a direct sales force, trade associations, agent and VAR referral arrangements, as well as proprietary telesales groups.

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Our ISO channel targets a variety of merchant types with typical annual bankcard volumes of $150,000 or less. The ISOs contract with Global Payments to provide processing and other services depending on the ISOs' requirements. These contracts are multi-year and priced by service on a per transaction basis. The ISOs act as a third-party sales group selling Global Payments-branded merchant acquiring products and services, with the majority of Global Payments ISOs marketing direct merchant acquiring. Because Global Payments is a primary party to the merchant contract as a result of our bank sponsor relationship, the full amount of fees collected from the merchant is recorded as revenue. The excess of revenue earned over the ISO contractual transaction fee (plus assessments) is remitted to the ISO in the form of a residual payment on a monthly basis and is recorded in Sales, general and administrative expenses.

Our direct sales channel receives qualified leads from our agent bank, VAR and trade association referral partners signing a variety of mid-to-large sized merchants with annual bankcard volume on average above $300,000. Our merchant portfolio is also increased by targeted campaigns and other lead generating efforts by our direct sales force. Our sales force is paid a combination of base salary and commission. Our referral partners are paid various referral fees.

Our United States revenue also includes check and gaming services and indirect merchant services. Our check products offer merchant customers risk management alternatives, in the case of our verification and recovery offerings, or risk elimination, in the case of our guarantee offerings, by leveraging our internal and external databases of checkwriters to help decide whether the merchant should accept a check as the form of payment from a particular checkwriter. Our check services products are part of our direct merchant service offering.

The majority of check services involve providing check guarantee services for checks received by merchants. Under the guarantee service, when a merchant receives a check in payment for goods and services, the transaction is submitted and analyzed by the Company. The Company either accepts or declines the check for warranty coverage under its guarantee service. If the Company approves the check for warranty coverage and the merchant accepts the check, the merchant will either deposit the check in its bank account or process it for settlement through the company's electronic check acceptance service. If the check is returned unpaid by the merchant's bank and the returned check meets the requirements for warranty coverage, the Company is required to purchase the check from the merchant at its face value. The Company then owns the purchased check and pursues collection of the check from the check writer. As a result, the Company bears the risk of loss if the company is unable to collect the returned check from the check writer. We earn a fee for each check guaranteed, which generally is determined as a percentage of the check amount.

In the specialized vertical market of gaming, our VIP LightSpeed proprietary software and VIP Preferred Advantage product provide the gaming industry with the tools necessary to establish revolving check cashing limits for a casino's customers. Our gaming products allow fast access to cash with high limits so that gaming establishments can increase the flow of money to their gaming floors and reduce risk. We derive revenue from our gaming products primarily based on a percentage of the transaction value.

International Merchant Services Segment

International merchant services revenues represent 29% of our total consolidated fiscal 2012 revenues and include operations in Europe and the Asia-Pacific region. Our business in Europe is primarily located in the United Kingdom, Spain, the Czech Republic, and the Russian Federation. Our Asia-Pacific region includes the following eleven countries and territories: Brunei, China, Hong Kong, India, Macau, Malaysia, Maldives, the Philippines, Singapore, Sri Lanka and Taiwan. We have a direct sales force in the United Kingdom, Spain, the Russian Federation and the Asia-Pacific region through which we primarily sell our direct merchant acquiring services while leveraging our bank referral relationships. In the Czech Republic and the Russian Federation we also provide indirect merchant acquiring services.

Total revenues from our segments, by geography, are as follows (amounts in thousands):

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	Year Ended May 31, 2012	2011	2010
Revenues:			
United States	$1,234,818	$1,031,997	$902,844
Canada	332,434	330,872	317,272
North America merchant services	1,567,252	1,362,869	1,220,116
Europe	489,300	359,567	315,023
Asia-Pacific	147,295	137,366	107,329
International merchant services	636,595	496,933	422,352
Consolidated revenues	$2,203,847	$1,859,802	$1,642,468

Industry Overview and Target Markets

Industry Overview

Payment processing service providers offer high-volume electronic transaction payment processing and support services directly to merchants, multinational corporations, financial institutions and ISOs.

We are a leading mid-market and small-market merchant acquirer in the United States and we primarily compete with First Data Corporation, Bank of America Merchant Services, Chase Paymentech, Wells Fargo, Vantiv, Heartland Payment Systems and Elavon.

In Canada, we have a significant market share we believe to be second to Moneris Solutions. Moneris Solutions is a joint venture between the Royal Bank of Canada and the Bank of Montreal. We also consider Chase Paymentech Solutions and TD Merchant Services to be major competitors in the Canadian market.

In the European and Asia-Pacific regions, financial institutions remain the dominant providers of payment processing services to merchants, although the outsourcing of merchant processing services to third party service providers is becoming more prevalent. Processing services have become increasingly complex, requiring significant capital commitments to develop, maintain and update the systems necessary to provide these advanced services at a competitive price.

In the United Kingdom, we believe we hold the number three market position compared to our primary competitors WorldPay and Barclays. In Spain, we hold the number one market share position and our primary competitors are Banco Bilbao Vizcaya Argentaria, S.A and Caja Madrid, although all banks offer some form of card processing in line with the traditional full service model in the market. While we have a market leading position with our partner Caixa Bank, we are expecting similar models to become more prevalent as further consolidation occurs in the banking sector. We believe we hold the number one market share position in The Russian Federation in a highly fragmented payments market. Our competition is made up of various financial institutions, including Sberbank, VTB, Raiffeisen Bank, and Russian Standard Bank. In the Czech Republic, our primary competitors are First Data, SiNSYS, and Euronet. In the Asia-Pacific region, our primary competition is from financial institutions that offer merchant acquiring services in each of our eleven markets.

As a result of continued growth in our industry, several large merchant acquirers, including us, have expanded operations both domestically and internationally. This expansion has come in the form of acquisitions and the creation of alliances and joint ventures. We believe that the electronic payment transaction processing industry will continue to consolidate as banks and independent processors that do not have the necessary infrastructure to participate in a highly competitive environment look to exit the business.

We believe the number of electronic transactions will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies. To help our customers reduce their transaction costs and accelerate the transaction approval process, we have integrated new technologies into our service offerings such as internet protocol communications and check truncation or conversion at the point of sale. In order to support and integrate payments into our merchants' various business solutions utilized through Value-Added Resellers (VARs), the company created a developer portal simplifying the payment enablement process with multiple VARs. We are also able to offer our customers integrated ecommerce solutions. Through our VAR relationships, we have several products that support radio frequency identification for contactless payment cards as well as near field communication enabled Smartphones that contain mobile wallet software, which

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position Global Payments to participate in the mobile payments market. We also offer our customers the ability of accepting payments utilizing a mobile device as a point of sale terminal. As mobile payments continue to evolve and are desired by merchants and consumers, we intend to continue partnering with VARs and developing new products and services that will exploit the benefits that these new technologies can offer our customers. We also believe that new markets will continue to develop in areas that have been previously dominated by paper-based transactions. Industries such as e-commerce, healthcare, education, government, recurring payments, and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions. We believe that the continued development of new products and services and the emergence of new vertical markets will be a factor in the growth of our business for the foreseeable future.

Target Markets

We believe that significant global opportunities exist for growth in the application of electronic transaction payment processing services. Although the United States accounts for the largest payment processing volume in the world, global expansion by financial institutions into new geographies and the increased recognition by governments of the role of payment cards in facilitating economic growth are rapidly transforming the electronic commerce market into a global opportunity.

The growth of card transactions correlates with the historic growth of our business. According to The Nilson Report dated April 2012, worldwide annual general purpose card purchase volume increased 18.5% to $11.2 trillion in 2011. General purpose cards include the major card networks brands such as Visa, MasterCard, American Express, China UnionPay, JCB, and Diners Club. In Canada, general purpose cards also include Interac debit cards.

The Nilson Report dated February 2012 estimates that more than $3.6 trillion of annual consumer spending was charged in 2011 using general purpose cards in the United States, a 10.4% increase from 2010. The Nilson Report dated March 2012 reported that $533.1 billion (United States Dollars) of annual Canadian consumer spending uses general purpose cards as the form of payment, representing an increase of 7.3% from 2010. The Nilson Report dated June 2012 estimates that $2.4 trillion of annual consumer spending was charged in 2011 using general purpose cards in Europe, a 11% increase from 2010. We process in eleven countries and territories in the Asia-Pacific region. These markets include almost 39% of the world's population and 71% of the total Asia-Pacific population according to the CIA World Factbook. We believe there are significant, long-term growth opportunities for payment processing in this region.

Strategy

We seek to leverage the rapid adoption of, and transition to, card and electronic based payments by expanding market share in our existing markets through our distribution channels and through acquisitions and also enter new markets through acquisitions in the Americas, the Asia-Pacific region and Europe. We intend to continue to invest in and leverage our technology infrastructure and our people, thereby maximizing shareholder value. We intend to accomplish this overall strategy by increasing our penetration of existing markets and further leveraging our infrastructure. Our objectives include:

- grow our direct merchant services market share by concentrating on the small and mid-market merchant segments, while selectively targeting national merchants that meet our profitability criteria;
- expand our direct merchant services distribution channels, including our existing sales force, ISOs, original equipment manufacturer (“OEMs”), VARs, e-commerce, mobile wallet software and other referral relationships;
- focus on the highest potential markets and channels including emerging technologies;
- continue to develop a seamless, multinational acquiring platform and solutions for leading global customers;
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- provide the best possible customer service at levels that exceed our competitors while leveraging our global infrastructure by investing in technology, training and product enhancements;
- provide enhanced products and services by developing value-added applications, enhancing existing products and developing new systems and services to blend technology with our customer needs;
- drive efficiencies throughout our technology infrastructure by continual systems integrations where applicable;
- pursue potential domestic and international acquisitions or investments in and alliances with companies that have high growth potential or significant market presence and operate in profitable sectors of payments-related industries through compatible technology, products and services, and development and distribution capabilities;and
- focus on international markets with high payments industry growth or significant market presence in Europe, the Asia Pacific region and Latin America.

Safeguarding Our Business

Privacy and security are central to our service. We work with information security and forensics firms and employ advanced technologies to investigate and address issues related to processing system security. We also work with industry third

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parties, regulators and law enforcement to fully resolve security incidents and assist in efforts to prevent unauthorized access to our processing system.

In early March of this year, we identified and self-reported unauthorized access into a limited portion of our processing system. We have concluded our investigation, and we believe that a limited portion of our North American card processing system was affected. We do not believe our International card processing systems were similarly accessed.

As a result of this event, certain card networks removed us from their list of Payment Card Industry Data Security Standard, referred to as PCI DSS, compliant service providers. We have hired a Qualified Security Assessor, or QSA, to conduct an independent review of the PCI DSS compliance of our systems. Once that review is complete and we conclude the required remediation, we will work closely with the networks to return to the lists of PCI DSS compliant service providers as quickly as possible. We continue to sign new merchants and process transactions around the world for all card networks.

The investigation also revealed potential unauthorized access to servers containing personal information collected from a subset of merchant applicants. It is unclear whether any such information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individual.

We believe that the incident is contained and have significantly enhanced our hardware and software systems, network monitoring and security procedures.

Employees

As of May 31, 2012, we had 3,796 employees. Many of our employees are highly skilled in technical areas specific to electronic transaction payment processing. We believe that our current and future operations depend substantially on retaining our key technical employees.

Government Regulation

Various aspects of our business are subject to regulation and supervision under federal, state and local laws in the United States, as well as laws and regulations that affect the electronic payments industry in the countries in which we operate. In addition, we are subject to rules promulgated by the various payment networks, including Visa, MasterCard, Discover, American Express and Interac; the Payment Services Directive in Europe; as well as a variety of other regulations, including escheat laws and applicable privacy and information security regulations. In addition, because we provide data processing services to banks and other financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council (FFIEC). Set forth below is a brief summary of some of the significant laws and regulations that apply to the Company. These descriptions are not exhaustive and are qualified in their entirety by reference to the particular statutory or regulatory provision.

The Dodd-Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), which will result in significant structural and other changes to the regulation of the financial services industry. The Dodd-Frank Act directed the Board of Governors of the Federal Reserve (“Board”) to regulate the debit interchange transaction fees that a card issuer or payment card network receives or charges for an electronic debit transaction. The Act requires that these fees be “reasonable and proportional” to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. On June 29, 2011, the Board announced the final rules governing debit card interchange fees, and routing and exclusivity restrictions. Under these rules, debit interchange rates for card issuers with assets of $10 billion or more are capped at $0.21 per transaction and an ad valorem component of 5 basis points to reflect a portion of the issuer's fraud losses plus, for qualifying issuers, an additional $0.01 per transaction in debit interchange for fraud prevention costs. In addition, the rules contain prohibitions on network exclusivity and merchant routing restrictions that require a card issuer to enable at least two unaffiliated networks on each debit card, prohibit card networks from entering into exclusivity arrangements, and restrict the ability of issuers or networks to mandate transaction routing requirements. The interchange fee limitations and prohibition on merchant routing restrictions took effect on October 1, 2011. The prohibition on network exclusivity arrangements took effect on October 1, 2011 for payment card networks and April 1, 2012 for most debit card issuers. In addition, the prohibition on network exclusivity arrangements will take effect for certain health and benefit cards and general-use prepaid cards on April 1, 2013.

The Dodd-Frank Act also created the Financial Stability Oversight Council (“FSOC”), which was established to, among other things, identify risks to the stability of the U.S. financial system. The FSOC has the authority to require supervision and regulation of nonbank financial companies by the Federal Reserve if the FSOC determines either that (i) material financial distress at the nonbank financial company or (ii) the nature, scope, size, scale, concentration, interconnectedness, or mix of activities of the nonbank financial company could pose a threat to the financial stability of the United States. Separately, the FSOC has the authority to designate financial market utilities (“FMUs”) and financial institutions engaged in payment, clearing and settlement (“PCS”) activities as systemically important if the FSOC determines that failure or disruption to the functioning of the FMU or conduct of the PCS activities could threaten the stability of the U.S. financial system. Such a designation will subject the FMU or financial institution to oversight and risk management standards established by the Federal Reserve (in consultation with the FSOC and certain other applicable regulatory agencies). Early indications suggest that the FSOC is focused on the regulation of financial services companies that operate unregulated wholesale transfer systems or engage in largely unregulated commodities, derivatives and currency markets, and not on entities such as the Company.

Payment Network Rules

We are subject to the rules of MasterCard, Visa, Discover and Interac, and other payment networks. In order to provide our transaction processing services, several of our subsidiaries are registered with Visa and MasterCard as service providers for member institutions and with other networks. Accordingly, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions.

Banking Laws and Regulations

Because we provide data processing and technology services to banks and other financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council (FFIEC). The FFIEC is an interagency body comprised of the federal bank and credit union regulators (the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection). The FFIEC examines large data processors in order to recognize and supervise risks associated with systemically significant service providers and the risk they may pose to the banking industry. In addition, we are subject to Directive 2007/60 EC in the European Union (“the Payment Services Directive”), which was implemented in most European Union member states through national legislation. As a result of this legislation, we are subject to regulation and oversight in certain EU member nations, including the requirement that we maintain specified regulatory capital.

Privacy and Information Security Laws

We provide services that may be subject to various state, federal and foreign privacy laws and regulations. These laws and regulations include the federal Gramm-Leach-Bliley Act, which applies to a broad range of financial institutions and to companies that provide services to financial institutions. We are also subject to foreign data protection and privacy laws. Among other things, these foreign and domestic laws, and their implementing regulations, restrict the collection, processing, storage, use and disclosure of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. These laws also impose requirements for safeguarding and removal or elimination of personal information. Certain state laws also restrict the ability of the Company to collect and utilize certain types of information such as Social Security and driver's license numbers.

Anti-money Laundering and Counter Terrorist Requirements

Regulations issued by the U.S. Treasury Office Department of Foreign Assets Control ("OFAC") place prohibitions and restrictions on all U.S. citizens and entities, including the Company, with respect to transactions by U.S. persons with specified countries and individuals and entities identified on OFAC's Specially Designated Nationals list (for example, individuals and companies owned or controlled by, or acting for or on behalf of, countries subject to certain economic and trade sanctions, as well as terrorists, terrorist organizations and narcotics traffickers identified by OFAC under programs that are not country specific). Similar requirements apply to transactions and to dealings with persons and entities specified in lists maintained in other countries. We have developed procedures and controls that are designed to monitor and address legal and regulatory requirements and developments and that allow our customers to protect against having direct business dealings with such prohibited countries, individuals or entities.

Debt Collection Laws

Our subsidiary, Global Payments Check Services, Inc., is subject to the Fair Debt Collection Practices Act and similar state laws in connection with its check guarantee service, which guarantees the payment of checks on behalf of certain merchants. These laws are designed to eliminate abusive, deceptive, and unfair debt collection practices and require licensing at the state level. Global Payments Check Services, Inc. has procedures in place to comply with the requirements of these laws and is licensed in a number of states in order to engage in collection in those states.

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Escheat Laws

We are subject to unclaimed or abandoned property laws in the U.S. and in foreign countries that require us to transfer to certain government authorities the unclaimed property of others that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state regulatory authorities with regard to our escheatment practices.

Where to Find More Information

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission, or the SEC. You may read and print materials that we have filed with the SEC from its website at www.sec.gov. In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed from the investor information section of our website at www.globalpaymentsinc.com free of charge. Certain materials relating to our corporate governance, including our senior financial officers' code of ethics, are also available in the investor information section of our website. Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing us using the address on the cover of this Form 10-K. You may also telephone our investor relations office directly at (770) 829-8234. We are not including the information on our website as a part of, or incorporating it by reference into, this report.

Our SEC filings may also be viewed and copied at the following SEC public reference room, and at the offices of the New York Stock Exchange, where our common stock is quoted under the symbol “GPN.”

SEC Public Reference Room
100 F Street, N.E.
Washington, DC 20549
(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext
20 Broad Street
New York, NY 10005

ITEM 1A- RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider carefully the following risks and other information contained in this Annual Report on Form 10-K and other SEC filings before you decide whether to buy our common stock. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations. If any of the events contemplated by the following discussion of risks should occur, our business, results of operation and financial condition could suffer significantly. As a result, the market price of our common stock could decline and you may lose all or part of the money you paid to buy our common stock.

Failure to safeguard our data could affect our reputation among our merchant clients and cardholders, and may expose us to penalties, fines, liabilities and legal claims.

Under VISA, MasterCard and Discover card network rules, as well as various state laws, we are responsible for information provided to us by merchants, independent sales organizations, or ISO's, third party service providers, and other agents (all of which we refer to as “associated third parties”), which we require in order to process transactions and for fraud prevention. This information includes bankcard numbers, names, addresses, social security numbers, drivers' license numbers, and bank account numbers. We process the data and deliver our products and services by utilizing computer systems and telecommunications networks operated both by us and by third party service providers. We have ultimate liability to the card networks and their member financial institutions for our failure or the failure of our associated third parties to protect this information. Although plans and procedures are in place to protect this sensitive data, we cannot be certain that our measures will be successful and will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential information.

Although we generally require that our agreements with service providers who have access to merchant and customer data include confidentiality obligations that restrict these parties from using or disclosing any customer or merchant data except in accordance with the applicable agreements, we cannot assure you that these contractual measures will prevent the unauthorized use or disclosure of data. In addition, we have agreed in certain agreements to take certain protective measures to ensure the confidentiality of merchant and consumer data. The costs of systems and procedures associated with such protective measures may increase and could adversely affect our ability to compete effectively. Any failure to adequately enforce or provide these protective measures could result in liability and protracted and costly litigation.

In early March of this year, we identified and self-reported unauthorized access into a limited portion of our processing system. We have concluded our investigation and we believe that a limited portion of our North American card processing system was affected. We do not believe our International card processing systems were similarly accessed.

As a result of this event, certain card networks removed us from their list of PCI DSS compliant service providers. We have hired a QSA to conduct an independent review of the PCI DSS compliance of our systems. Once that review is complete, and we conclude the required remediation, we will work closely with the networks to return to the lists of PCI DSS compliant service providers as quickly as possible. Our failure or a delay in returning to the lists could have a material adverse effect on our business, financial condition and results of operation.

The investigation also revealed potential unauthorized access to servers containing personal information collected from a subset of merchant applicants. It is unclear whether any such information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individual.

We expect the card networks will seek to impose fines, penalties and/or other assessments against us or our sponsor banks (who would seek indemnification from us pursuant to our agreements with them). We expect the card networks to seek to recover estimated fraud losses and operating expenses, including losses and expenses of issuing banks, associated with this event, as well as fines or penalties resulting from our failure to comply with card network rules and standards. The unauthorized access has resulted in legal action against us and could result in additional lawsuits in the future. See “Business - Legal Proceedings.” In addition, governmental entities have made inquiries and may initiate investigations related to the event.

This incident has had and will continue to have a financial impact on us due to the expense of consultants and other professional advisors engaged to conduct the investigation and remediate any discovered issues, the costs of remediating the breach and returning to the network lists of PCI DSS compliant service providers, assessments, fines or penalties from the card networks and state authorities, and the cost of the credit monitoring and identity protection insurance we provided.

For the year ended May 31, 2012, we have recorded $84.4 million of expense associated with this incident. Of this amount,

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$19.0 million represents the costs we have incurred through May 31, 2012 for legal fees, fees of consultants and other professional advisors engaged to conduct the investigation and various other costs associated with the investigation and remediation. An additional $67.4 million represents an accrual of our estimate of fraud losses, fines and other charges that will be imposed upon us by the card networks. We have also recorded $2.0 million of insurance recoveries based on claims submitted to date as discussed below. We based our estimate of fraud losses, fines and other charges on our understanding of the rules and operating regulations published by the networks and preliminary settlement discussions with the networks. As such, the final settlement amounts and our ultimate costs associated with fraud losses, fines and other charges that will be imposed by the networks could differ from the amount we have accrued as of May 31, 2012. Any such difference could have a material impact on our results of operations in the period in which the associated claims are actually settled, or in the period in which we receive additional information that would cause us to refine our estimate of losses and adjust our accrual. Currently we do not have sufficient information to estimate the amount or range of additional possible loss. In addition, if we need to raise additional funds to finance our future capital needs, given the impact this event may have on our business and financial condition, we cannot provide any assurance that we will be able to obtain such financing on reasonable terms or at all. See “Management's Discussion and Analysis of Results of Operations” and “Business - Legal Proceedings.”

A security breach like the one that recently occurred, or other misuse of data could harm our reputation and deter existing and prospective customers from using our products and services, increase our operating expenses in order to contain and remediate the breach, expose us to unbudgeted or uninsured liability, disrupt our operations (including potential service interruptions), increase our risk of regulatory scrutiny, result in the imposition of penalties and fines under state, federal and foreign laws or by the card networks, and adversely affect our continued card network registration and financial institution sponsorship.

The Company is insured under a claims-made Professional and Technology Based Services, Technology Products, Computer Network Security, and Multimedia and Advertising Liability Insurance Policy and a claims-made Follow Form Excess Liability Insurance Policy issued by certain syndicates of Lloyd's Underwriters and State National Insurance Company, respectively, for the policy period beginning June 1, 2011 and ending June 1, 2012. The policies provide a total of $30 million in policy limits that are potentially available to cover certain first-party and third-party technology errors and omissions losses. The policies contain various sub-limits of liability and other terms, conditions and limitations, including a $1.0 million deductible per claim. The insurers have been advised of the circumstances surrounding our recent event. As of May 31, 2012 we have recorded $2.0 million in insurance recoveries based on claims submitted. We expect to receive additional recoveries as we receive assessments from the networks and submit additional claims. We will record receivables for such recoveries in the periods in which we determine such recovery is probable and the amount can be reasonably estimated.

We expect to incur additional costs associated with investigation, remediation and demonstrating PCI DSS compliance and for the credit monitoring and identity protection insurance we are providing to potentially-affected individuals. We will expense such costs as they are incurred in accordance with our accounting policies for such costs. We currently anticipate that such additional costs may be $55 to $65 million in fiscal 2013. We anticipate that we may receive additional insurance recoveries of up to $28 million.

Our revenues from the sale of services to merchants that accept Visa cards and MasterCard cards are dependent upon our continued Visa and MasterCard registration and financial institution sponsorship and, in some cases, continued participation in certain card networks.

In order to provide our Visa and MasterCard transaction processing services, we must be either a direct participant or be registered as a merchant processor or service provider of Visa and MasterCard. Registration as a merchant processor or service provider is dependent upon our being sponsored by member banks of both organizations. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to attain direct participation, either of which could prove to be difficult and expensive. If we are unable to find a replacement financial institution to provide sponsorship or attain direct participation, we may no longer be able to provide processing services to the affected customers which would negatively impact our revenues and earnings. Furthermore, some agreements with our bank sponsors give them substantial discretion in approving certain aspects of our business practices, including our solicitation, application, and qualification procedures for merchants and the terms of our agreements with merchants. Our bank sponsors' discretionary actions under these agreements could have a material effect on our business, financial condition, and results of operations. In connection with direct participation, the rules and regulations of various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would limit our use of capital for other purposes.

In Canada, we have filed an application with the Canadian regulatory authorities for the formation of a wholly owned loan company in Canada which could serve as our financial institution sponsor. While such application is pending, in March 2011, we obtained temporary direct participation in the Visa Canada system. This temporary status will expire on September 30, 2012. In the event the wholly owned loan company has not been approved by such expiration date and Visa is unwilling to extend such temporary status, we have entered into an agreement with a financial institution that is willing to serve as our sponsor; however that agreement is not intended to be a long-term solution.

We rely on various financial institutions to provide clearing services in connection with our settlement activities. If we are unable to maintain clearing services with these financial institutions and are unable to find a replacement, our business may be adversely affected.

We rely on various financial institutions to provide clearing services in connection with our settlement activities. If such financial institutions should stop providing clearing services, we must find other financial institutions to provide those services. If we are unable to find a replacement financial institution we may no longer be able to provide processing services to certain customers which could negatively impact our revenue and earnings.

If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations. If our merchants or ISOs incur fines or penalties that we cannot collect from them, we could end up bearing cost of fines or penalties.

We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by card issuers, and some of those issuers are our competitors with respect to these processing services. Many banks directly or indirectly sell processing services to merchants in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members like us. The termination of our registrations or our status as a service provider or a merchant processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, operating results and financial condition. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or ISO, we could end up bearing such fines or penalties, resulting in lower earnings for us. See also our discussion above under “Failure to safeguard our data could affect our reputation among our merchant clients and cardholders, and may expose us to penalties, fines, liabilities and legal claims.”

Increased merchant or ISO attrition could cause our financial results to decline.

We experience attrition in merchant credit and debit card processing volume resulting from several factors, including business closures, transfers of merchants' accounts to our competitors, unsuccessful contract renewal renegotiation, and account closures that we initiate for various reasons, as such heightened credit risks or contract breaches by merchants. Our ISO sales channel is a strong contributor to our revenue and earnings growth in our North America merchant services segment. If an ISO partner switches to another transaction processor, terminates our services, shuts down or becomes insolvent, we will no longer receive new merchant referrals from the ISO, and we risk losing existing merchants that were originally enrolled by the ISO. We cannot predict the level of attrition in the future and it could increase. Our announcement regarding unauthorized access into our system could cause an increase in attrition. Higher than expected attrition could negatively affect our results, which could have a material adverse effect on our business, financial condition and results of operations.

The payment processing industry is highly competitive and some of our competitors are larger and have greater financial and operational resources than we do, which may give them an advantage in our market with respect to the pricing of our products and services offered to our customers, and our ability to develop new technologies.

We operate in the electronic payments market, which is highly competitive. Our primary competitors in these markets include other independent processors, as well as financial institutions, ISOs, and, potentially, card networks. Many of our competitors are companies that are larger than we are and have greater financial and operational resources than we have. In addition, our competitors that are financial institutions or subsidiaries of financial institutions do not incur the costs associated with being sponsored by a bank for registration with the card networks. These factors may allow them to offer better pricing terms to customers, which could result in a loss of our potential or current customers or could force us to lower our prices as well. Our recent announcement of unauthorized access into our system could result in increased attrition and could negatively impact our ability to increase our market share. Any of these actions could have a material adverse effect on our business, financial condition, and results of operation.

In addition, many of our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies and services, including Internet payment processing services and mobile payment processing services that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price we could demand for our offerings. Furthermore, we are facing competition from non-traditional competitors offering alternative payment methods, such as PayPal and Google. These non-traditional competitors have significant financial resources and robust networks and are highly regarded by consumers. If these non-traditional competitors gain a greater share of total electronic payments transactions, it could also have a material adverse effect on our business, financial condition and results of operation.

In order to remain competitive and to continue to increase our revenues and earnings, we must continually update our products and services, a process which could result in increased costs and the loss of revenues, earnings and customers if the new products and services do not perform as intended or are not accepted in the marketplace.

The electronic payments markets in which we compete are subject to rapid technological changes. These markets are characterized by technological change, new product introductions, evolving industry standards and changing customer needs. In order to remain competitive, we are continually involved in a number of projects including the development of a new front-end platform for electronic payments processing, mobile payment applications, ecommerce services and other new offerings emerging in the electronic payments industry. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery and performance problems. In the electronic payments markets these risks are even more acute. Any delay in the delivery of new products or services or the failure to differentiate our products and services could render them less desirable to our customers, or possibly even obsolete. In addition, the products and services we deliver to the electronic payments markets are designed to process very complex transactions and deliver reports and other information on those transactions, all at very high volumes and processing speeds. Any failure to deliver an effective and secure product or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. As a result of these factors, our development efforts could result in increased costs that could reduce our earnings in addition to a loss of revenue and earnings if promised new products are not timely delivered to our customers or do not perform as anticipated. We also rely in part on third parties, including some of our competitors and potential competitors, for the development and access to new technologies. Our future success will depend in part on our ability to develop or adapt to technological changes and evolving industry standards and our failure to do so could have a material adverse effect on our business, operating results, and financial condition.

In order for us to continue to grow and increase our profitability, we must continue to expand our share of the existing electronic payments markets and also expand into new markets.

Our future growth and profitability depend upon our continued expansion within the markets in which we currently operate, the further expansion of these markets, the emergence of other markets for electronic transaction payment processing, and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we look for acquisition opportunities, investments and alliance relationships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition, investment and alliance candidates in the future, and if we do, they may not provide us with the benefits we anticipated. Once completed, investments and alliances may not realize the value that we expect.

Our expansion into new markets is also dependent upon our ability to apply our existing technology or to develop new applications to meet the particular service needs of each new market. We may not have adequate financial or technological resources to develop effective and secure products and distribution channels that will satisfy the demands of these new markets. If we fail to expand into new and existing electronic payments markets, we may not be able to continue to grow our revenues and earnings.

There may be a decline in the use of cards as a payment mechanism for consumers or adverse developments with respect to the card industry in general.

If consumers do not continue to use credit or debit cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit cards, and debit cards, which is adverse to us, it could have a material adverse effect on our business, financial condition, and results of operations. We believe future growth in the use of credit and debit cards and other electronic payments will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use electronic payment methods that we process including credit and debit cards.

Our systems and our third-party providers' systems may fail which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.

We depend on the efficient and uninterrupted operation of our computer systems, software, data centers and telecommunications networks, as well as the systems and services of third parties. In addition, we have undertaken the relocation of our primary data center. We have entered into agreements related to this relocation and for the ongoing management of the data center.

A system outage or data loss could have a material adverse effect on our business, financial condition and results of operation. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorized entry, human error, and computer viruses or other defects. Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures, or other difficulties (including those related to the system relocation) could result in loss of revenue, loss of customers, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, fines and other sanctions imposed by card networks, and/or diversion of technical and other resources.

We may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease our potential profitability and expose us to liability.

Our products are based on sophisticated software and computing systems that often encounter development delays and the underlying software may contain undetected errors, viruses, or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential customers, harm to our reputation, or exposure to liability claims.

In addition, we rely on technologies and software supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations.

We incur chargeback liability when our merchants refuse or cannot reimburse chargebacks resolved in favor of their customers. We cannot accurately anticipate these liabilities, which may adversely affect our results of operations and financial condition.

In the event a dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally “charged back” to the merchant and the purchase price is credited or otherwise refunded to the cardholder. Furthermore, such disputes are more likely to arise during economic downturns. If we are unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. The risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants could have a material adverse effect on our business, financial condition and results of operations.

Fraud by merchants or others could have an adverse effect on our operating results and financial condition.

We have potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit or debit card, card number, or other credentials to record a false sales or credit transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or cause us to incur other liabilities. It is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on our operating results and financial condition.

We are subject to economic and political risk, the business cycles and credit risk of our customers and the overall level of consumer, business and government spending, which could negatively impact our business, financial condition and results of operations.

The global electronic payments industry depends heavily on the overall level of consumer, business and government spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A sustained deterioration in general economic conditions in the markets in which we operate or increases in interest rates may adversely affect our financial performance by reducing the number or average purchase amount of transactions made using electronic payments. A reduction in the amount of consumer spending could result in a decrease in our revenue and profits. If our merchants make fewer sales of their products and services using electronic payments or people spend less money per transaction, we will have fewer transactions to process at lower dollar amounts, resulting in lower revenue.

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A downturn in the economy could force retailers to close, resulting in exposure to potential credit losses and future transaction declines. Furthermore, credit card issuers may reduce credit limits and be more selective with respect to which they issue credit cards. We also have a certain amount of fixed and other costs, including rent, debt service, operations, processing contractual minimums and salaries, which could limit our ability to quickly adjust costs and respond to changes in our business and the economy. Changes in economic conditions could also adversely impact our future revenues and profits and cause a materially adverse effect on our business, financial condition and results of operations.
In addition, a recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our associated third parties are also liable for any fines, or penalties, that may be assessed by any card networks. In the event that we are not able to collect such amounts from the associated third parties, due to fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges.

Reject losses arise from the fact that, in most markets, we collect our fees from our merchants on the first day after the monthly billing period. This results in the build-up of a substantial receivable from our customers. If a merchant has gone out of business during the billing period, we may be unable to collect such fees, which negatively impacts our business, financial condition and results of operations.

Increases in credit card network fees may result in the loss of customers or a reduction in our earnings.

From time to time, the card networks, including Visa and MasterCard, increase the fees that they charge processors such as us. We could attempt to pass these increases along to our merchant customers, but this strategy might result in the loss of those customers to our competitors who do not pass along the increases. If competitive practices prevent our passing along such increased fees to our merchant customers in the future, we may have to absorb all or a portion of such increases thereby increasing our operating costs and reducing our earnings.

Any new or changes made to laws, regulations, card network rules or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable impact to our financial results.

Our business is impacted by laws and regulations that affect our industry in the countries in which we operate. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with regulations may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of civil and criminal penalties, including fines which could have an adverse effect on our financial condition. For example, we are subject to the card network rules of Visa, MasterCard, and other card networks, Interac, and various debit networks; applicable privacy and information security regulations in the regions where we operate and of the card networks; the Payment Services Directive in Europe; The Code of Conduct for the Credit and Debit Card Industry in Canada (issued by Canada's Department of Finance); Housing Assistance Tax Act of 2008, which requires information returns to be made for each calendar year by merchant acquiring entities, along with a myriad of consumer protection laws and escheat regulations, to name a few. We are also subject to examination by the Federal Financial Institutions Examination Council or FFIEC (as a result of our provision of data processing services to financial institutions).

Interchange fees (which are typically paid by the acquirer to the issuer in connection with transactions) are subject to increasingly intense legal, regulatory, and legislative scrutiny worldwide. For instance, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law in July 2010, significantly changes the U.S. financial regulatory system. Changes affecting the payment processing industry include restricting amounts of debit card fees that certain issuing institutions can charge merchants and allowing merchants to set minimum dollar amounts for the acceptance of credit cards and to offer discounts for different payment methods. On June 29, 2011, the Federal Reserve Board adopted the final rules implementing the debit interchange fee and routing and exclusivity provisions in Dodd-Frank. The overall impact of Dodd-Frank on us is difficult to estimate because it will take some time for the market to react and adjust to the new regulations. These decisions and regulatory actions, even if not directed at us, may require significant efforts to change our systems and products and may require changes to how we price our services to customers. Until final decisions around implementation are announced, we cannot predict the impact of any of these changes on our operations and financial condition.

Changes to legal rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on our business. In addition, even an inadvertent failure to comply with laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our business or our reputation.

Risks associated with foreign operations and investments outside the United States could adversely affect our business, financial position and results of operations.

We are subject to risks related to the changes in currency exchange rates as a result of our investments in foreign operations and from revenues generated in currencies other than the U.S. dollar. Revenue and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. Volatility in currency exchange rates has affected and may continue to affect our financial results. For example, for fiscal year 2012, currency exchange rate fluctuations increased our revenues by $2.2 million and our earnings by $0.01 per diluted share. We historically have not used forward contracts or other derivative instruments to mitigate the risks associated with currency exchange risk.

We also have indirect foreign investments, which are subject to country risk (such as sovereign, economic, political, and location risks). These investments are short term in nature and with private sector issuers. Country risk could impact the valuation and liquidity of those investments.

In addition, in certain of the jurisdictions in which we operate, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currency into United States dollars or limit our ability to freely move currency in or out of particular jurisdictions. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse impact on our business.

We conduct a portion of our business in various European and Asia-Pacific countries, and the Russian Federation, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the United States.

We expect to continue to expand our operations into various countries in Europe and the Asia-Pacific region. Some of these countries, and other foreign countries in which we operate such as Russia, have undergone significant political, economic and social change in recent years, and the risk of new, unforeseen changes in these countries remains greater than in the United States. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

Transmittal of data by electronic means and telecommunications is subject to specific regulation in many countries. Although these regulations have not had a material impact on us to date, changes in these regulations, including taxation or limitations on transfers of data between countries, could have a material adverse effect on our business, growth, financial condition or results of operations.

The integration and conversion of our acquired operations, or other future acquisitions, if any, could result in increased operating costs if the anticipated synergies of operating both businesses as one are not achieved, a loss of strategic opportunities if management is distracted by the integration process, and a loss of customers if our service levels drop during or following the integration process.

The acquisition, integration, and conversion of businesses involves a number of risks. Core risks are in the area of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration and conversion (managing the complex process of integrating the acquired company's people, products, technology, and other assets to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including, for example: managing geographically separated organizations, systems, and facilities; integrating personnel with diverse business backgrounds and organizational cultures; complying with foreign regulatory requirements; fluctuations in currency exchange rates; enforcement of intellectual property rights in some foreign countries; difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets; and general economic and political conditions.

If the integration and conversion process does not proceed smoothly, the following factors, amongst others, could reduce our revenues and earnings, increase our operating costs, and result in a loss of projected synergies:

- If we are unable to successfully integrate the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors in the region, which could significantly affect our ability to operate the business and complete the integration;
- If the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors, which would reduce our revenues and earnings; and
- The acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new electronic payments markets.

If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.

All of our businesses function at the intersection of rapidly changing technological, social, economic, and regulatory developments that requires a wide ranging set of expertise and intellectual capital. To successfully compete and grow, we must retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of intellectual capital needs. In addition, we must develop our personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our efforts to retain and develop personnel may also result in significant additional expenses, which could negatively affect our profitability. We cannot assure that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business, financial condition, and results of operations.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our business, financial condition, and results of operations.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets (including goodwill). Goodwill and intangible assets, net of amortization, together accounted for approximately 38% and 33% of the total assets on our balance sheet as of May 31, 2012 and May 31, 2011, respectively. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and other intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. An impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our business, financial condition, and results of operations.

Unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.

Our tax returns and positions are subject to review and audit by federal, state, local, and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations. We have established contingent liabilities for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost less than any related liability. An unfavorable resolution, therefore, could negatively impact our financial position, results of operations and cash flows in the current and/or future periods.

We record deferred income taxes to reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Deferred income taxes are determined using enacted tax rates. Changes in enacted tax rates may negatively impact our results of operations.

We may become subject to additional United States, state or foreign taxes that cannot be passed through to our merchant services customers, in which case our earnings could be adversely affected.

Payment processing companies like us may be subject to taxation by various jurisdictions on our net income or certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all adopted uniform regulations on this topic. If we are required to pay such taxes and are not able to pass the tax expense through to our merchant customers, our costs will increase, reducing our earnings.

We have structured our business in accordance with existing tax laws and interpretations of such laws which have been confirmed through either tax rulings or opinions obtained in various jurisdictions including those related to value added taxes in Europe. Changes in tax laws or their interpretations could decrease the value of revenues we receive, the amount of our cash flow, and have a material adverse impact on our business.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal controls over financial

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reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Further, this assessment may be complicated by any acquisitions we may complete. In certain markets in the Asia-Pacific region and in Spain, our member sponsors perform payment processing operations and related support services pursuant to services agreements. We expect that the member sponsors will continue to provide these services until such time as we may integrate these functions into our operations. Accordingly, we rely on our member sponsors to provide financial data, such as revenue billed to merchants, to assist us with compiling our accounting records. As such, our internal controls over financial reporting could be materially affected, or are reasonably likely to be materially affected, by the internal controls and procedures of our member sponsors in these markets. In order to mitigate this risk, we have implemented internal controls over financial reporting which monitor the accuracy of the financial data being provided by our member sponsors

While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and our stock price.

Anti-takeover provisions of our articles of incorporation and by-laws and provisions of Georgia law could delay or prevent a change of control that individual shareholders favor.

Provisions of our articles of incorporation and by-laws, our rights agreement and provisions of applicable Georgia law may discourage, delay or prevent a merger or other change of control that shareholders may consider favorable. The provisions of our articles and by-laws, among other things:

- divide our Board of Directors into three classes, with members of each class to be elected in staggered three-year terms;
- limit the right of shareholders to remove directors;
- regulate how shareholders may present proposals or nominate directors for election at annual meetings of shareholders; and
- authorize our Board of Directors to issue preferred shares in one or more series, without shareholder approval.

We may not be able to or we may decide not to pay dividends at a level anticipated by shareholders on our common stock, which could reduce shareholder returns.

The payment of dividends on our common stock in the future is at the discretion of our Board of Directors and will depend on, among other factors, our earnings, stockholder's equity, cash position, and financial condition. No assurance can be given that we will be able to or will choose to pay any dividends in the foreseeable future.

Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

We operate in a rapidly changing industry. Accordingly our risk management policies and procedures may not be fully effective to identify, monitor, and manage our risks. If our policies and procedures are not fully effective or we are not always successful in capturing all risks to which we are or may be exposed, we may suffer uninsured liability, harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition and results of operation.

Continued consolidation in the banking and retail industries could adversely affect our growth.

Historically, the banking industry has been the subject of consolidation, regardless of overall economic conditions, while the retail industry has been the subject of consolidation due to cyclical economic events. Since 2008, there have been multiple bank failures and government-encouraged consolidation. Larger banks and larger merchants with greater transaction volumes may demand lower fees which could result in lower revenues and earnings for us.

ITEM 2- PROPERTIES

The following summarizes the type of facilities we use to operate our business as of May 31, 2012:

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Type of Facility	Leased	Owned
Facilities in the United States:		
Multi-Purpose (Operations, Sales, Administrative)	4	—
Operations/Customer Support	1	—
Sales and retail branches	4	—
	9	—
International Facilities:		
Multi-Purpose (Operations, Sales, Administrative)	4	2
Operations/Customer Support	11	—
Sales and retail branches	14	—
	29	2
Total	38	2

Our principal facilities in the United States are located in Atlanta, Georgia and Owings Mills, Maryland. Our principal international facilities are located in Toronto, Canada; Prague, Czech Republic; Leicester, England; London, England; the Hong Kong Special Administrative Region; Manila, Philippines; Moscow, Russian Federation; and Barcelona, Spain.

We believe that all of our facilities and equipment are suitable and adequate for our business as presently conducted.

ITEM 3- LEGAL PROCEEDINGS

In addition to the class action suit described below, we are party to a number of claims and lawsuits incidental to our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse impact on our financial position, liquidity or results of operations.

A class action arising out of the data breach we experienced earlier this year was filed against us on April 4, 2012 by Natalie Willingham (individually and on behalf of a putative nationwide class). Specifically, Ms. Willingham alleged that the Company failed to maintain reasonable and adequate procedures to protect her personally identifiable information ("PII") which she claims resulted in two fraudulent charges on her credit card in March 2012. Further, Ms. Willingham asserted that the Company failed to timely notify the public of the data breach. Based on these allegations, Ms. Willingham asserted claims for negligence, violation of the Federal Stored Communications Act, willful violation of the Fair Credit Reporting Act, negligent violation of the Fair Credit Reporting Act, violation of Georgia's Unfair and Deceptive Trade Practices Act, negligence per se, breach of third-party beneficiary contract, and breach of implied contract. Plaintiffs seek an unspecified amount of damages and injunctive relief. The suit was filed in the United States District Court for the Northern District of Georgia. On May 14, 2012, the Company filed a motion to dismiss. On July 11, 2012, Plaintiff filed a motion for leave to amend her complaint, and on July 16, 2012, the Court granted that motion. Plaintiff filed an amended complaint on July 16, 2012. The amended complaint does not add any new causes of action. Instead, it adds two new named Plaintiffs (Nadine and Robert Hielscher) and drops Plaintiffs' claim for negligence per se. The Company's deadline for responding to the amended complaint is August 2, 2012. At this stage of the proceedings we cannot predict the outcome of the matter, but we intend to defend the matter vigorously.

Part II

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

Our common stock trades on the New York Stock Exchange under the ticker symbol “GPN.” The table set forth below provides the intraday high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2012 and 2011. We expect to continue to pay our shareholders a dividend per share, on a quarterly basis, in an amount comparable to the dividends indicated in the table. However, any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, capital requirements and such other factors as the Board of Directors deems relevant.

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	High	Low	Dividend Per Share
Fiscal 2012:			
First Quarter	$52.75	$41.02	$ 0.02
Second Quarter	47.70	38.26	0.02
Third Quarter	52.55	43.69	0.02
Fourth Quarter	53.93	41.19	0.02
Fiscal 2011:			
First Quarter	$42.88	$34.61	$ 0.02
Second Quarter	43.52	37.68	0.02
Third Quarter	49.95	41.73	0.02
Fourth Quarter	53.67	45.54	0.02

The number of shareholders of record of our common stock as of July 16, 2012 was 2,248.

Equity Compensation Plan Information

The information regarding our compensation plans under which equity securities are authorized for issuance is set forth in “Item 12- Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this Report.

Sale of Unregistered Securities

We have not issued any unregistered securities during our fiscal year ended May 31, 2012.

Stock Performance Graph

The following line-graph presentation compares our cumulative shareholder returns with the Standard & Poor's Information Technology Index and the Standard & Poor's 500 Stock Index for the past five years. The line graph assumes the investment of $100 in our common stock, the Standard & Poor's Information Technology Index, and the Standard & Poor's 500 Stock Index on May 31, 2007 and assumes reinvestment of all dividends.

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	Global Payments	S&P 500	S&P Information Technology
May 31, 2007	$100.00	$100.00	$100.00
May 31, 2008	118.16	93.30	102.56
May 31, 2009	90.18	62.92	73.06
May 31, 2010	105.99	76.12	93.86
May 31, 2011	130.77	95.87	113.70
May 31, 2012	107.10	95.48	122.30

Issuer Purchases of Equity Securities

On August 8, 2011, our Board of Directors approved a share repurchase program that authorized the purchase of up to $100.0 million of Global Payments’ stock in the open market at the current market price, subject to market conditions, business opportunities, and other factors. Under this authorization, we repurchased 2,290,059 shares of our common stock at a cost of $99.6 million, or an average of $43.49 per share, including commissions during fiscal 2012. This share repurchase program has concluded.

During the first quarter of fiscal 2011, we used the $13.0 million remaining under the authorization from our original share repurchase program initiated during fiscal 2007 to repurchase 344,847 shares of our common stock a cost of $13.0 million, or an average of $37.64 per share, including commissions.

The shares repurchased in the fourth quarter of fiscal 2012, the average price paid, including commissions, and the dollar value remaining available for purchase are as follows:

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Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit) (b)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (c)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (d)
March 1, 2012	—	—	—	—
April 1, 2012	—	—	—	—
May 1, 2012	—	—	—	—
Total	—	—	—	—

ITEM 6- SELECTED FINANCIAL DATA

You should read the selected financial data set forth below in conjunction with “Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8 Financial Statements and Supplementary Data” included elsewhere in this annual report. As a result of our disposition of the money transfer business, this segment has been accounted for as a discontinued operation. The income statement data for fiscal years ended May 31, 2012, 2011, and 2010 and the balance sheet data as of May 31, 2012 and 2011 are derived from the audited consolidated financial statements included elsewhere in this annual report. The income statement data for fiscal years 2009 and 2008 and the balance sheet data as of May 31, 2010 and 2009 were derived from consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2010. The balance sheet data as of May 31, 2008 was derived from audited consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2009. Amounts related to our discontinued operations in our statements of income for fiscal years 2009 and 2008 were reclassified in fiscal year 2010 to conform to the current presentation.

	Year Ended May 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share data)				
Income statement data:					
Revenue	$2,203,847	$1,859,802	$1,642,468	$1,462,306	$1,130,608
Operating income(1)	307,349	331,594	323,279	292,546	237,723
Income from continuing operations(1)	217,566	229,131	223,010	207,017	161,198
Net income attributable to Global Payments(1),(2)	188,161	209,238	203,317	37,217	162,754
Per share data:					
Basic earnings per share	$2.39	$2.62	$2.51	$0.46	$2.04
Diluted earnings per share	2.37	2.60	2.48	0.46	2.01
Dividends per share	0.08	0.08	0.08	0.08	0.08
Balance sheet data (at year end):					
Total assets	$2,688,143	$3,350,531	$2,039,326	$1,676,821	$1,445,907
Borrowings under lines of credit	215,391	270,745	79,187	10,174	1,527
Long-term debt	312,985	354,019	421,134	197,003	—

Total equity(3)	1,300,921	1,337,817	871,517	678,243	1,054,152

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(1) Includes processing system intrusion charges of $84,438 in fiscal 2012. Also includes impairment, restructuring and other charges of $2,583 and $1,317 in fiscal 2010 and 2008, respectively.

(2) Also includes a pre-tax impairment charge of $147,664 in fiscal 2009 related to our money transfer business that has been reclassified to discontinued operations.

(3) Includes the impact of the retrospective adoption of new accounting guidance concerning noncontrolling interests adopted in fiscal year 2010.

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ITEM 7- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known and unknown factors, including but not limited to those discussed in "Item 1A - Risk Factors" of this report. See also "Cautionary Notice Regarding Forward-Looking Statements" located above "Item 1 - Business."

You should read the following discussion and analysis in conjunction with "Item 6 - Selected Financial Data" and "Item 8 - Financial Statements and Supplementary Data" appearing elsewhere in this annual report.

General

We are a provider of electronic payments transaction processing services for consumers, merchants, Independent Sales Organizations (ISOs), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, the Czech Republic and the Russian Federation. We serve as an intermediary to facilitate payments transactions and operate in two business segments, North America Merchant Services and International Merchant Services. We were incorporated in Georgia as Global Payments Inc. in September 2000 and spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in business since 1967.

Our North America Merchant Services and International Merchant Services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities.

Our offerings provide merchants, ISOs and financial institutions with credit and debit card transaction processing and check-related services. The majority of our business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. Revenue from credit cards and signature debit cards, which are only a U.S. based card type, is generally based on a percentage of transaction value along with other related fees, while revenue from PIN debit cards is typically based on a fee per transaction.

Our products and services are marketed through a variety of sales channels that include a dedicated direct sales force, ISOs, an internal telesales group, retail outlets, trade associations, alliance bank relationships and financial institutions. We seek to leverage the continued shift to electronic payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, the Asia-Pacific region and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We also seek to enter new markets through acquisitions in the Asia-Pacific region, Europe, and Latin America.

Our business does not have pronounced seasonality in which more than 30% of our revenues occur in one quarter. However, each geographic channel has somewhat higher and lower quarters given the nature of the portfolio. While there is some variation in seasonality across markets, the first and fourth quarters are generally the strongest, and the third quarter tends to be the weakest due to lower volumes in the months of January and February.

Executive Overview

In early March of this year, we identified and self-reported unauthorized access into a limited portion of our North America card processing system.

As a result of this event, certain card networks removed us from their list of PCI DSS compliant service providers. We have hired a QSA to conduct an independent review of the PCI DSS compliance of our systems. Once that review is complete and we conclude the required remediation, we will work closely with the networks to return to the lists of PCI DSS compliant service providers as quickly as possible. We continue to sign new merchants and process transactions around the world for all card networks.

The investigation also revealed potential unauthorized access to servers containing personal information collected from a subset of merchant applicants. It is unclear whether any such information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individual.

For the year ended May 31, 2012, we have recorded $84.4 million of expense associated with this incident. Of this amount, $19.0 million represents the costs we have incurred through May 31, 2012 for legal fees, fees of consultants and other professional advisors engaged to conduct the investigation and various other costs associated with the investigation and remediation. The remaining $67.4 million represents an accrual of our estimate of fraud losses, fines and other charges that will be imposed upon us by the card networks. We have also recorded $2.0 million of insurance recoveries based on claims submitted to date.

In fiscal 2012 revenue increased 18% to $2,203.8 million from $1,859.8 million in fiscal 2011. This revenue growth was primarily due to growth in most of markets around the world and the impact of our acquisition in Spain on December 20, 2010. Fiscal 2012 Canadian revenues were flat when compared with the prior year.

Consolidated operating income was $307.3 million for fiscal 2012, compared to $331.6 million for fiscal 2011. Consolidated operating income for fiscal 2012 includes processing system intrusion costs of $84.4 million. Net income attributable to Global Payments decreased $21.0 million, or 10%, to $188.2 million in fiscal 2012 from $209.2 million in the prior year, resulting in a $0.23 decrease in diluted earnings per share to $2.37 in fiscal 2012 from $2.60 in fiscal 2011.

North America merchant services segment revenue increased $204.4 million or 15% to $1,567.3 million in fiscal 2012 from $1,362.9 million in fiscal 2011. North America merchant services segment operating income increased to $281.3 million in fiscal 2012 from $268.2 million in fiscal 2011, with operating margins of 17.9% and 19.7% for fiscal 2012 and 2011, respectively.

International merchant services segment revenue increased $139.7 million or 28% to $636.6 million in fiscal 2012 from $496.9 million in fiscal 2011. International merchant services operating income also increased to$196.1 million in fiscal 2012 from $143.9 million in fiscal 2011, with operating margins of 30.8% and 29.0% for fiscal 2012 and 2011, respectively.

Operating income decreased $24.2 million during fiscal year 2012 compared to the prior year period. Consolidated operating margins for fiscal 2012 decreased to 13.9% compared to 17.8% during fiscal year 2011. The decline in operating margins is due to costs associated with the processing system intrusion and, to a lesser extent, the effect of our U.S. ISO business.

During the fiscal year 2012 we completed three targeted acquisitions which expand our International and e-commerce presence. In December 2011, our UCS subsidiary acquired Alfa-Bank's merchant acquiring business. Alfa-Bank is the largest privately owned bank in Russia. In December 2011, we also acquired a merchant acquiring business in Malta and in January 2012 acquired a U.S. e-commerce portfolio. The aggregate purchase price for these three transactions was approximately $44 million.

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Results of Operations

Fiscal Year Ended May 31, 2012 Compared to Fiscal Year Ended May 31, 2011

The following table shows key selected financial data for the fiscal years ended May 31, 2012 and 2011, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2011. Comercia's results of operations are included in our consolidated results of operations and results of operations of our International merchant services segment from December 20, 2010, the date we acquired our controlling financial interest. Accordingly, results of operations for the year ended May 31, 2012 reflect the results of` Comercia's operations, while results of operations for the year ended May 31, 2011 do not reflect these results for the entire year.

	2012	% of Revenue[1]	2011	% of Revenue[1]	Change	% Change
	(dollar amounts in thousands)					
Revenues:						
United States	$1,234,818	56	$1,031,997	55	$202,821	20
Canada	332,434	15	330,872	18	1,562	—
North America merchant services	1,567,252	71	1,362,869	73	204,383	15
Europe	489,300	22	359,567	19	129,733	36
Asia-Pacific	147,295	7	137,366	7	9,929	7
International merchant services	636,595	29	496,933	27	139,662	28
Total revenues	$2,203,847	100	$1,859,802	100	$344,045	18
Consolidated operating expenses:						
Cost of service	$784,756	35.6	665,017	35.8	$119,739	18
Sales, general and administrative	1,027,304	46.6	863,191	46.4	164,113	19
Processing system intrusion	84,438	3.8	—	NM	—	NM
Operating income	$307,349	13.9	$331,594	17.8	$(24,245)	(7)
Operating income for segments:						
North America merchant services	$281,305		$268,233		$13,072	5
International merchant services	196,137		143,911		52,226	36
Corporate[2]	(170,093)		(80,550)		(89,543)	111
Operating income	$307,349		$331,594		$(24,245)	(7)
Operating margin for segments:						
North America merchant services	17.9 %		19.7 %		(1.8)%	
International merchant services	30.8 %		29.0 %		1.8 %	

(1) Percentage amounts may not sum to the total due to rounding.
(2) Includes processing system intrusion costs of $84.4 million&#3cs and population, increased supply of refined products from competitors and reductions in the supply of crude oil or other feedstocks. In the event of a shift in the supply/demand balance in the Gulf Coast Region due to changes in the local economy, an increase in aggregate refining capacity or other reasons, resulting in supply

exceeding the demand in the region, our refineries may have to deliver refined products to more customers outside of the Gulf Coast Region and thus incur considerably higher transportation costs, resulting in lower refining margins, if any.

Finally, substantially all of our retail fuel and convenience stores are located in the southeastern United States and approximately 92% of them were situated in the states of Alabama, Georgia and Tennessee at December 31, 2014. As a result, our results of operations are particularly vulnerable to general economic conditions in that region. An economic downturn in the southeastern United States could cause our sales and the value of our assets to decline and have a material adverse effect on our business, financial condition and results of operations.

From time to time, our cash and credit needs may exceed our internally generated cash flow and available credit, and our business could be materially and adversely affected if we are not able to obtain the necessary cash or credit from financing sources.

We have significant short-term cash needs to satisfy working capital requirements such as crude oil purchases which fluctuate with the pricing and sourcing of crude oil. We rely in part on our access to credit to purchase crude oil for our refineries. If the price of crude oil increases significantly, we may not have sufficient available credit, and may not be able to sufficiently increase such availability, under our existing credit facilities or other arrangements to purchase enough crude oil to operate our refineries at desired capacities. Our failure to operate our refineries at desired capacities could have a material adverse effect on our business, financial condition and results of operations. We also have significant long-term needs for cash, including any capital expenditures for expansion and upgrade plans, as well as projects necessary for regulatory compliance.

Depending on the conditions in credit markets, it may become more difficult to obtain cash or credit from third-party sources. If we cannot generate cash flow or otherwise secure sufficient liquidity to support our short-term and long-term capital requirements, we may not be able to comply with regulatory deadlines or pursue our business strategies, in which case our operations may not perform as well as we currently expect.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2014, we had total debt of $589.7 million, including current maturities of $56.4 million. In addition to our outstanding debt, as of December 31, 2014, our letters of credit issued under our various credit facilities were $102.7 million. Our borrowing availability under our various credit facilities as of December 31, 2014 was $708.5 million.

Our level of debt could have important consequences for us. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt and lease obligations, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage relative to our competitors that have less indebtedness or better access to capital by, for example, limiting our ability to enter into new markets, upgrade our refining assets, renovate our stores or pursue acquisitions or other business opportunities;
- limit our ability to borrow additional funds in the future; and
- increase interest costs for our borrowed funds and letters of credit.

In addition, a substantial portion of our debt has a variable rate of interest, which increases our exposure to interest rate fluctuations, to the extent we elect not to hedge such exposures.

If we are unable to meet our principal and interest obligations under our debt and lease agreements, we could be forced to restructure or refinance our obligations, seek additional equity financing or sell assets, which we may not be able to do on satisfactory terms or at all. Our default on any of those agreements could have a material adverse effect on our business, financial condition and results of operations. In addition, if new debt is added to our current debt levels, the related risks that we now face could intensify.

Our debt agreements contain operating and financial restrictions that might constrain our business and financing activities.

The operating and financial restrictions and covenants in our credit facilities and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in, expand or pursue our business activities. For example, to varying degrees our credit facilities restrict our ability to:

- declare dividends and redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans and investments, issue guaranties and pledge assets;
- incur additional indebtedness or amend our debt and other material agreements;
- make capital expenditures;
- engage in mergers, acquisitions and asset sales; and
- enter into certain intercompany arrangements or make certain intercompany payments, which in some instances could restrict our ability to use the assets, cash flows or earnings of one operating segment to support another operating segment or Holdings.

Other restrictive covenants require that we meet certain financial covenants, including leverage coverage, fixed charge coverage and net worth tests as described in the applicable credit agreements. In addition, the covenant requirements of our various credit agreements require us to make many subjective determinations pertaining to our compliance thereto and exercise good faith judgment in determining our compliance.

Our ability to comply with the covenants and restrictions contained in our debt instruments may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants and restrictions may be impaired. If we breach any of the restrictions or covenants in our debt agreements, a significant portion of our indebtedness may become immediately due and payable, and our lenders' commitments to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these immediate payments. In addition, our obligations under our credit facilities are secured by substantially all of our assets. If we are unable to timely repay our indebtedness under our credit facilities, the lenders could seek to foreclose on the assets or we may be required to contribute additional capital to our subsidiaries. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

Changes in our credit profile could affect our relationships with our suppliers, which could have a material adverse effect on our liquidity and our ability to operate our refineries at full capacity.

Changes in our credit profile could affect the way crude oil, feedstock and refined product suppliers view our ability to make payments. As a result, suppliers could shorten the payment terms of their invoices with us or require us to provide significant collateral to them that we do not currently provide. Due to the large dollar amounts and volume of our crude oil and other petroleum product purchases, as well as the historical volatility of crude oil pricing, any imposition by our suppliers of more burdensome payment terms or collateral requirements may have a material adverse effect on our liquidity and our ability to make payments to our suppliers. This, in turn, could cause us to be unable to operate our refineries at desired capacities. A failure to operate our refineries at desired capacities could adversely affect our profitability and cash flows.

The termination or expiration of our Amended and Restated Master Supply and Offtake Agreement could have a material adverse effect on our liquidity.

On December 23, 2013, we entered into the S&O Agreement with J. Aron, which became effective on April 30, 2014 and expires on April 30, 2017. Pursuant to the agreement, J. Aron purchases a substantial portion of the crude oil and refined products in Lion Oil’s inventory at market prices. Upon any termination of the agreement, including at expiration or in connection with a force majeure or default, the parties are required to negotiate with third parties for the assignment to us of certain contracts, commitments and arrangements including procurement contracts, commitments for the sale of product, and pipeline, terminalling, storage and shipping arrangements. Additionally, upon any termination, we will be required to repurchase or refinance the consigned crude oil and refined products from J. Aron at then market prices, which may have a material impact on our working capital needs. At December 31, 2014, we had approximately 3.2 million barrels of inventory consigned to J. Aron, and we had recorded a liability associated with this consigned inventory of $200.9 million.

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

We carry property, business interruption, pollution and casualty insurance, but we do not maintain insurance coverage against all potential losses, costs or liabilities. We could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. In addition, because our business interruption policy does not cover losses during the first 21 to 60 days of the interruption, a significant part or all of a business interruption loss could be uninsured. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

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

In addition, we cannot assure you that our insurers will renew our insurance coverage on acceptable terms, if at all, or that we will be able to arrange for adequate alternative coverage in the event of non-renewal. The unavailability of full insurance coverage to cover events in which we suffer significant losses could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully execute our strategy of growth through acquisitions.

A significant part of our growth strategy is to acquire assets such as refineries, pipelines, terminals, and retail fuel and convenience stores that complement our existing assets and/or broaden our geographic presence. If attractive opportunities arise, we may also acquire assets in new lines of business that are complementary to our existing businesses. From our inception in 2001 through December 2014, we acquired the Tyler and El Dorado refineries, acquired approximately 500 retail fuel and convenience stores and developed our logistics segment through the acquisition of transportation and marketing assets. We expect to continue to acquire assets that complement our existing assets and/or broaden our geographic presence as a major element of our growth strategy, however:

- we may not be able to identify suitable acquisition candidates or acquire additional assets on favorable terms;
- we usually compete with others to acquire assets, which competition may increase, and, any level of competition could result in decreased availability or increased prices for acquisition candidates;
- we may experience difficulty in anticipating the timing and availability of acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- as a public company, we are subject to reporting obligations, internal controls and other accounting requirements with respect to any business we acquire, which may prevent or negatively affect the valuation of some acquisitions we might otherwise deem favorable or increase our acquisition costs. For example, prior to April 2011, the El Dorado refinery was controlled by a privately held entity that was not required to comply with public financial reporting obligations such as the Securities Exchange Act of 1934 and the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Now that we control the El Dorado refinery, we must ensure that it maintains appropriate disclosure controls and procedures and internal control over financial reporting.

The occurrence of any of these factors could adversely affect our growth strategy.

Acquisitions involve risks that could cause our actual growth or operating results to differ adversely compared with our expectations.

Due to our emphasis on growth through acquisitions, we are particularly susceptible to transactional risks that could cause our actual growth or operating results to differ adversely compared with our expectations. For example:

- during the acquisition process, we may fail or be unable to discover some of the liabilities of companies or businesses that we acquire;
- we may assume contracts or other obligations in connection with particular acquisitions on terms that are less favorable or desirable than the terms that we would expect to obtain if we negotiated the contracts or other obligations directly;
- we may fail to successfully integrate or manage acquired assets;
- acquired assets may not perform as we expect or we may not be able to obtain the cost savings and financial improvements we anticipate;
- acquisitions may require us to incur additional debt or issue additional equity;
- acquired assets may suffer a diminishment in fair value as a result of which we may need to record a write-down or impairment (such as the $60.0 million impairment of our minority investment in Lion Oil in the fourth quarter of 2010);

- we may fail to grow our existing systems, financial controls, information systems, management resources and human resources in a manner that effectively supports our growth;
- to the extent that we acquire assets in new lines of business, we may become subject to additional regulatory requirements and additional risks that are characteristic or typical of these lines of business; and
- to the extent that we acquire equity interests in entities that control assets (rather than acquiring the assets directly), we may become subject to liabilities that predate our ownership and control of the assets. For example, in 2011, we acquired all of the outstanding shares of common stock of Lion Oil, the Arkansas corporation that owns and operates the El Dorado refinery. Because we acquired the stock of Lion Oil (rather than acquiring the refinery assets directly), we may be subject to Lion Oil's historic liabilities.

The occurrence of any of these factors could adversely affect our business, financial condition and results of operations.

We may incur significant costs and liabilities with respect to investigation and remediation of environmental conditions at our refineries.

Prior to our purchase of our refineries, the previous owners had been engaged for many years in the investigation and remediation of hydrocarbons and other materials which contaminated soil and groundwater at the purchased facilities. Upon purchase of the facilities, we became responsible and liable for certain costs associated with the continued investigation and remediation of known and unknown impacted areas at the refineries. In the future, it may be necessary to conduct further assessments and remediation efforts at our refinery, pipeline, tank, terminal and store locations. In addition, we have identified and self-reported certain other environmental matters subsequent to our purchase of the refineries.

Based upon environmental evaluations performed internally and by third parties subsequent to the purchase of our refineries and other properties, we recorded environmental liabilities and accrued amounts we believe are sufficient to complete remediation. We expect remediation of soil, sediment and groundwater at some properties to continue for the foreseeable future. The need to make future expenditures for these purposes that exceed the amounts we estimated and accrued for could have a material adverse effect on our business, financial condition and results of operations.

In the future, we may incur substantial expenditures for investigation or remediation of contamination that has not been discovered at our current or former locations or locations that we may acquire. In addition, new legal requirements, new interpretations of existing legal requirements, increased legislative activity and governmental enforcement and other developments could require us to make additional unforeseen expenditures. We anticipate that compliance with environmental, health and safety regulations will require us to spend approximately $32.6 million in capital costs in 2015 and approximately $66.0 million during the next five years.

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

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

Our Tyler refinery currently has no ability to distribute refined petroleum products outside the northeast Texas market.

In recent years, we have expanded our refined product distribution capacities in northeast Texas with our acquisition of refined product terminals located in Big Sandy, Texas and Mount Pleasant, Texas. However, unlike most other refineries, the Tyler refinery currently has no ability to distribute refined products outside the northeast Texas market. For the year ended December 31, 2014, nearly all of the refinery sales volume in Tyler was completed through a rack system located at the Tyler refinery, which is owned by our logistics segment. The Tyler refinery's limited distribution capabilities may continue to limit its ability to increase its production, attract new customers for its refined petroleum products or increase sales of the Tyler refinery products. In addition, if demand for the Tyler refinery's products diminishes within the northeast Texas market, its production may be reduced and our financial results would be adversely affected unless additional distribution capabilities are identified.

An increase in competition and/or reduction in demand in the markets in which we purchase feedstocks and sell our refined products could increase our costs and/or lower prices and adversely affect our sales and profitability.

Our Tyler refinery is currently the only supplier of a full range of refined petroleum products within a radius of approximately 100 miles of its location and there are no competitive fuel loading terminals within approximately 90 miles of our San Angelo terminal. If competitors commence operations within these niche markets, we could lose our niche market advantage, which could have a material adverse effect on our business, financial condition and results of operations.

Our El Dorado refinery's profitability may be impacted by increased competition from refineries that operate in different regions that have access to Canadian and domestic crudes, which, from time to time may be discounted from crudes available to our El Dorado refinery. In addition, third party pipelines are currently in development that are expected to increase the supply of third party refined products in Little Rock, Arkansas.

In addition, the maintenance or replacement of our existing customers depends on a number of factors outside of our control, including increased competition from other suppliers and demand for refined products in the markets we serve. The market for distribution of wholesale motor fuel is highly competitive and fragmented. Some of our competitors have significantly greater resources and name recognition than us. The loss of major customers, or a reduction in amounts purchased by major customers, could have an adverse effect on us to the extent that we are not able to correspondingly increase sales to other purchasers.

Finally, our ability to purchase and process favorably priced crude oils has allowed us to achieve higher net income and cash flow in recent years. For example, we currently enjoy access to mid-continent and southern Arkansas crude oils that are favorably priced due, in part, to the limited markets for them. If the price of these crude oils increases as a result of increased competition for them, it could have a material adverse effect on our business, financial condition and results of operations.

Compliance with and changes in tax laws could adversely affect our performance.

We are subject to extensive tax liabilities, including federal and state income taxes and transactional taxes such as excise, sales/use, payroll, franchise, withholding, and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Certain of these liabilities are subject to periodic audits by the respective taxing authority which could increase or otherwise alter our tax liabilities. Subsequent changes to our tax liabilities as a result of these audits may also subject us to interest and penalties and could have a material adverse effect on our business, financial condition and results of operations.

For example, the tax treatment of our logistics segment depends on its status as a partnership for federal income tax purposes. If a change in law, our failure to comply with existing law or other factors were to cause our logistics segment to be treated as a corporation for federal income tax purposes, it would become subject to entity-level taxation. As a result, our logistics segment would pay federal income tax on all of its taxable income at regular corporate income tax rates (subject to corporate alternative minimum tax), our logistics segment would likely pay additional state and local income taxes at varying rates, and distributions to unitholders, including us, would be generally treated as taxable dividends from a corporation. In such case, the logistics segment would likely experience a material reduction in its anticipated cash flow and after-tax return to its unitholders and we would likely experience a substantial reduction in its value.

In addition, recent regulatory proposals in the U.S. could effectively limit, or even eliminate, use of the LIFO inventory method for financial and income tax purposes. Although the final outcome of these proposals cannot be ascertained at this time, the ultimate impact to us of the transition from LIFO to another inventory method could be material. We use the LIFO method with respect to our inventories at the Tyler refinery. A change to the FIFO inventory method could result in a material increase/decrease in the tax basis of our inventory at the Tyler refinery. This increase/decrease in inventory value could impact our taxable income in the year of change or ratably over several tax years.

Our commodity and interest rate derivative activity may limit potential gains, increase potential losses, result in earnings volatility and involve other risks.

At times, we enter into commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil and ethanol, future sales of refined products or to secure margins on future production. We also use interest rate swap and cap agreements to manage our market exposure to changes in interest rates related to our floating rate borrowings. We expect to continue to enter into these types of transactions from time to time and have increased our use of these risk management activities in recent years.

While these transactions are intended to limit our exposure to the adverse effects of fluctuations in crude oil prices, refined products prices and interest rates, they may also limit our ability to benefit from favorable changes in market conditions and may subject us to period-by-period earnings volatility in the instances where we do not seek hedge accounting for these transactions. Further, because the volume of derivative activity is less than our actual use of crude oil or production of refined products, our risk management activity does not completely limit our exposure to market volatility. Also, in connection with such derivative transactions, we may be required to make cash payments to maintain margin accounts and to settle the contracts at their value upon termination. Finally, this activity exposes us to potential risk of counterparties to our derivative contracts failing to perform under the contracts. As a result, the effectiveness of our risk management policies could have a material adverse impact on our business, results of operations and cash flows. For additional information about the nature and volume of these transactions, see Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of this Annual Report on Form 10-K.

We are exposed to certain counterparty risks which may adversely impact our results of operations.

We evaluate the creditworthiness of each of our various counterparties, but we may not always be able to fully anticipate or detect deterioration in a counterparty's creditworthiness and overall financial condition. The deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties) could expose us to an increased risk of nonpayment or other default under our contracts with them. If a material counterparty (or counterparties) defaults on their obligations to us, this could materially adversely affect our financial condition, results of operations or cash flows. For example, under the terms of the S&O Agreement with J. Aron, we granted J. Aron the exclusive right to store and withdraw crude and certain products in the tanks associated with the El Dorado refinery. The S&O Agreement also provides that the ownership of substantially all crude oil and certain other refined products in the tanks associated with the refinery will be retained by J. Aron, and that J. Aron will purchase substantially all of the specified refined products processed at the El Dorado refinery. An adverse change in J. Aron's business, results of operations, liquidity or financial condition could adversely affect its ability to timely discharge its obligations to us, which would consequently have a material adverse effect on our business, results of operations or liquidity.

Adverse weather conditions or other unforeseen developments could damage our facilities, reduce customer traffic and impair our ability to produce and deliver refined petroleum products or receive supplies for our retail fuel and convenience stores.

The regions in which we operate are susceptible to severe storms, including hurricanes, thunderstorms, tornadoes, floods, extended periods of rain, ice storms and snow, all of which we have experienced in the past few years. Inclement weather conditions could damage our facilities, interrupt production, adversely impact consumer behavior, travel and retail fuel and convenience store traffic patterns or interrupt or impede our ability to operate our locations. If such conditions prevail near our refineries, they could interrupt or undermine our ability to produce and transport products from our refineries and receive and distribute products at our terminals. Regional occurrences, such as energy shortages or increases in energy prices, fires and other natural disasters, could also hurt our business. The occurrence of any of these developments could have a material adverse effect on our business, financial condition and results of operations.

Our operating results are seasonal and generally lower in the first and fourth quarters of the year for our refining and logistics segments and in the first quarter of the year for our retail segment. We depend on favorable weather conditions in the spring and summer months.

Demand for gasoline, convenience merchandise and asphalt products is generally higher during the summer months than during the winter months due to seasonal increases in motor vehicle traffic and road and home construction. Varying vapor pressure requirements between the summer and winter months also tighten summer gasoline supply. As a result, the operating results of our refining segment and logistics segment are generally lower for the first and fourth quarters of each year. Seasonal fluctuations in traffic also affect sales of motor fuels and merchandise in our retail fuel and convenience stores. As a result, the operating results of our retail segment are generally lower for the first quarter of the year.

Weather conditions in our operating area also have a significant effect on our operating results in our retail segment. Customers are more likely to purchase more gasoline and higher profit margin items such as fast foods, fountain drinks and other beverages during the spring and summer months. Unfavorable weather conditions during these months and a resulting lack of the expected seasonal upswings in traffic and sales could have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of the workforce at our refineries is unionized, and we may face labor disruptions that would interfere with our operations.

As of December 31, 2014, we employed 301 and 501 people in our Tyler and El Dorado operations, respectively. From among these employees, 161 operations and maintenance hourly employees and 40 truck drivers at the Tyler refinery were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local 202 at year end. The Tyler operations and maintenance hourly employees are currently covered by a collective bargaining agreement that expired January 31, 2015. National-level negotiations are currently ongoing between the International Union and a third party. While these negotiations are in process, we are operating under rolling, 24-hour extensions to this agreement. The Tyler truck drivers are currently covered by a collective bargaining agreement that expires March 1, 2015. Renewal negotiations for this agreement are in process but not yet finalized. In the event that the union strikes, Delek has a plan in place for continued operation of the Tyler refinery utilizing company employees and/or third party contractors. We do not anticipate these negotiations will prevent the continuous operation of the Tyler refinery. As of December 31, 2014, 167 operations and maintenance hourly employees at the El Dorado refinery were represented by the International Union of Operating Engineers and its Local 381. These employees are covered by a collective bargaining agreement which expires on August 1, 2017. Although these collective bargaining agreements contain provisions to discourage strikes or work stoppages, we cannot assure you that strikes or work stoppages will not occur. A strike or work stoppage could have a material adverse effect on our business, financial condition and results of operations.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology systems across our operations, including management of our supply chain, point of sale processing at our retail sites, and various other processes and transactions. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal credit information.

In addition, the systems currently used for certain transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, may put certain payment card data at risk. These systems are determined and controlled by the PCI, and not by us. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements. We have taken the necessary steps to assure the PCI compliance and Data Security Standards are being employed at all our locations. However, compliance with these requirements may result in cost increases due to necessary systems changes and the development of new administrative processes.

In recent years, several retailers, including us, have experienced data breaches resulting in the exposure of sensitive customer data, including payment card information. For example, our retail segment experienced a security breach in 2013 that may have compromised the payment card information of certain retail customers. Any compromise or breach of our information and payment technology systems could cause interruptions in our operations, damage our reputation, reduce our customers' willingness to visit our sites and conduct business with us, or expose us to litigation from customers or sanctions from the PCI. In addition, a compromise of our internal data network at any of our refining or terminal locations may have disruptive impacts similar to that of our retail operations. These disruptions could range from inconvenience in accessing business information to a disruption in our refining and/or logistics operations. Cost increases may be incurred in this area to combat the continued escalation of cyber attacks and/or disruptive criminal activity.

Also, we utilize information technology systems and controls that monitor the movement of petroleum products through our pipelines and terminals. An undetected failure of these systems could result in environmental damage, operational disruptions, regulatory enforcement or private litigation. Further, the failure of any of our systems to operate effectively, or problems we may experience with transitioning to upgraded or replacement systems, could significantly harm our business and operations and cause us to incur significant costs to remediate such problems.

If we lose any of our key personnel, our ability to manage our business and continue our growth could be negatively impacted.

Our future performance depends to a significant degree upon the continued contributions of our senior management team and key technical personnel. We do not currently maintain key person life insurance policies for any of our senior management team. The loss or unavailability to us of any member of our senior management team or a key technical employee could significantly harm us. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. To the extent that the services of members of our senior management team and key technical personnel would be unavailable to us for any reason, we would be required to hire other personnel to manage and operate our company and to develop our products and technology. We cannot assure you that we would be able to locate or employ such qualified personnel on acceptable terms or at all.

We may seek to diversify our retail fuel and convenience store operations by entering new geographic areas, which may present operational and competitive challenges.

Since our inception, we have grown our retail segment primarily by acquiring stores in the southeastern United States. In the future, we may seek to grow by selectively operating stores in geographic areas other than those in which we currently operate, or in which we currently have a relatively small number of stores. This growth strategy would present numerous operational and competitive challenges to our senior management and employees and would place significant pressure on our operating systems. In addition, we cannot assure you that consumers located in the regions in which we may expand our operations would be as receptive to our stores as consumers in our existing markets. The success of any such growth plans will depend in part upon our ability to:

- select, and compete successfully in, new markets;
- obtain suitable sites at acceptable costs;
- identify and contract with financially stable developers;
- realize an acceptable return on the capital invested in new facilities;
- hire, train, and retain qualified personnel;
- integrate new retail fuel and convenience stores into our existing distribution, inventory control, and information systems;
- expand relationships with our suppliers or develop relationships with new suppliers; and
- secure adequate financing, to the extent required.

We cannot assure you that we will achieve our development goals, manage our growth effectively, or operate our existing and new retail fuel and convenience stores profitability. The failure to achieve any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our retail segment is dependent on fuel sales which makes us susceptible to increases in the cost of gasoline and interruptions in fuel supply.

Net fuel sales of our retail segment represented approximately 78.5%, 79.6% and 79.9% of total net sales of our retail segment for the fiscal years 2014, 2013 and 2012, respectively. Our dependence on fuel sales makes us susceptible to increases in the cost of gasoline and diesel fuel and fuel profit margins have a significant impact on our earnings. The volume of fuel sold by us and our fuel profit margins are affected by numerous factors beyond our control, including the supply and demand for fuel, volatility in the wholesale fuel market and the pricing policies of competitors in local markets. Although we can rapidly adjust our pump prices to reflect higher fuel costs, a material increase in the price of fuel could adversely affect demand. A material, sudden increase in the cost of fuel that causes our fuel sales to decline could have a material adverse effect on our business, financial condition and results of operations.

Our dependence on fuel sales also makes us susceptible to interruptions in fuel supply. At December 31, 2014, fuel from the Gulf Coast transported to us through the Colonial and Plantation pipelines was the primary source of fuel supply for approximately 93.7% of our retail fuel and convenience stores. To mitigate the risks of cost volatility, we typically have no more than a five-day supply of fuel at each of our stores and our fuel contracts do not guarantee an uninterrupted, unlimited supply in the event of a shortage. Gasoline sales generate customer traffic to our retail fuel and convenience stores and any decrease in gasoline sales, whether due to shortage or otherwise, could adversely affect our merchandise sales. A serious interruption in the supply of gasoline to our retail fuel and convenience stores could have a material adverse effect on our business, financial condition and results of operations.

If there is negative publicity concerning our brand names or the brand names of our suppliers, fuel and merchandise sales in our retail segment may suffer.

We offer food products in our stores that are marketed under our brand names and certain nationally recognized brands such as Subway®, Krispy Krunchy Chicken® and Quizno's®. Negative publicity, regardless of whether the concerns are valid, concerning food or beverage quality, food or beverage safety or other health concerns, facilities, employee relations or other matters may materially and adversely affect demand for food and beverages offered in our stores and could result in a decrease in customer traffic to our stores. Additionally, we may be the subject of complaints or litigation arising from food or beverage-related illness or injury in general which could have a negative impact on our business. Health concerns, poor food or beverage quality or operating issues stemming from one store or a limited number of stores can materially and adversely affect the operating results of some or all of our stores and harm our proprietary brands.

In addition, we are an independent retailer of fuel that markets some of our products under major oil company brands including BP® and Marathon®. Fuel sold under these major brands represented approximately 14.3% of total fuel sales volume for our retail segment during the year ended December 31, 2014. Negative publicity concerning any of these major oil companies could adversely affect fuel and merchandise sales volumes in our retail segment. For example, the Deepwater Horizon accident in the Gulf of Mexico in April 2010 resulted in consumer boycotts of independent retailers of BP® branded fuels. If negative publicity pertaining to the major brands adversely affects our sales volumes, it could have a material adverse effect on our business, financial condition and results of operations.

Wholesale cost increases, vendor pricing programs and tax increases applicable to tobacco products, as well as campaigns to discourage their use, could adversely impact our results of operations in our retail segment.

Sales of tobacco products accounted for approximately 8.8%, 8.2% and 7.8% of net sales in our retail segment during the fiscal years 2014, 2013 and 2012, respectively. Our tobacco gross profit accounted for approximately 11.9%, 12.2% and 14.8% of total gross profit in our retail segment during the same periods. Increases in the retail price of tobacco products as a result of increased taxes or wholesale costs could materially impact our cigarette sales volume and/or revenues, merchandise gross profit and overall customer traffic. In addition, national and local campaigns to discourage the use of tobacco products may have an adverse effect on demand for these products. A reduction in cigarette sales volume and/or revenues, merchandise gross profit from tobacco products or overall customer demand for tobacco products could have a material adverse effect on the business, financial condition and results of operations of our retail segment.

Major cigarette manufacturers currently offer substantial rebates to us; however, there can be no assurance that such rebate programs will continue. We include these rebates as a component of our gross margin from sales of cigarettes. In the event these rebates are decreased or eliminated, our wholesale cigarette costs will increase. For example, certain major cigarette manufacturers have offered rebate programs that provide rebates only if we follow the manufacturer's retail pricing guidelines. If we do not receive the rebates because we do not participate in the program or if the rebates we receive by participating in the program do not offset or surpass the revenue lost as a result of complying with the manufacturer's pricing guidelines, our cigarette gross margin will be adversely impacted. In general, we attempt to pass wholesale price increases on to our customers. However, due to competitive pressures in our markets, we may not be able to do so. In addition, reduced retail display allowances on cigarettes offered by cigarette manufacturers negatively impact gross margins. These factors could materially impact our retail price of cigarettes, cigarette sales volume and/or revenues, merchandise gross profit and overall customer traffic, which could in turn have a material adverse effect on our business, financial condition and results of operations.

If we are, or become, a U.S. real property holding corporation, special tax rules may apply to a sale, exchange or other disposition of common stock and non-U.S. holders may be less inclined to invest in our stock as they may be subject to U.S. federal income tax in certain situations.

A non-U.S. holder of our common stock may be subject to U.S. federal income tax with respect to gain recognized on the sale, exchange or other disposition of our common stock if we are, or were, a "U.S. real property holding corporation" ("USRPHC") at any time during the shorter of the five-year period ending on the date of the sale or other disposition and the period such non-U.S. holder held our common stock (the shorter period referred to as the "lookback period"). In general, we would be a USRPHC if the fair market value of our "U.S. real property interests," as such term is defined for U.S. federal income tax purposes, equals or exceeds 50% of the sum of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. The test for determining USRPHC status is applied on certain specific determination dates and is dependent upon a number of factors, some of which are beyond our control (including, for example, fluctuations in the value of our assets). If we are or become a USRPHC, so long as our common stock is regularly traded on an established securities market such as the NYSE, only a non-U.S. holder who, actually or constructively, holds or held during the lookback period more than five percent of our common stock will be subject to U.S. federal income tax on the disposition of our common stock.

Risks Related to Our Common Stock

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

The market price of our common stock may be influenced by many factors, some of which may be beyond our control, including:

- our quarterly or annual earnings or those of other companies in our industry;
- inaccuracies in and changes to our previously published quarterly or annual earnings;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic and stock market conditions;
- the failure of securities analysts to cover our common stock or the cessation of such coverage;
- changes in financial estimates by securities analysts and the frequency and accuracy of such reports;
- future sales of our common stock;
- announcements by us or our competitors of significant contracts or acquisitions;
- sales of common stock by us, our senior officers or our affiliates; and
- the other factors described in these "Risk Factors."

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes often occur without any apparent regard to the operating performance of these companies. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price. In addition, recent distress in the credit and financial markets resulted in extreme volatility in trading prices of securities and diminished liquidity, and we cannot assure you that our liquidity will not be affected by changes in the financial markets and the global economy.

In the past, some companies that have experienced volatile market prices for their securities have been subject to securities class action suits filed against them. The filing of a lawsuit against us, regardless of the outcome, could have a material adverse effect on our business, financial condition and results of operations, as it could result in substantial legal costs and a diversion of our management's attention and resources.

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The risk of stockholder activism has increased because no stockholder controls a majority of our common stock.

Prior to March 20, 2013, Delek Group Ltd. ("Delek Group") controlled a majority of our common stock but, by December 31, 2013 and December 31, 2014, it controlled only 30.5% and 7.8%, respectively. Our stockholders may from time to time engage in proxy solicitations, advance stockholder proposals or otherwise attempt to effect changes or acquire control over us, and Delek Group's divestitures have increased this risk. Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist stockholders can be costly and time-consuming, disrupting our operations and divert the attention of our Board of Directors and senior management from the pursuit of business strategies. As a result, stockholder campaigns could adversely affect our results of operations, financial condition and cash flows.

Future sales of shares of our common stock could depress the price of our common stock.

The market price of our common stock could decline as a result of the introduction of a large number of shares of our common stock into the market or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Our stockholders may suffer substantial dilution.

We may sell securities in the public or private equity markets if and when conditions are favorable, even if we do not have an immediate need for capital. In addition, if we have an immediate need for capital, we may sell securities in the public or private equity markets even when conditions are not otherwise favorable. Our stockholders will suffer dilution if we issue currently unissued shares of our stock in the future. Our stockholders will also suffer dilution if stock, restricted stock units, restricted stock, stock options, stock appreciation rights, warrants or other equity awards, whether currently outstanding or subsequently granted, are exercised.

We depend upon our subsidiaries for cash to meet our obligations and pay any dividends.

We are a holding company. Our subsidiaries conduct substantially all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or pay dividends to our stockholders depend upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, tax sharing payments or otherwise. Our subsidiaries' ability to make any payments will depend on many factors, including their earnings, cash flows, the terms of their indebtedness, tax considerations and legal restrictions.

We may be unable to pay future regular and/or special dividends in the anticipated amounts and frequency set forth herein.

We will only be able to pay regular and/or special dividends from our available cash on hand and funds received from our subsidiaries. Our ability to receive dividends and other cash payments from our subsidiaries is restricted under the terms of their respective credit facilities. For example, under the terms of their credit facilities, our subsidiaries are subject to certain customary covenants that limit their ability to, subject to certain exceptions as defined in their respective credit agreements, remit cash to, distribute assets to, or make investments in, us as the parent company. Specifically, these covenants limit the payment, in the form of cash or other assets, of dividends or other cash payments to us. The declaration of future regular and/or special dividends on our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our results of operations, financial condition, earnings, capital requirements, restrictions in our debt agreements and legal requirements. Although we currently intend to pay regular quarterly cash dividends on our common stock at an annual rate of $0.60 per share, we cannot provide any assurances that any regular and/or special dividends will be paid in the anticipated amounts and frequency set forth herein, if at all.

Provisions of Delaware law and our organizational documents may discourage takeovers and business combinations that our stockholders may consider in their best interests, which could negatively affect our stock price.

Provisions of Delaware law, our Second Amended and Restated Certificate of Incorporation and our Second Amended and Restated Bylaws may have the effect of delaying or preventing a change in control of our company or deterring tender offers for our common stock that other stockholders may consider in their best interests. For example, our Second Amended and Restated Certificate of Incorporation provides that:

- stockholder actions may only be taken at annual or special meetings of stockholders;
- members of our Board of Directors can be removed with or without cause by a supermajority vote of stockholders;

- the Court of Chancery of the State of Delaware is, with certain exceptions, the exclusive forum for certain legal actions;
- our bylaws, as may be in effect from time to time, can be amended only by a supermajority vote of stockholders; and
- certain provisions of our certificate of incorporation, as may be in effect from time to time, can be amended only by a supermajority vote of stockholders.

In addition, the certificate of incorporation authorizes us to issue up to 10,000,000 shares of preferred stock in one or more different series with terms to be fixed by our Board of Directors. Stockholder approval is not necessary to issue preferred stock in this manner. Issuance of these shares of preferred stock could have the effect of making it more difficult and more expensive for a person or group to acquire control of us and could effectively be used as an anti-takeover device. On the date of this report, no shares of our preferred stock are outstanding.

Finally, our Second Amended and Restated Bylaws provide for an advance notice procedure for stockholders to nominate director candidates for election or to bring business before an annual meeting of stockholders and require that special meetings of stockholders be called only by our chairman of the Board of Directors, president or secretary after written request of a majority of our Board of Directors. The advance notice provision requires disclosure of derivative positions, hedging transactions, short interests, rights to dividends and other similar positions of any stockholder proposing a director nomination, in order to promote full disclosure of such stockholder's economic interest in us.

The anti-takeover provisions of Delaware law and provisions in our organizational documents may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

We are exposed to risks relating to evaluations of internal controls required by Section 404 of Sarbanes-Oxley.

To comply with the management certification and auditor attestation requirements of Section 404 of Sarbanes-Oxley, we are required to evaluate our internal controls systems to allow management to report on, and our independent auditors to audit, our internal controls over financial reporting. During this process, we may identify control deficiencies of varying degrees of severity under applicable SEC and Public Company Accounting Oversight Board rules and regulations that remain unremediated. As a public company, we are required to report, among other things, control deficiencies that constitute a "material weakness" or changes in internal controls that, or are reasonably likely to, materially affect internal controls over financial reporting. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

If we fail to comply with the requirements of Section 404, we may be subject to sanctions or investigation by regulatory authorities such as the SEC or the NYSE. Additionally, failure to comply with Section 404 or the report by us of a material weakness may cause investors to lose confidence in our financial statements and our stock price may be adversely affected. If we fail to remedy any material weakness, our financial statements may be inaccurate, we may face restricted access to the capital markets, and our stock price may decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Refining Segment

The refining segment owns refineries in Tyler, Texas and El Dorado, Arkansas and the land on which these two refineries are located. The Tyler refinery is situated on approximately 100 out of a total of approximately 600 acres of land owned by us. The El Dorado refinery site consists of approximately 460 acres of which the main plant sits on approximately 335 acres. We also own the Helena Pipeline that connects El Dorado, Arkansas to Helena, Arkansas. In Helena, Arkansas, we own the Helena Terminal on the Mississippi River, which can be used for crude oil or finished products. The Helena Assets are currently out of service and will require capital investment to be restored to working order. The refining segment also owns two biodiesel facilities involved in production of biodiesel fuels and related activities. The results of operation of these assets are included in our refining segment. See also "Refining Segment" included in Item 1, Business, of this Annual Report on Form 10-K.

Logistics Segment

The logistics segment owns nine light product distribution terminals, one in each of Nashville and Memphis, Tennessee, Tyler, Big Sandy, San Angelo, Abilene and Mount Pleasant, Texas, and North Little Rock and El Dorado, Arkansas. All of the above properties are located on real property owned by us. The logistics segment also owns the El Dorado Pipeline System, the Magnolia Pipeline System and 600 miles of crude oil gathering lines, which are located in Louisiana and Arkansas. The logistics segment owns the McMurrey Pipeline System, the Nettleton Pipeline, the Tyler-Big Sandy Pipeline, the Paline Pipeline System and the Greenville-Mount Pleasant Pipeline, which are located in Texas. All of the pipeline systems set forth above run across fee owned land, leased land and rights-of-way. The logistics segment also owns storage tanks in El Dorado and North Little Rock, Arkansas and Tyler, Greenville, Big Sandy and Mount Pleasant, Texas and a fleet of 120 trucks and 200 trailers used to transport asphalt and crude oil. See Note 20 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for additional information. See also "Logistics Segment" included in Item 1, Business, of this Annual Report on Form 10-K.

Retail Segment

As of December 31, 2014, the retail segment owned the real estate at 210 company-operated retail fuel and convenience store locations, and leased the real property at 155 company-operated stores. In addition to these stores, we own or lease 14 locations that were either leased or subleased to third-party dealers; and 32 other dealer sites are owned or leased independently by dealers.

The following table summarizes the real estate position of our retail segment as of December 31, 2014.

State	Company Operated Sites	Dealer Sites	Dealer Sites Not Owned Nor Leased By Us	Owned Sites	Leased Sites	Remaining Lease Term <3 Years [1]	Remaining Lease Term >3 Years [1]
Tennessee	197	15	11	117	84	54	30
Alabama	90	15	14	53	38	16	22
Georgia	48	14	7	37	18	7	11
Arkansas	13	2	—	8	7	—	7
Virginia	8	—	—	—	8	7	1
Kentucky	6	—	—	2	3	—	3
Mississippi	3	—	—	2	2	—	2
Total	365	46	32	219	160	84	76

(1) Includes options renewable at our discretion; measured as of December 31, 2014.

Most of our retail fuel and convenience store leases are net leases requiring us to pay taxes, insurance and maintenance costs. Of the leases that expire in less than three years, we anticipate that we will be able to negotiate acceptable extensions of the leases for those locations that we intend to continue operating. We do not believe that any of these leases are individually material. See also "Retail Segment" included in Item 1, Business, of this Annual Report on Form 10-K.

Liens and Encumbrances

The majority of the assets described above are pledged under and encumbered by certain of our debt facilities. See Note 10 of the consolidated financial statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for further information.

Corporate Headquarters

We lease our corporate headquarters at 7102 Commerce Way, Brentwood, Tennessee. The lease is for 54,000 square feet of office space. The lease term expires in April 2022.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including, environmental claims and employee related matters.

Tyler Consent Decree

Following the November 2008 explosion and fire at the Tyler refinery, the EPA conducted an investigation under Section 114 of the Clean Air Act pertaining to our compliance with the chemical accident prevention standards. In late 2011, the EPA referred an enforcement action to the DOJ and in the fourth quarter of 2014, we settled this matter by entering into a Consent Decree. The Consent Decree requires Delek to pay a penalty of $0.5 million and make a minor change to its written inspection procedures.

SEC Investigation

In December 2014, the staff of the SEC advised the Company that a formal order of private investigation had been issued focused on the past restatement of the Company’s financial statements in 2011, the revision of the quarterly information provided in the 2012 Annual Report on Form 10-K and the Company’s internal control over financial reporting. The Company is cooperating fully with the SEC staff’s investigation. The Company cannot predict the scope, timing or outcome of the SEC staff’s investigation at this time.

Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information and Dividends

Our common stock is traded on the New York Stock Exchange under the symbol "DK." The following table sets forth the quarterly high and low sales prices of our common stock for each quarterly period indicated and dividends issued since January 1, 2013:

Period	High Sales Price	Low Sales Price	Regular Dividends Per Common Share	Special Dividends Per Common Share
2013				
First Quarter	$41.47	$24.70	$0.10	$0.10
Second Quarter	$39.80	$27.57	$0.15	$0.10
Third Quarter	$31.53	$20.57	$0.15	$0.10

Fourth Quarter	$34.49	$19.83	$0.15	$0.10
2014				
First Quarter	$35.11	$26.39	$0.15	$0.10
Second Quarter	$34.07	$27.77	$0.15	$0.10
Third Quarter	$36.05	$27.48	$0.15	$0.10
Fourth Quarter	$34.56	$25.15	$0.15	$0.10

The dividends paid in 2014 and 2013 totaled approximately $59.2 million and $57.3 million, respectively. As of the date of this filing, we intend to continue to pay regular quarterly cash dividends on our common stock at the annual rate of $0.60 per share. The declaration and payment of future regular and/or special dividends to holders of our common stock will be at the discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our Board of Directors deems relevant. Except as represented in the table above, we have paid no other cash dividends on our common stock during the two most recent fiscal years.

Holders

As of February 20, 2015, there were approximately seven common stockholders of record. This number does not include beneficial owners of our common stock whose stock is held in nominee or "street" name accounts through brokers.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth information with respect to the purchase of shares of our common stock made during the three months ended December 31, 2014 by or on behalf of us or any “affiliated purchaser,” as defined by Rule 10b-18 of the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]	
October 1 - October 31, 2014	127,205	$31.45	127,205	$54,450,309	
November 1 - November 30, 2014	481,398	31.39	481,398	39,337,351	
December 1 - December 31, 2014	491,057	28.44	491,057	$25,371,753	(2)
Total	1,099,660	$30.08	1,099,660	N/A	

(1) On March 13, 2014, the Company announced that its Board of Directors authorized a share repurchase program for up to $50.0 million of the Company’s common stock. On August 5, 2014, the Board of Directors increased the authorization under the stock repurchase program by $50.0 million to $100.0 million. The share repurchases under the repurchase program were authorized through open market transactions or in privately negotiated transactions, in accordance with applicable securities laws. The timing, price, and size of repurchases was made at the discretion of management and depended on prevailing market prices, general economic and market conditions and other considerations. The repurchase program did not obligate the Company to acquire any particular amount of stock, and the remaining authorization under the repurchase program expired on December 31, 2014.

(2) This amount expired on December 31, 2014 and is not inclusive of the $125.0 million stock repurchase program authorized in 2015. Through February 25, 2015, the 2015 stock repurchase authorization has not been utilized.

Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph and table compare cumulative total returns for our stockholders to the Standard and Poor's 500 Stock Index and a market capitalization weighted peer group selected by management for the five-year period commencing December 31, 2009 and ending December 31, 2014. The graph assumes a $100 investment made on December 31, 2009. Each of the three measures of cumulative total return assumes reinvestment of dividends. The peer group is comprised of Alon USA Energy, Inc. (NYSE: ALJ), CVR Energy, Inc. (NYSE: CVI), HollyFrontier Corporation (NYSE: HFC), Marathon Petroleum Corporation (NYSE: MPC), Phillips 66 (NYSE: PSX), Tesoro Corporation (NYSE: TSO), Valero Energy Corporation (NYSE: VLO) and Western Refining, Inc (NYSE: WNR). The stock performance shown on the graph below is not necessarily indicative of future price performance.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Statement of Operations Data:	(In millions, except share and per share data)				
Net sales	8,324.3	8,706.8	8,726.7	7,198.2	3,755.6
Total operating costs and expenses	7,957.8	8,469.1	8,253.6	6,912.1	3,746.4
Operating income	366.5	237.7	473.1	286.1	9.2
Total non-operating expenses, net	38.9	31.1	45.5	38.3	94.1
Income (loss) before income taxes	327.6	206.6	427.6	247.8	(84.9)
Income tax expense (benefit)	101.6	70.9	151.6	84.7	(5.0)
Net income (loss)	226.0	135.7	276.0	163.1	(79.9)
Net income attributed to non-controlling interest	27.4	18.0	3.2	4.8	—
Net income (loss) attributable to Delek	$198.6	$117.7	$272.8	$158.3	$(79.9)
Basic & diluted earnings per share:					
Basic	$3.38	$1.99	$4.65	$2.80	$(1.47)
Diluted	$3.35	$1.96	$4.57	$2.78	$(1.47)
Weighted average common shares outstanding:					
Basic	58,780,947	59,186,921	58,719,968	56,543,977	54,264,763
Diluted	59,355,120	60,047,138	59,644,798	57,026,864	54,264,763

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:	(In millions)				
Cash and cash equivalents	$444.1	$400.0	$601.7	$225.9	$49.1
Total current assets	1,247.4	1,417.1	1,359.7	1,050.6	299.4
Property, plant and equipment, net	1,448.8	1,273.2	1,124.2	1,053.8	680.1
Total assets	2,891.4	2,840.4	2,623.7	2,230.6	1,144.6
Total current liabilities	857.2	1,080.1	999.1	994.7	292.5
Total debt, including current maturities	589.7	410.3	362.2	432.6	295.8
Total non-current liabilities	835.8	639.9	546.6	582.3	408.8
Total shareholders' equity	1,198.4	1,120.4	1,078.0	653.6	443.3
Total liabilities and shareholders' equity	2,891.4	2,840.4	2,623.7	2,230.6	1,144.6

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

Forward-Looking Statements

This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning our possible future results of operations, business and growth strategies, financing plans, expectations that regulatory developments or other matters will or will not have a material adverse effect on our business or financial condition, our competitive position and the effects of competition, the projected growth of the industry in which we operate, and the benefits and synergies to be obtained from our completed and any future acquisitions, statements of management’s goals and objectives, and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "appears," "projects" and similar expressions, as well as statements in future tense, identify forward-looking statements.

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

- volatility in our refining margins or fuel gross profit as a result of changes in the prices of crude oil, other feedstocks and refined petroleum products;
- reliability of our operating assets;
- competition;
- changes in, or the failure to comply with, the extensive government regulations applicable to our industry segments;
- our ability to execute our strategy of growth through acquisitions and the transactional risks inherent in such acquisitions;
- diminution in value of long-lived assets may result in an impairment in the carrying value of the asset on our balance sheet and a resultant loss recognized in the statement of operations;
- general economic and business conditions, particularly levels of spending relating to travel and tourism or conditions affecting the southeastern United States;
- dependence on one wholesaler for a significant portion of our convenience store merchandise;
- deterioration of creditworthiness or overall financial condition of a material counterparty (or counterparties);
- unanticipated increases in cost or scope of, or significant delays in the completion of, our capital improvement and periodic turnaround projects;
- risks and uncertainties with respect to the quantities and costs of refined petroleum products supplied to our pipelines and/or held in our terminals;
- operating hazards, natural disasters, casualty losses and other matters beyond our control;
- increases in our debt levels or costs;
- changes in our ability to continue to access the credit markets;
- compliance, or failure to comply, with restrictive and financial covenants in our various debt agreements;
- the inability of our subsidiaries to freely make dividends, loans or other cash distributions to us;
- seasonality;

- acts of terrorism aimed at either our facilities or other facilities that could impair our ability to produce or transport refined products or receive feedstocks;
- changes in the cost or availability of transportation for feedstocks and refined products;
- volatility of derivative instruments; and
- other factors discussed under Item 1A, Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and in our other filings with the SEC.

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

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

Executive Summary and Strategic Overview

Business Overview

We are an integrated downstream energy business focused on petroleum refining, the wholesale distribution of refined products and convenience store retailing. Our business consists of three operating segments: (1) refining, (2) logistics, and (3) retail. Our refining segment operates independent refineries in Tyler, Texas and El Dorado, Arkansas with a combined design crude throughput capacity of 140,000 bpd. We are in the process of expanding our Tyler refinery crude throughput capacity by 15,000 bpd (the "Tyler Expansion"). It is expected to be completed in March 2015 and would increase crude throughput capacity to a combined 155,000 bpd. Our logistics segment gathers, transports and stores crude oil and markets, distributes, transports and stores refined products in select regions of the southeastern United States and west Texas for our refining segment, as well as third parties. Our retail segment markets gasoline, diesel, other refined petroleum products and convenience merchandise through a network of 365 company-operated retail fuel and convenience stores located in Alabama, Arkansas, Georgia, Kentucky, Mississippi, Tennessee and Virginia.

Our profitability in the refining segment is substantially determined by the difference between the cost of the crude oil feedstocks we purchase and the price of the refined products we sell, referred to as the "crack spread, refining margin or refined product margin." The cost to acquire feedstocks and the price of the refined petroleum products we ultimately sell from our refineries depend on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined petroleum products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions such as hurricanes or tornadoes, local, domestic and foreign political affairs, global conflict, production levels, the availability of imports, the marketing of competitive fuels and government regulation. Other significant factors that influence our results in the refining segment include operating costs (particularly the cost of natural gas used for fuel and the cost of electricity), seasonal factors, refinery utilization rates and planned or unplanned maintenance activities or turnarounds. Moreover, while the fluctuations in the cost of crude oil are typically reflected in the prices of light refined products, such as gasoline and diesel fuel, the price of other residual products, such as asphalt, coke, carbon black oil and LPG are less likely to move in parallel with crude cost. This causes additional pressure on our realized margin in periods of rising crude oil prices. Alternatively, margins may benefit from these economics during periods of falling crude oil prices.

For our Tyler refinery, we compare our per barrel refined product margin to a well-established industry metric: the Gulf Coast crack spread. The Gulf Coast crack spread is used as a benchmark for measuring a refinery's product margins by measuring the difference between the market price of light products and crude oil. It represents the approximate gross margin resulting from processing one barrel of crude oil into three-fifths of a barrel of gasoline and two-fifths of a barrel of high-sulfur diesel. We calculate the Gulf Coast crack spread using the market value of

U.S. Gulf Coast Pipeline Conventional 87 CBOB and U.S. Gulf Coast Pipeline No. 2 Heating Oil (high sulfur diesel) and the first month futures price of WTI on the NYMEX. U.S. Gulf Coast Pipeline 87 Octane Conventional Gasoline is a grade of gasoline commonly marketed as Regular Unleaded at retail locations. U.S. Gulf Coast Pipeline No. 2 Heating Oil is a petroleum distillate that can be used as either a diesel fuel or a fuel oil. This is the standard by which other distillate products (such as ultra low sulfur diesel) are priced. The NYMEX is the commodities trading exchange where contracts for the future delivery of petroleum products are bought and sold.

We anticipate that the quantities and varieties of crude oil processed and products manufactured at the El Dorado refinery will continue to vary. Therefore, we do not believe that it is possible to develop a reasonable refined product margin benchmark that would accurately portray our refined product margins at the El Dorado refinery.

The cost to acquire the refined fuel products we sell to our wholesale customers in our logistics segment and at our convenience stores in our retail segment depends on numerous factors beyond our control, including the supply of, and demand for, crude oil, gasoline and other refined petroleum products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and government regulation. Our retail merchandise sales are driven by our ability to offer competitive prices on the products we offer, the accessibility of our convenience store locations, our ability to offer a high level of customer service and our ability to effectively promote our convenience brand in the regional markets we serve. Motor fuel margin is defined as gross sales less the delivered cost of fuel and motor fuel taxes, and is measured on a cents per gallon basis. Our motor fuel margins are impacted by local supply, demand, weather, competitor pricing, blending of renewable fuels and product brand.

As part of our overall business strategy, we regularly evaluate opportunities to expand our portfolio of businesses and may at any time be discussing or negotiating a transaction that, if consummated, could have a material effect on our business, financial condition, liquidity or results of operations.

Strategic Accomplishments

Refining Segment

In our refining segment, we have been focused on growing our operations, improving access to cost advantaged crude supplies and adding flexibility within our refining system. By approaching our refining assets as a system, we continually look for ways to take advantage of this connectivity by shipping intermediate products between refineries and managing our crude supply across the system. During 2014, we added crude oil processing flexibility at our El Dorado refinery and moved forward with our plans to expand our Tyler refinery. We also acquired an additional biodiesel plant. We benefited from increased crude production gathered on the SALA gathering system in Arkansas that provides cost advantaged crude to our El Dorado refinery for a portion of its crude needs. Steps were also taken to increase our access to cost advantaged crude supplies from other locations as we have improved our Midland crude supply and gained flexibility to access Cushing crude supplies. In early 2015, these efforts resulted in our Midland crude supply increasing to an average of 97,000 bpd from 87,000 bpd in 2014. In 2015, we will continue to explore ways to increase access to cost advantaged crude in our refining system.

Asset Expansion and Improvements

El Dorado Refinery Turnaround and Expansion

During January and February 2014, we completed a scheduled turnaround and certain other discretionary capital projects at the El Dorado refinery. The refinery was restored to full operational status during the first quarter of 2014. While turnaround work was underway, customer demand was met by a combination of refined product inventory on-hand and from refined products transferred from the Tyler refinery. During the turnaround, the pre-flash tower project to increase light crude capability by 10,000 bpd was completed. Also, the fluid catalytic cracking reactor was replaced. These projects improved operating efficiencies and crude flexibility at the El Dorado refinery, and allow it to achieve crude throughput of up to 80,000 bpd using a light crude slate or medium-sour crude slate depending on refined product and crude oil pricing, while producing an asphalt yield of 10 percent or less.

Tyler Expansion Project and Turnaround

During the first quarter of 2015, we plan to conduct a maintenance turnaround at the Tyler refinery, as well as replace the fluid catalytic cracking reactor. In addition, during the turnaround, we expect to complete a project to expand the crude nameplate capacity at the Tyler refinery by 15,000 bpd to 75,000 bpd. The Tyler Expansion will increase the crude processing unit to 75,000 bpd, the distillate hydrotreating unit to 36,000 bpd and the naphtha hydrotreating unit to 28,000 bpd. This expansion project is expected to cost approximately $70.3 million, of which approximately $50.9 million was spent during 2014. This expansion project is being primarily financed with the $70.0 million term loan under our Wells ABL credit facility.

Acquisitions
Crossett Biodiesel Facility Acquisition

In January 2014, we purchased a biodiesel plant in Crossett, Arkansas (the "Crossett Facility") from Pinnacle Biofuels, Inc. for approximately $11.1 million. The Crossett Facility has a production capacity of approximately 10.0 million gallons per year. The Crossett Facility produced biodiesel exclusively for Delek under a tolling agreement prior to this acquisition.

Logistics Segment
During 2014, we grew our logistics segment through third party acquisitions and the transfer of assets from refining. We completed new agreements with third parties related to the Paline Pipeline in December 2014 that should provide additional growth in 2015. Our strategy in 2015 will continue to focus on growth as we are planning to complete the transfer of logistics assets from our refining segment in first quarter 2015. These assets consist of a crude oil storage tank at the Tyler refinery and rail offloading racks at the El Dorado refinery. In addition, we will continue to explore opportunities to increase our third party business through acquisitions and project development.

Acquisitions

El Dorado Terminal and Tankage Transfer
In February 2014, a subsidiary of Delek Logistics completed the El Dorado Acquisition, whereby it purchased certain storage tanks and the products terminal located at the El Dorado refinery from Lion Oil for approximately $95.9 million in cash. The storage tanks have approximately 2.5 million barrels of aggregate shell capacity and consist of 158 tanks and ancillary assets, including piping and pumps.
The El Dorado Acquisition is considered a transfer of a business between entities under common control. As such, the assets acquired and liabilities assumed were transferred to Delek Logistics at historical basis instead of fair value.
In conjunction with the El Dorado Acquisition, we reclassified certain operating segments. The results of the operation of the assets associated with this acquisition were previously reported as part of our refining segment and are now reported in our logistics segment. The historical results of the operation of these assets have been reclassified to conform to the current presentation.
Mount Pleasant Acquisition
In October 2014, Delek Logistics purchased (i) a light products terminal in Mount Pleasant, Texas (the "Mount Pleasant Terminal"), (ii) a light products storage facility in Greenville, Texas (the "Greenville Storage Facility") and (iii) a 76-mile pipeline connecting the locations (the "Greenville-Mount Pleasant Pipeline"). The Mount Pleasant Terminal, the Greenville Storage Facility and the Greenville-Mount Pleasant Pipeline are hereinafter collectively referred to as the "Greenville-Mount Pleasant Assets." Delek Logistics acquired the Greenville-Mount Pleasant Assets from an affiliate of Magellan Midstream Partners, L.P. to complement our existing assets and provide enhanced logistical capabilities. The Mount Pleasant Terminal consists of approximately 200,000 barrels of light product storage capacity, three truck loading lanes and ethanol blending capability. The Greenville Storage Facility has approximately 325,000 barrels of storage capacity and is connected to the Explorer Pipeline System. The aggregate purchase price was approximately $11.1 million in cash, including $1.1 million in finished product inventory, comprised of cash on hand and borrowings under the DKL Revolver. The purchase price has been preliminarily allocated to inventory and property, plant and equipment. The property, plant and equipment valuation is subject to change during the purchase price allocation period.

Trucking Asset Acquisition

On December 17, 2014, Delek Logistics purchased 100% of the assets of Frank Thompson Transport, Inc. ("FTT"). FTT is a transport company that primarily hauls crude oil and refined products by transport truck. The assets purchased include approximately 120 trucks and 200 trailers (the "FTT Assets"). The aggregate purchase price of the FTT Assets was approximately $11.6 million.

Retail Segment

The retail strategy has been centered around increasing the proportion of large format stores in our portfolio to enhance the value provided to our customers. These large format stores include more fuel pumps, as well as quick service food offerings and a larger merchandise selection inside the store. In addition, we have continued to grow our private label product offerings which reached

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7.8% of revenue, excluding cigarettes, in 2014. Our loyalty program reached over one million registered users in 2014. We have continued to improve our fuel supply flexibility by leveraging our integration with the refining segment to increase the amount of both direct and exchange fuel shipments to our stores. This resulted in more Gulf Coast bulk fuel purchases in our system giving us better access to better pricing for our product.

Construction Initiative

Our new construction initiative remains ongoing, as we continue to build new stores in our core markets. During 2014, we constructed 11 new large-format stores and divested 7 non-strategic locations. As of December 31, 2014, the retail segment operated 365 locations, versus 361 locations in the prior-year period. Of the 365 stores in operation, 216 stores, or approximately 59.2% of the store base, are either reimaged locations or large-format stores. At the end of 2014 there were 64 large-format stores in operation.

Debt Refinancing

DKL Revolver

On December 30, 2014, Delek Logistics amended and restated its senior secured revolving credit agreement, which was originally entered into on November 7, 2012, with Fifth Third Bank, as administrative agent, and a syndicate of lenders (as amended and restated, the "DKL Revolver"). Under the terms of the DKL Revolver, the lender commitments were increased from $400.0 million to $700.0 million. The DKL Revolver also contains an accordion feature whereby Delek Logistics can increase the size of the credit facility to an aggregate of $800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent. While the majority of the terms of the DKL Revolver are substantially unchanged from the predecessor facility, among other things, changes were made to certain negative covenants, the financial covenants and the interest rate pricing grid. The DKL Revolver continues to contain an option for Canadian dollar denominated borrowings. The DKL Revolver matures on December 30, 2019.

Borrowings denominated in U.S. dollars under the DKL Revolver bear interest at either a U.S. dollar prime rate, plus an applicable margin, or the London Interbank Offered Rate ("LIBOR"), plus an applicable margin, at the election of the borrowers. Borrowings denominated in Canadian dollars under the DKL Revolver bear interest at either a Canadian dollar prime rate, plus an applicable margin, or the Canadian Dealer Offered Rate ("CDOR"), plus an applicable margin, at the election of the borrowers. The applicable margin in each case varies based upon Delek Logistics' most recent leverage ratio delivered to the lenders, as called for and defined under the terms of the credit facility.

Return Capital to Shareholders

Dividends

We paid a regular quarterly dividend of $0.15 per share, totaling $0.60 per share, during the year ended December 31, 2014. Further, we paid a quarterly special dividend of $0.10 per share throughout 2014, totaling $0.40 per share. Total dividends declared during the year ended December 31, 2014 equaled $59.2 million, or $1.00 per share.

Stock Repurchase Program

On August 5, 2014, we announced that our Board of Directors had increased the authorization under our common stock repurchase program to $100.0 million. The share repurchases were authorized through open market transactions or in privately negotiated transactions, in accordance with applicable securities laws. The timing, price, and size of repurchases were made at the discretion of management and depended upon prevailing market prices, general economic and market conditions and other considerations. The stock repurchase program did not obligate us to acquire any particular amount of stock, and the unused portion of the authorization under the stock repurchase program expired on December 31, 2014. During the year ended December 31, 2014, we repurchased 2,365,561 shares of common stock under the stock repurchase authorization, for a total expenditure of $74.7 million, or an average price of $31.55 per share, respectively.

In 2015, our Board of Directors approved a new share repurchase authorization for $125.0 million that will expire on December 31, 2015. Shares under the program may be repurchased from time to time in the open market or through privately negotiated transactions, subject to market conditions and other factors.

Market Trends

Our results of operations are significantly affected by fluctuations in the prices of certain commodities, including, but not limited to, crude oil, gasoline, distillate fuel, biofuels and natural gas and electricity, among others. Historically, our profitability has been affected by commodity price volatility, specifically as it relates to the price of crude oil and refined products.

We continue to experience volatility in the energy markets. During 2014, the price of WTI crude oil ranged from a high of $107.26 per barrel to a low of $53.27 per barrel, and the average decreased 5.2% to $92.94 per barrel when compared to 2013. During the fourth quarter of 2014, the average price of WTI crude oil was $73.02 per barrel, compared to $97.55 in the fourth quarter of 2013, falling from $91.16 per barrel at September 30, 2014 to $53.27 per barrel at December 31, 2014. The sharp decline in the price of WTI crude oil in the fourth quarter of 2014 is primarily attributable to market supply/demand imbalance, coupled with OPEC's decision in late 2014 to maintain crude oil production levels despite the imbalance.

The Gulf Coast 5-3-2 crack spread ranged from a daily high of $21.36 per barrel to a low of $(3.91) per barrel in 2014, while the average decreased 25.2% to $13.42 per barrel, versus $17.93 in 2013. The differential between WTI and Brent crude oil averaged $6.51 per barrel in 2014, versus $10.66 per barrel in 2013. This decline in the WTI/Brent crude oil differential contributed to the decline in the Gulf Coast 5-3-2 crack spread in 2014, as Gulf Coast light product prices track Brent crude oil price movements. A change in the WTI/Brent crude oil differential has a direct impact on our profitability. The wholesale cost of refined products further contributed to the decline in the Gulf Coast 5-3-2 crack spread in 2014, with the US Gulf Coast price of gasoline declining 7.4%, from an average of $2.69 in 2013 to $2.49 in 2014 and the US Gulf coast price of High Sulfur Diesel declining 9.76%, from an average of $2.87 in 2013 to $2.59 in 2014.

Our Tyler and El Dorado refineries both continued to have greater access to discounted WTI and WTI-linked crude feedstocks during 2014 compared to certain of our competitors. However, as new pipelines and rail capabilities have increased the ability to ship price-advantaged crude oil supplies in the mid-continent region, we may experience a decline in certain crude oil price differentials. The average differential between WTI and Midland crude oil widened in 2014, to an average of $6.88 per barrel, compared to $2.64 per barrel in 2013. This occurred primarily because of limited ability to ship crude from Midland as production grew. However, in the fourth quarter of 2014, this differential narrowed significantly, from an average of $9.85 per barrel in the third quarter of 2014 to $5.80 in the fourth quarter of 2014, primarily due to the completion of an interconnection project in the Midland area. As these price differentials decrease, so does our competitive advantage created by our access to WTI-linked crude oil.

Environmental regulations continue to affect our margins in the form of the increasing cost of Renewable Identification Numbers ("RINs"). On a consolidated basis, we work to balance our RINs obligations in order to minimize the effect of RINs on our results. While we generate RINs in all three operating segments through our ethanol blending and biodiesel production, our refining segment needs to purchase additional RINs to satisfy its obligations. As a result, increases in the price of RINs can adversely affect our results of operations. The cost of ethanol RINs has fluctuated from an average of $0.60 in 2013 to an average of $0.49 in 2014. The cost of biodiesel RINs fluctuated from an average of $1.11 in 2013 to an average of 0.84 in 2014.

As part of our overall business strategy, management determines the cost to store crude, the pricing of products and whether we should maintain, increase or decrease inventory levels of crude or other intermediate feedstocks based on various factors, including the crude pricing market in the Gulf Coast region, the refined products market in the same region, the relationship between these two markets, our ability to obtain credit with crude vendors, and any other factors which may impact the costs of crude.

Results of Operations

The table below sets forth certain information concerning our consolidated operations:

	Year Ended December 31,		
	2014	2013	2012
Net sales	$8,324.3	$8,706.8	$8,726.7
Operating costs and expenses:			
Cost of goods sold	7,315.2	7,880.7	7,708.2
Operating expenses	398.8	387.4	363.3
General and administrative expenses	133.4	111.2	99.7
Depreciation and amortization	111.5	89.8	82.5
Other operating income, net	(1.1)	—	(0.1)
Total operating costs and expenses	7,957.8	8,469.1	8,253.6
Operating income	366.5	237.7	473.1
Interest expense	40.6	37.7	45.7
Interest income	(0.8)	(0.3)	(0.2)
Other income, net	(0.9)	(6.3)	—
Total non-operating expenses, net	38.9	31.1	45.5
Income before income taxes	327.6	206.6	427.6
Income tax expense	101.6	70.9	151.6
Net income	226.0	135.7	276.0
Net income attributed to non-controlling interest	27.4	18.0	3.2
Net income attributable to Delek	$198.6	$117.7	$272.8

Consolidated Results of Operations — Comparison of the Year Ended December 31, 2014 versus the Year Ended December 31, 2013

We generated net sales of $8,324.3 million and $8,706.8 million during the years ended December 31, 2014 and 2013, respectively, a decrease of $382.5 million, or 4.4%. The decrease in net sales was primarily attributable to decreases in refined product sales prices across all three operating segments, as well as a decrease in sales volumes attributed to our west Texas operations in the logistics segment for 2014, as compared to 2013. These decreases were partially offset by an increase in sales volumes in the refining and retail segments.

Cost of goods sold was $7,315.2 million for the year ended December 31, 2014, compared to $7,880.7 million for 2013, a decrease of $565.5 million, or 7.2%. The decrease in cost of goods sold was primarily due to a decrease in the average cost of refined products in the logistics and retail segments, a decrease in the cost of crude oil in the refining segment and a decrease in sales volumes in the west Texas operations in the logistics segment. These decreases were partially offset by an increase in sales volumes in both the refining and retail segments.

Operating expenses were $398.8 million for the year ended December 31, 2014 compared to $387.4 million in 2013, an increase of $11.4 million, or 2.9%. The increase in operating expenses is primarily attributable to the expenses associated with the operation of the biodiesel facility acquired in January 2014, increases in maintenance costs in the logistics segment and increases in salaries, maintenance and credit expenses, resulting from our continued shift to large-format stores, in the retail segment. These increases were partially offset by decreases in inspection fees, supplies and insurance expenses in the refining segment.

General and administrative expenses were $133.4 million for the year ended December 31, 2014 compared to $111.2 million in 2013, an increase of $22.2 million, or 20.0%. The overall increase was primarily due to increases in payroll related expenses, attributable to company growth, stock-based compensation and incentive expense.

Depreciation and amortization was $111.5 million and $89.8 million for the years ended December 31, 2014 and 2013, respectively, an increase of $21.7 million, or 24.2%. This increase was primarily due to the additional depreciation associated with the assets acquired in 2014, the completion of capital projects in the refining segment and the construction of new large-format stores in the retail segment.

Other operating income for the year ended December 31, 2014 was $1.1 million and primarily related to a condemnation payment associated with one of our retail stores. We did not have any other operating income for 2013.
Interest expense was $40.6 million in the year ended December 31, 2014, compared to $37.7 million for 2013, an increase of $2.9 million, or 7.7%. The increase was primarily attributable to increases in interest costs under our credit facilities due to changes in debt utilization and interest rates thereunder.
Other income was $0.9 million in the year ended December 31, 2014 and was primarily attributable to foreign currency gains and miscellaneous other income. Other income was $6.3 million in 2013 and was primarily attributable to the reversal of litigation accruals due to favorable court rulings.
Income tax expense was $101.6 million and $70.9 million during the years ended December 31, 2014 and 2013, respectively, an increase of $30.7 million. Our effective tax rate was 31.0% for 2014, compared to 34.3% for 2013. The decrease in our effective tax rate for 2014 was primarily due to an increase in certain tax benefits and the actualization of prior-year provision amounts.

Consolidated Results of Operations — Comparison of the Year Ended December 31, 2013 versus the Year Ended December 31, 2012

We generated net sales of $8,706.8 million and $8,726.7 million during the years ended December 31, 2013 and 2012, respectively, a decrease of $19.9 million, or 0.2%. Increased sales volume at both the Tyler and El Dorado refineries and increased sales volumes and pipeline revenue in the logistics segment were more than offset by the elimination of intercompany sales between operating segments.
Cost of goods sold was $7,880.7 million for the year ended December 31, 2013, compared to $7,708.2 million for 2012, an increase of $172.5 million, or 2.2%. The increase in cost of goods sold was primarily due to the increased sales volumes in the refining and logistics segments and increased crude oil prices. These increases were partially offset by a decrease in average fuel costs in the retail segment.
Operating expenses were $387.4 million for the year ended December 31, 2013 compared to $363.3 million in 2012, an increase of $24.1 million, or 6.6%. The increase in operating expenses is primarily attributable to the expenses associated with the operation of the biodiesel facility acquired in 2013, unplanned maintenance activities during the first quarter of 2013 and increased throughput rates at both the Tyler and El Dorado refineries, as well as an increase in advertising expenses associated with our loyalty program in the retail segment.
General and administrative expenses were $111.2 million for the year ended December 31, 2013 compared to $99.7 million in 2012, an increase of $11.5 million, or 11.5%. The overall increase was primarily due to increases in equity-based compensation and payroll related expenses, outside services and legal fees.
Depreciation and amortization was $89.8 million and $82.5 million for the years ended December 31, 2013 and 2012, respectively, an increase of $7.3 million, or 8.8%. This increase was primarily due to the additional depreciation associated with the assets acquired in 2013 and the construction of new large-format stores in the retail segment, partially offset by a decrease in the number of stores operated by the retail segment.
Other operating expenses for the year ended December 31, 2013 included a $1.6 million disposal of certain refining segment assets. This disposal was completely offset by a $1.6 million condemnation payment associated with one of our retail stores. Other operating income for 2012 was $0.1 million and was primarily related to the sale of miscellaneous assets in the retail and refining segments. There were no gains or losses on sales of assets during 2013.
Interest expense was $37.7 million in the year ended December 31, 2013, compared to $45.7 million for the comparable period of 2012, a decrease of $8.0 million, or 17.5%. The decrease was primarily attributable to decreases in our unrealized mark-to-market expenses related to our interest rate swaps, along with decreases in interest costs on our debt resulting from changes in debt utilization and interest rates under our various credit facilities.
Other income was $6.3 million in the year ended December 31, 2013 and was primarily attributable to the reversal of litigation accruals due to favorable court rulings.
Income tax expense was $70.9 million and $151.6 million during the years ended December 31, 2013 and 2012, respectively, a decrease of $80.7 million. Our effective tax rate was 34.3% for 2013, compared to 35.5% for 2012. The decrease in our effective tax rate for 2013 was primarily due to the reduction in taxable income associated with the non-controlling interest in Delek Logistics, which was partially offset by the impact of non-deductible equity-based

compensation paid to our executives.

Operating Segments

In conjunction with the El Dorado Acquisition, we reclassified certain operating segments. The results of the operation of the assets associated with this acquisition were previously reported as part of our refining segment and are now reported in our logistics segment. The historical results of the operation of these assets have been reclassified to conform to the current presentation.

Also, in April 2014, we revised the structure of the internal financial information reviewed by management and began allocating the results of hedging activity previously reported in corporate, other and eliminations to our refining segment and allocated to each refinery based on total throughput. The historical results of this hedging activity have been reclassified to conform to the current presentation. The assets and/or liabilities associated with this hedging activity have not been allocated to the refining segment.

Refining Segment

The table below sets forth certain information concerning our refining segment operations:

	Year Ended December 31,		
	2014	2013	2012
Refining Segment Contribution:			
Net sales	$6,350.5	6,435.8	$6,240.9
Cost of goods sold	5,664.8	5,865.2	5,441.3
Gross Margin	685.7	570.6	799.6
Operating expenses	221.7	223.1	197.7
Contribution margin	$464.0	$347.5	$601.9
Tyler Refinery:			
Days operated in period	365	365	366
Total sales volume (average bpd)(1)	65,263	63,696	61,412
Products manufactured (average bpd):			
Gasoline	35,829	33,791	33,045
Diesel/Jet	25,713	24,374	21,883
Petrochemicals, LPG, NGLs	2,264	2,292	2,268
Other	1,717	1,847	1,989
Total production	65,523	62,304	59,185
Throughput (average bpd):			
Crude oil	58,756	58,327	56,426
Other feedstocks	7,811	4,970	3,450
Total throughput	66,567	63,297	59,876
Per barrel of sales(3):			
Tyler refinery operating margin(4)	$16.71	$13.67	$20.41
Direct operating expenses(5)	$4.41	$4.63	$4.71
El Dorado Refinery:			
Days operated in period	365	365	366
Total sales volume (average bpd)(2)	77,369	74,180	73,709
Products manufactured (average bpd):			
Gasoline	35,960	34,908	33,411
Diesel	27,716	27,097	27,163
Petrochemicals, LPG, NGLs	701	997	1,318
Asphalt	6,024	7,691	6,897
Other	885	949	2,583
Total production	71,286	71,642	71,372
Throughput (average bpd):			
Crude oil	66,723	65,887	65,375
Other feedstocks	6,229	6,872	7,797
Total throughput	72,952	72,759	73,172
Per barrel of sales(3):			
El Dorado refinery operating margin(4)	$9.54	$8.76	$12.54
Direct operating expenses(5)	$3.94	$4.06	$3.40
Pricing statistics (average for the period presented):			
WTI — Cushing crude oil (per barrel)	$92.94	$98.04	$94.19
WTI — Midland crude oil (per barrel)	$86.35	$96.33	$90.12
US Gulf Coast crack spread (per barrel)	$13.42	$17.93	$26.50
US Gulf Coast Unleaded Gasoline (per gallon)	$2.49	$2.69	$2.80
Ultra low sulfur diesel (per gallon)	$2.71	$2.97	$3.05

Natural gas (per MMBTU)	$4.36	$3.73	$2.75

(1) Sales volume includes 1,096 bpd, 1,277 bpd and 774 bpd sold to the logistics segment during the years ended December 31, 2014, 2013 and 2012, respectively. Sales volume also includes sales of 3,324 bpd, 2,696 bpd and 4,518 bpd of intermediate and finished products to the El Dorado refinery and the logistics segment during the years ended December 31, 2014, 2013 and 2012, respectively

(2) Sales volume includes 3,696, 2,720 and 2,958 bpd of produced finished product sold to the retail segment during the years ended December 31, 2014, 2013 and 2012, respectively. Sales volume also includes 1,609 bpd, 936 bpd and 171 bpd of produced finished product sold to the Tyler refinery during the during the years ended December 31, 2014, 2013 and 2012, respectively. Sales volume excludes 13,842 bpd, 20,572 bpd and 11,763 bpd of wholesale activity during the years ended December 31, 2014, 2013 and 2012, respectively.

(3) "Per barrel of sales" information is calculated by dividing the applicable income statement line item (operating margin or operating expenses) by the total barrels sold during the period.

(4) "Operating margin" is defined as refining segment net sales less cost of goods sold.

(5) "Direct operating expenses" are defined as operating expenses attributed to the refining segment.

Refining Segment Operational Comparison of the Year Ended December 31, 2014 versus the Year Ended December 31, 2013

Contribution margin for the refining segment for the year ended December 31, 2014 was $464.0 million, or 76.0% of our consolidated contribution margin, compared to $347.5 million, or 79.2% of our consolidated segment contribution margin, for the year ended December 31, 2013. The increase to the refining segment contribution margin was primarily attributable to the increased margins at the Tyler refinery, as compared to the same period in 2013, partially offset by a slight decline in margins at the El Dorado refinery. The increase in margins at the Tyler refinery primarily resulted from the increased differential between WTI crude oil and Midland crude oil, to an average of $6.88 per barrel in 2014, compared to an average of $2.64 during 2013. This was partially offset by a decline in the benchmark Gulf Coast crack spread to an average of $13.42 per barrel in 2014, compared to an average of $17.93 per barrel during 2013. The decline in the Gulf Coast crack spread was driven by a 5.2% decline in the cost of WTI crude oil, coupled with larger declines in the US Gulf Coast price of gasoline and ULSD of 7.4% and 8.8%, respectively.

Net sales for the refining segment were $6,350.5 million and $6,435.8 million during the years ended December 31, 2014 and 2013, respectively, a decrease of $85.3 million, or 1.3%. The decrease in net sales is primarily due to declines in the average price of U.S. Gulf Coast gasoline, from $2.69 per gallon in 2013 to $2.49 per gallon in 2014, and ULSD, from $2.97 per gallon in 2013 to $2.71 per gallon in 2014. These declines were partially offset by a 3.4% increase in net sales volume at both the Tyler and El Dorado refineries. During the years ended December 31, 2014 and 2013, the refining segment sold $622.1 million and $430.7 million, or 15,881 and 9,502 bpd, respectively, of finished product to the retail and logistics segments. These sales are eliminated in consolidation.

Cost of goods sold for the year ended December 31, 2014 was $5,664.8 million compared to $5,865.2 million for the year ended December 31, 2013, a decrease of $200.4 million, or 3.4%. The decrease in cost of goods sold was primarily a result of hedging gains associated with our hedging program of $128.5 million in 2014, compared to losses of $3.0 million in 2013 and a decrease in the cost of WTI crude oil, from $98.04 per barrel in 2013 to $92.94 per barrel in 2014, partially offset by an 3.4% increase in average daily sales volume across the refining segment.

Our refining segment has multiple service agreements with our logistics segment which, among other things, require the refining segment to pay terminalling and storage fees based on the throughput volume of crude and finished product in the logistics segment pipelines and the volume of crude and finished product stored in the logistics segment storage tanks. These fees were $94.6 million and $57.8 million during the years ended December 31, 2014 and 2013, respectively. We eliminate these intercompany fees in consolidation.

Operating expenses were $221.7 million for the year ended December 31, 2014, compared to $223.1 million in 2013, a decrease of $1.4 million, or 0.6%. The decrease in operating expenses was primarily due to decreases in inspection fees, supplies and insurance expense, partially offset by increases in maintenance expenses associated with environmental spill clean-up costs, a mechanical issue with the Tyler refinery's fluid catalytic cracking reactor and increased expenses associated with the operation of the biodiesel facility acquired in January 2014.

Refining Segment Operational Comparison of the Year Ended December 31, 2013 versus the Year Ended December 31, 2012

Contribution margin for the refining segment for the year ended December 31, 2013 was $347.5 million, or 79.2% of our consolidated contribution margin, compared to $601.9 million, or 91.9% of our consolidated segment contribution margin, for the year ended December 31, 2012. The decrease to the refining segment contribution margin was primarily attributable to the decreased margins at both the Tyler and El Dorado refineries, as compared to the same period in 2012. The decline in margins at both refineries, from a combined $16.12 per barrel sold in 2012 to $11.31 per barrel sold in 2013, primarily resulted from a decline in the benchmark Gulf Coast crack spread to an average of $17.93 per barrel in 2013, compared to an average of $26.50 per barrel during 2012.

Net sales for the refining segment were $6,435.8 million and $6,240.9 million during the years ended December 31, 2013 and 2012, respectively, an increase of $194.9 million, or 3.1%. The increase in net sales is primarily due to a 2.0% increase in net sales volume at both the Tyler and El Dorado refineries, as well as an increase in wholesale activity at the El Dorado refinery. During the years ended December 31, 2013 and 2012, the refining segment sold $430.7 million and $170.1 million, or 9,502 and 3,732 bpd, respectively, of finished product to the retail and logistics segments. These sales are eliminated in consolidation.

Cost of goods sold for the year ended December 31, 2013 was $5,865.2 million compared to $5,441.3 million for the year ended December 31, 2012, an increase of $423.9 million, or 7.8%. The increase in cost of goods sold was primarily due to a 2.0% increase in average daily sales volume across the refining segment, increased crude oil prices and an increase in the wholesale activity at the El Dorado refinery.

Our refining segment has multiple service agreements with our logistics segment which, among other things, require the refining segment to pay terminalling and storage fees based on the throughput volume of crude and finished product in the logistics segment pipelines and the volume of crude and finished product stored in the logistics segment storage tanks. These fees were $57.8 million and $30.0 million during the years ended December 31, 2013 and 2012, respectively. We eliminate these intercompany fees in consolidation.

Operating expenses were $223.1 million for the year ended December 31, 2013, compared to $197.7 million in 2012, an increase of $25.4 million, or 12.8%. The increase in operating expenses was attributable to expenses associated with the operation of the biodiesel facility acquired in January 2013, unplanned maintenance activities during the first quarter of 2013 at both the Tyler and El Dorado refineries and increased throughput rates.

Logistics Segment

The table below sets forth certain information concerning our logistics segment operations:

	Year Ended December 31,		
	2014	2013	2012
Logistics Segment Contribution:			
Net sales	$841.3	907.4	$818.5
Cost of goods sold	697.2	811.3	757.9
Gross Margin	144.1	96.1	60.6
Operating expenses	38.8	35.6	39.4
Contribution margin	$105.3	$60.5	$21.2
Operating Information:			
East Texas - Tyler Refinery sales volumes (average bpd) [(1)]	61,368	58,773	57,574
West Texas wholesale marketing throughputs (average bpd) [(2)]	16,707	18,156	16,523
West Texas wholesale marketing margin per barrel	$4.67	$2.12	$2.56
Terminalling throughputs (average bpd) [(3)]	96,801	75,438	15,420
Throughputs (average bpd):			
Lion Pipeline System:			
Crude pipelines (non-gathered)	47,906	46,515	46,027
Refined products pipelines to Enterprise Systems	53,461	49,694	45,220
SALA Gathering System	22,656	22,152	20,747
East Texas Crude Logistics System	7,361	19,896	55,068

(1) Excludes jet fuel and petroleum coke.

(2) Excludes bulk ethanol and biodiesel.

(3) Consists of terminalling throughputs at our Tyler, Big Sandy and Mount Pleasant, Texas, North Little Rock, Arkansas and Memphis and Nashville, Tennessee terminals. Throughput volumes at the Tyler, Texas terminal are for the period from July 27, 2013 through December 31, 2014. Prior to July 27, 2013, the logistics segment did not record revenue for throughput at the Tyler, Texas terminal. Throughputs for the North Little Rock Terminal are for the period from October 24, 2013 through December 31, 2014. The Big Sandy Terminal had no throughputs for the year ended December 31, 2013, even though it became operational during the year. Throughputs for the Mount Pleasant Terminal are for the 92 days Delek operated the terminal following its acquisition on October 1, 2014. Barrels per day are calculated for only the days we operated each terminal.

Logistics Segment Operational Comparison of the Year Ended December 31, 2014 versus the Year Ended December 31, 2013

Contribution margin for the logistics segment for the year ended December 31, 2014 was $105.3 million, or 17.3% of our consolidated contribution margin, compared to $60.5 million, or 13.8% of our consolidated contribution margin, for the year ended December 31, 2013, an increase of $44.8 million, or 74.0%. The increase in contribution margin was attributable to increased pipeline and transportation revenues during 2014 compared to 2013, primarily due to the effect of the commercial agreements entered into between the logistics segment and the refining segment in connection with the El Dorado Acquisition in February 2014 and the Tyler Acquisition in July 2013. Further contributing to the increase in contribution margin were higher margins achieved in our west Texas operations during 2014, compared to 2013, as a result of a favorable supply/demand balance due to downtime at refineries in the region in the second quarter 2014 and steady margins despite a fall in fuel prices in the fourth quarter 2014.

The logistics segment generated net sales of $841.3 million and $907.4 million during the years ended December 31, 2014 and 2013, respectively, a decrease of $66.1 million, or 7.3%. The decrease was primarily attributable to decreases in sales volume in our west Texas operations due to reduced supply and to the fact that our Abilene terminal was not operational for a portion of the first quarter of 2014. Also contributing to the decrease in our net sales were decreases in the average sales prices per gallon of gasoline and diesel. The average sales price per gallon of gasoline decreased $0.16 during 2014, to $2.57 per gallon from $2.73 per gallon during 2013, while the average sales price per gallon of diesel decreased $0.13 during 2014, to $2.94 per gallon from $3.07 during the 2013. These decreases were partially offset by increases in net sales attributable to the commercial agreements between the logistics and refining segments resulting from the El Dorado Acquisition and the Tyler Acquisition. Net sales included $14.4 million and $13.6 million of net service fees in our east Texas marketing business, paid by our refining segment during 2014 and 2013, respectively. These service fees are based on the number of gallons sold and a shared portion of the margin achieved in return for providing sales and customer support services. Net sales also include crude, intermediate and refined product transportation, terminalling and storage fees paid by our refining segment. These fees were $94.6 million and $57.8 million in 2014 and 2013, respectively. The logistics segment also sold $4.4 million and $6.2 million of RINs, at market prices, to the refining segment during 2014 and 2013, respectively. These intercompany sales and fees are eliminated in consolidation.

Cost of goods sold was $697.2 million for the year ended December 31, 2014, compared to $811.3 million for 2013, a decrease of $114.1 million, or 14.1%. The decrease in cost of goods sold was primarily attributable to decreases in sales volume and in the average cost per barrel sold in our west Texas marketing operations. The average cost per gallon of gasoline decreased $0.20 per gallon during 2014, to $2.50 per gallon from $2.70 per gallon during 2013, while the average cost per gallon of diesel decreased $0.18 per gallon during 2014, to $2.84 per gallon from $3.02 per gallon during 2013.

Operating expenses were $38.8 million for the year ended December 31, 2014 compared to $35.6 million for the comparable period of 2013, an increase of $3.2 million, or 9.0%. The increase in operating expenses was primarily due to increases in maintenance costs during the year ended December 31, 2014 compared to the year ended December 31, 2013.

Logistics Segment Operational Comparison of the Year Ended December 31, 2013 versus the Year Ended December 31, 2012

Contribution margin for the logistics segment for the year ended December 31, 2013 was $60.5 million, or 13.8% of our consolidated contribution margin, compared to $21.2 million, or 3.2% of our consolidated contribution margin, for the year ended December 31, 2012, an increase of $39.3 million, or 185.4%. The increase in contribution margin was attributable to increased pipeline and transportation revenues during 2013 compared to 2012, primarily due to the effect of the commercial agreements entered into between the logistics segment and the refining segment in connection with the DKL Offering, which reflect higher rates for crude oil gathering, crude oil and refined products transportation and storage services as compared to the rates charged prior to the execution of the commercial agreements. Revenue from our pipeline assets is generated by charging fees for services including gathering, transporting and storing crude oil. Cost of goods sold is therefore not incurred on these assets, resulting in inherently higher margins. Also contributing to the increase are revenues associated with the Paline Pipeline System.

The logistics segment generated net sales of $907.4 million and $818.5 million during the years ended December 31, 2013 and 2012, respectively, an increase of $88.9 million, or 10.9%. This increase was primarily attributable to an increase in total sales volume in our west Texas wholesale marketing operations, excluding bulk biofuels, which averaged 18,156 bpd during 2013, compared to 16,569 bpd in 2012. These increases were partially offset by a decline in average sales prices of refined products. Further contributing to the increase in sales was an increase in pipeline revenue, primarily associated with the Paline Pipeline System. Net sales included $13.6 million and $12.6 million of net service fees in our east Texas marketing business, paid by our refining segment during 2013 and 2012, respectively. These service fees are based on the number of gallons sold and a shared portion of the margin achieved in return for providing sales and customer support services. Net sales also include crude, intermediate and refined product transportation, terminalling and storage fees paid by our refining segment. These fees were $57.8 million and $30.0 million in 2013 and 2012, respectively. The logistics segment also sold $6.2 million of RINs, at market prices, to the refining segment during 2013. There were minimal RIN sales during 2012. These intercompany sales and fees are eliminated in consolidation.

Cost of goods sold was $811.3 million for the year ended December 31, 2013, compared to $757.9 million for the comparable period of 2012, an increase of $53.4 million, or 7.0%. The increase in cost of goods sold was primarily attributable to increases in sales volumes in the west Texas wholesale marketing operations.

Operating expenses were $35.6 million for the year ended December 31, 2013 compared to $39.4 million for the comparable period of 2012, a decrease of $3.8 million, or 9.6%. The decrease in operating expenses was primarily due to decreases in maintenance costs in 2013 compared to 2012.

Retail Segment

The table below sets forth certain information concerning our retail segment continuing operations:

	Year Ended December 31,					
	2014		2013		2012	
Retail Segment Contribution:						
Net sales	$1,869.3		1,871.4		$1,877.8	
Cost of goods sold	1,671.5		1,691.3		1,704.6	
Gross Margin	197.8		180.1		173.2	
Operating expenses	136.8		132.5		128.0	
Contribution margin	$61.0		$47.6		$45.2	
Operating Information:						
Number of stores (end of period)	365		361		373	
Average number of stores	363		368		374	
Retail fuel sales (thousands of gallons)	436,895		409,086		404,558	
Average retail gallons per store (based on average number of stores) (thousands of gallons)	1,204		1,112		1,082	
Retail fuel margin ($ per gallon)	$0.190		$0.173		$0.146	
Merchandise sales (in millions)	401.4		381.7		378.2	
Merchandise margin %	28.0	%	28.3	%	29.3	%
Change in same-store retail fuel gallons sold	0.1	%	(1.6	)%	0.4	%
Change in same-store merchandise sales	3.4	%	0.6	%	3.4	%

Retail Segment Operational Comparison of the Year Ended December 31, 2014 versus the Year Ended December 31, 2013

Contribution margin for the retail segment increased to $61.0 million, or 10.0% of our consolidated contribution margin, for the year ended December 31, 2014, versus $47.6 million, or 10.9% of our consolidated contribution margin, for 2013. The increase was primarily due to an increase in fuel margins and volumes in 2014, as compared to 2013, partially offset by an increase in operating expenses. The increase in fuel margins was primarily attributable to increased flexibility to supply fuel to our stores from the rack or directly from Gulf Coast sources, as well as favorable biofuel blending economics during 2014.

Net sales for our retail segment for the year ended December 31, 2014 decreased 0.1% to $1,869.3 million from $1,871.4 million for 2013. This decrease was primarily due to a 5.4% decrease in the retail fuel price per gallon to an average price of $3.17 per gallon for 2014, as compared to an average price of $3.35 per gallon for 2013. The decrease in the retail fuel sales price was partially offset by an increase in retail fuel volumes and an increase in merchandise sales.

Retail fuel sales were 436.9 million gallons for the year ended December 31, 2014, compared to 409.1 million gallons for 2013. Same store retail fuel sales increased 0.1% for 2014, as compared to 2013. Total fuel sales, including wholesale dollars, decreased 1.5% to $1,467.9 million in 2014. These decreases were primarily due to the decrease in the average price per gallon sold, partially offset by the increase in total gallons sold, as noted above.

Merchandise sales increased 5.2% to $401.4 million in the year ended December 31, 2014, compared to $381.7 million in 2013. The increase in merchandise sales was primarily due to an increase in cigarette and other tobacco, dairy, food service and cold dispenser beverage categories, partially offset by declines in the general merchandise and lottery categories. Same store merchandise sales increased 3.4% for 2014, as compared to 2013. This increase was primarily in the cigarette and other tobacco and dairy categories.

Cost of goods sold for our retail segment decreased 1.2% to $1,671.5 million in the year ended December 31, 2014, compared to $1,691.3 million for 2013. This decrease was primarily due to the decrease in the average cost per gallon of 6.3%, for an average cost of $2.98 per gallon in 2014 when compared to an average cost of $3.18 per gallon in 2013, which was partially offset by an increase in fuel volumes.

Operating expenses increased 3.2% to $136.8 million in the year ended December 31, 2014, compared to $132.5 million in 2013. Operating expenses increased primarily due to an increase in salaries, maintenance and credit expenses in 2014, compared to the same period in 2013, resulting from our continued shift to large-format stores.

Retail Segment Operational Comparison of the Year Ended December 31, 2013 versus the Year Ended December 31, 2012

Contribution margin for the retail segment increased to $47.6 million, or 10.9% of our consolidated contribution margin, for the year ended December 31, 2013, versus $45.2 million, or 6.9% of our consolidated contribution margin, for 2012. The increase was primarily due to an increase in fuel margins in 2013, as compared to 2012, partially offset by a decline in merchandise margins. The increase in fuel margins is primarily attributable to decreased wholesale fuel costs, coupled with a less significant drop in retail prices.

Net sales for our retail segment for the year ended December 31, 2013 decreased 0.3% to $1,871.4 million from $1,877.8 million for 2012. This decrease was primarily due to a 2.9% decrease in the retail fuel price per gallon to an average price of $3.35 per gallon for 2013, as compared to an average price of $3.45 per gallon for 2012. The decrease in the retail fuel sales price was partially offset by an increase in retail fuel volumes and an increase in merchandise sales.

Retail fuel sales were 409.1 million gallons for the year ended December 31, 2013, compared to 404.6 million gallons for 2012. Same store retail fuel sales declined by 1.6% for 2013, as compared to 2012. Total fuel sales, including wholesale dollars, decreased 0.7% to $1,489.8 million in 2013. These decreases were primarily due to the decrease in the average price per gallon sold, partially offset by the increase in total gallons sold, as noted above.

Merchandise sales increased 0.9% to $381.7 million in the year ended December 31, 2013, compared to $378.2 million in 2012. The increase in merchandise sales was primarily due to an increase in cigarette and other tobacco, dairy, and candy categories, partially offset by declines in the beer and soft drink categories. Same store merchandise sales increased 0.6% for 2013, as compared to 2012. This increase was primarily in the cigarette, candy and snack categories.

Cost of goods sold for our retail segment decreased 0.8% to $1,691.3 million in the year ended December 31, 2013, compared to $1,704.6 million for 2012. This decrease was primarily due to the decrease in the average cost per gallon of 3.6%, for an average cost of $3.18 per gallon in 2013 when compared to an average cost of $3.30 per gallon in 2012, which was partially offset by an increase in fuel volumes.

Operating expenses increased 3.5% to $132.5 million in the year ended December 31, 2013, compared to $128.0 million for 2012. Operating expenses increased primarily due to an increase in advertising related to our loyalty program in 2013, as well as our continued shift to large-format stores.

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from our operating activities and borrowings under our various credit facilities. We believe that our cash flows from operations and borrowings under or refinancing of our current credit facilities will be sufficient to satisfy the anticipated cash requirements associated with our existing operations, including capital expenditures, for at least the next 12 months.

During 2014, we renegotiated our credit facilities for Delek Logistics, MAPCO Express, Delek US, and Refining, and amended our Lion Oil term loan. Each of these activities extended or enhanced our access to credit or working capital financing.

These various financing arrangements were negotiated at market rates and we believe that the expected cash flows from our operations will be sufficient to satisfy cash requirements related to our various financing arrangements for at least the next 12 months.

Cash Flows

The following table sets forth a summary of our consolidated cash flows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Cash Flow Data:			
Cash flows provided by operating activities	$316.9	$102.5	$462.9
Cash flows used in investing activities	(289.4)	(244.2)	(159.2)
Cash flows provided by (used in) financing activities	16.6	(60.0)	72.1
Net increase (decrease) in cash and cash equivalents	$44.1	$(201.7)	$375.8

Cash Flows from Operating Activities

Net cash provided by operating activities was $316.9 million for the year ended December 31, 2014, compared to $102.5 million for 2013. The increase in cash flows from operations in 2014 compared to 2013 was primarily due to the increase in net income attributable to Holdings for 2014, which was $198.6 million, compared to $117.7 million in 2013, and decreases in inventory and other current assets and accounts receivable, primarily resulting from the sharp decline in crude oil and finished product prices in the fourth quarter of 2014. These were partially offset by decreases in accounts payable and the obligation under our supply and offtake agreement, also due to the decline in prices.

Net cash provided by operating activities was $102.5 million for the year ended December 31, 2013, compared to $462.9 million for 2012. The decrease in cash flows from operations in 2013 compared to 2012 was primarily due to the decrease in net income attributable to Holdings for 2013, which was $117.7 million, compared to $272.8 million in 2012 and increases in inventory and other current assets due to the building of inventory in anticipation of the January 2014 turnaround at the El Dorado refinery, partially offset by an increase in our obligation under the Supply and Offtake Agreement, which allows for the purchase of crude and refined products at the El Dorado refinery.

Cash Flows from Investing Activities

Net cash used in investing activities was $289.4 million for the year ended December 31, 2014, compared to $244.2 million in 2013. This increase was primarily due to an increase in our capital expenditures for 2014, as compared to 2013.

Cash used in investing activities for the year ended December 31, 2014 included our capital expenditures of approximately $256.9 million, of which $201.3 million was spent on projects in the refining segment, $26.2 million was spent in the retail segment, $7.0 million was spent in our logistics segment and $22.4 million was spent at the holding company level.

Net cash used in investing activities was $244.2 million for the year ended December 31, 2013, compared to $159.2 million in 2012. This increase was primarily due to an increase in our capital expenditures for 2013, as compared to 2012.

Cash used in investing activities for the year ended December 31, 2013 included our capital expenditures of approximately $222.3 million, of which $144.3 million was spent on projects in the refining segment, $37.9 million was spent in the retail segment, $5.1 million was spent in our logistics segment and $35.0 million was spent at the holding company level.

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Cash Flows from Financing Activities

Net cash provided by financing activities was $16.6 million for the year ended December 31, 2014, compared to cash used of $60.0 million for 2013. The increase in cash provided by financing activities for 2014 primarily consisted of net borrowings under our revolving credit facilities of $102.5 million in 2014, compared to $71.3 million in 2013 and net borrowings under our term loans of $77.2 million, compared to net repayments of $23.2 million in 2013. The cash provided by these activities was partially offset by an increase in stock repurchases, to $74.7 million in 2014, compared to $37.9 million in 2013.

Net cash used in financing activities was $60.0 million for the year ended December 31, 2013, compared to cash provided of $72.1 million for 2012. The increase in net cash used in financing activities for 2013 primarily consisted of a stock repurchase in March 2013, an increase in our regular dividend rate and the payment of quarterly special dividends throughout 2013, and distributions paid to non-controlling interests in 2013. Cash provided by financing activities in 2012 included proceeds from the DKL Offering.

Cash Position and Indebtedness

As of December 31, 2014, our total cash and cash equivalents were $444.1 million and we had total indebtedness of approximately $589.7 million. Borrowing availability under our four separate revolving credit facilities was approximately $708.5 million and we had letters of credit issued of $102.7 million. We believe we were in compliance with our covenants in all debt facilities as of December 31, 2014.

See Note 10 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a complete discussion of our third-party indebtedness.

Capital Spending

A key component of our long-term strategy is our capital expenditure program. Our capital expenditures for the year ended December 31, 2014 were $256.9 million, of which approximately $201.3 million was spent in our refining segment, $26.2 million in our retail segment, $7 million in our logistics segment and $22.4 million at the holding company level. Our capital expenditure budget is approximately $218.1 million for 2015. The following table summarizes our actual and planned capital expenditures by operating segment and major category (in millions):

	Year Ended December 31,	
	2015 Forecast	2014 Actual
Refining:		
Sustaining maintenance, including turnaround activities	$58.6	$88.1
Regulatory	30.7	6.9
Discretionary projects	74.9	106.3
Refining segment total	164.2	201.3
Logistics:		
Regulatory	2.0	0.5
Maintenance projects	11.7	4.1
Discretionary projects	7.1	2.4
Logistics segment total	20.8	7.0
Retail:		
Sustaining maintenance	9.2	8.3
Growth/profit improvements	4.8	4.7
Retrofit/rebrand/re-image	3.2	1.9
Raze and rebuild/new/land[1]	—	11.3
Retail segment total	17.2	26.2
Corporate & Other		
Growth/profit improvements	8.9	5.3
New builds[1]	7.0	17.1
Other total	15.9	22.4
Total capital spending	$218.1	$256.9

[1] Retail amounts exclude land and building costs on new store construction, which are included at the corporate level.

For the full year 2015, we plan to spend approximately $17.2 million in the retail segment, including $3.2 million to upgrade facilities and enhance our food offerings at existing stores. We spent $1.9 million on these projects in 2014. In addition, we plan to spend $4.8 million on other profit and growth improvements in existing stores in 2015.

We expect to spend approximately $30.7 million on regulatory projects in the refining segment in 2015. We spent $6.9 million on regulatory projects in 2014. In addition, we plan to spend approximately $58.6 million on maintenance projects and approximately $74.9 million for other discretionary projects in 2015. In 2015, we plan to spend $11.7 million on maintenance projects in the logistics segment, $7.1 million on discretionary projects and $2.0 million on regulatory projects. Of the total discretionary forecast for the logistics segment, $2.8 million relates to the addition of two loading lanes at the Tyler Terminal.

The amount of our capital expenditure budget is subject to change due to unanticipated increases in the cost, scope and completion time for our capital projects. For further information, please refer to our discussion in Item 1A, Risk Factors, of this Annual Report on Form 10-K.

Refining Segment

Our capital spending in the refining segment includes both the Tyler and El Dorado refineries.

Tyler, Texas Refinery

The next major turnaround at the Tyler refinery began in January 2015 and is expected to be completed in March 2015. The cost of the Tyler turnaround is estimated to be approximately $42.8 million, of which approximately $33.1 million is included in the 2015 forecast and the remainder was spent in 2014. Other major projects included in forecasted 2015 capital spending at the Tyler refinery are as follows:

- Expansion Project: This project is being completed during the 2015 turnaround and will expand the crude nameplate capacity at the Tyler refinery by 15,000 bpd to 75,000 bpd. This expansion project is expected to cost approximately $70.3 million, of which approximately $50.9 million was spent during 2014.
- Flare Gas Recovery Project: This project will modify the existing flare system to add recovery and scrubbing operations. The cost of this project is estimated to be approximately $31.5 million and we expect to spend $24.7 million on this project in 2015, with the remainder spent in 2014.

El Dorado, Arkansas Refinery

The El Dorado refinery completed a turnaround in February 2014 and the next planned turnaround is scheduled for 2019. The 2015 capital spending forecast for the El Dorado refinery includes $23.4 million in spending for increased crude oil off-take capacity by rail car.

Contractual Obligations and Commitments

Information regarding our known contractual obligations of the types described below as of December 31, 2014, is set forth in the following table (in millions):

	Payments Due by Period				
	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Long term debt, notes payable and capital lease obligations	$56.3	$124.0	$368.8	$40.6	$589.7
Interest(1)	20.5	31.7	21.0	23.7	96.9
Operating lease commitments(2)	20.8	37.5	29.1	64.6	152.0
Purchase commitments(3)	411.3	234.9	—	—	646.2
Transportation agreements(4)	56.3	122.1	119.1	92.8	390.3
Total	$565.2	$550.2	$538.0	$221.7	$1,875.1

(1) Expected interest payments on debt outstanding under credit facilities in place at December 31, 2014. Floating interest rate debt is calculated using December 31, 2014 rates.

(2) Amounts reflect future estimated lease payments under operating leases having remaining non-cancelable terms in excess of one year as of December 31, 2014.

(3) We have supply agreements to secure certain quantities of crude oil, finished product and other resources used in production at both fixed and market prices. We have estimated future payments under the market based agreements using current market rates.

(4) Balances consist of contractual obligations under agreements with third parties for the transportation of crude oil to our refineries.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements through the date of this Annual Report on Form 10-K.

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Critical Accounting Policies and Estimates
The fundamental objective of financial reporting is to provide useful information that allows a reader to comprehend our business activities. We prepare our consolidated financial statements in conformity with GAAP, and in the process of applying these principles, we must make judgments, assumptions and estimates based on the best available information at the time. To aid a reader's understanding, management has identified our critical accounting policies. These policies are considered critical because they are both most important to the portrayal of our financial condition and results, and require our most difficult, subjective or complex judgments. Often they require judgments and estimation about matters which are inherently uncertain and involve measuring at a specific point in time, events which are continuous in nature. Actual results may differ based on the accuracy of the information utilized and subsequent events, some over which we may have little or no control.

LIFO Inventory

The Tyler refinery's inventory consists of crude oil, refined petroleum products and blendstocks which are stated at the lower of cost or market. Cost is determined under the last-in, first-out LIFO valuation method. The LIFO method requires management to make estimates on an interim basis of the anticipated year-end inventory quantities, which could differ from actual quantities.
We believe the accounting estimate related to the establishment of anticipated year-end LIFO inventory is a critical accounting estimate because it requires management to make assumptions about future production rates in the Tyler refinery, the future buying patterns of our customers, as well as numerous other factors beyond our control including the economic viability of the general economy, weather conditions, the availability of imports, the marketing of competitive fuels and government regulation. The impact of changes in actual performance versus these estimates could be material to the inventories reported on our quarterly balance sheets and the results reported in our quarterly statements of income could be material. In selecting assumed inventory levels, we use historical trending of production and sales, recognition of current market indicators of future pricing and value, and new regulatory requirements which might impact inventory levels. Management's assumptions require significant judgment because actual year-end inventory levels have fluctuated in the past and may continue to do so.
At each year-end, actual physical inventory levels are used to calculate both ending inventory balances and final cost of goods sold for the year.

Property, Plant and Equipment and Definite Life Intangibles Impairment
Property, plant and equipment and definite life intangibles are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, we must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. We derive the required undiscounted cash flow estimates from our historical experience and our internal business plans. We use quoted market prices when available and our internal cash flow estimates discounted at an appropriate interest rate to determine fair value, as appropriate. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset.
Property and equipment of retail stores we are closing are written down to their estimated net realizable value at the time we close such stores. Changes in market demographics, competition, economic conditions and other factors can impact the operations of certain locations. Cash flows vary from year to year, and we analyze regional market, division and store operations. As a result, we identified and recorded impairment charges of $0.1 million, $0.6 million and $0.9 million for closed stores in 2014, 2013 and 2012, respectively. Similar changes may occur in the future that will require us to record an impairment charge.

Goodwill and Potential Impairment
Goodwill is reviewed at least annually for impairment or more frequently if indicators of impairment exist. Goodwill is tested by comparing net book value of the operating segments to the estimated fair value of the reporting unit. In

assessing the recoverability of goodwill, assumptions are made with respect to future business conditions and estimated expected future cash flows to determine the fair value of a reporting unit. We use a market participant weighted average cost of capital, estimated minimal growth rates for revenue, gross profit, and capital expenditures based on history and our best estimate of future forecasts. We also estimated the fair values of the reporting units using a multiple of expected future cash flows such as those used by third party analysts. If these estimates and assumptions change in the future due to such factors as a decline in general economic conditions, competitive pressures on sales and margins, and other economic and industry factors beyond management's control, an impairment charge may be required. Our annual assessment of goodwill did not result in impairment during the years ended December 31, 2014, 2013 or 2012. Details of remaining goodwill balances by segment are included in Note 8 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Environmental Liabilities

It is our policy to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and the amount can be reasonably estimated. Environmental liabilities represent the current estimated costs to investigate and remediate contamination at our properties. This estimate is based on internal and third-party assessments of the extent of the contamination, the selected remediation technology and review of applicable environmental regulations. Accruals for estimated costs from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study, and include, but are not limited to, costs to perform remedial actions and costs of machinery and equipment that is dedicated to the remedial actions and that does not have an alternative use. Such accruals are adjusted as further information develops or circumstances change. We discount environmental liabilities to their present value if payments are fixed and determinable. Expenditures for equipment necessary for environmental issues relating to ongoing operations are capitalized. Changes in laws and regulations, the financial condition of state trust funds associated with environmental remediation and actual remediation expenses compared to historical experience could significantly impact our results of operations and financial position. We believe the estimates selected, in each instance, represent our best estimate of future outcomes, but the actual outcomes could differ from the estimates selected.

New Accounting Pronouncements

See Note 2 to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K for a discussion of new accounting pronouncements applicable to us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in commodity prices (mainly crude oil and unleaded gasoline) and interest rates are our primary sources of market risk. When we make the decision to manage our market exposure, our objective is generally to avoid losses from adverse price changes, realizing we will not obtain the gains of beneficial price changes.

Commodity Price Risk

Impact of Changing Prices. Our revenues and cash flows, as well as estimates of future cash flows, are sensitive to changes in energy prices. Major shifts in the cost of crude oil, the prices of refined products and the cost of ethanol can generate large changes in the operating margin in each of our segments.

We maintain, at both company-owned and third-party facilities, inventories of crude oil, feedstocks and refined petroleum products, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. At December 31, 2014 and 2013, we held approximately 2.4 million and 2.3 million barrels, respectively, of crude and product inventories associated with the Tyler refinery valued under the LIFO valuation method with an average cost of $57.17 and $82.19 per barrel, respectively. At December 31, 2014 and 2013, the excess of replacement cost (FIFO) over the carrying value (LIFO) of refinery inventories was $0.3 million and $51.5 million, respectively. We refer to this excess as our LIFO reserve. At December 31, 2014 and 2013, we held approximately 3.9 million and 4.2 million barrels, respectively, of crude and product inventories associated with the El Dorado refinery valued under the FIFO valuation method with an average cost of $66.37 and $97.69 per barrel, respectively. In the year ended December 31, 2014, market prices declined to a level below the average cost of our inventories and we recorded a $50.1 million pre-tax write down of the carrying value of our inventory to the market value. Of the total write down, $35.4 million relates to LIFO inventory, which is subject to reversal in subsequent periods, not to exceed LIFO cost, should market prices recover.

Price Risk Management Activities. At times, we enter into commodity derivative contracts to manage our price exposure to our inventory positions, future purchases of crude oil and ethanol, future sales of refined products or to fix margins on future production. In accordance with ASC 815, Derivatives and Hedging ("ASC 815"), all of these commodity contracts are recorded at fair value, and any change in fair value between periods has historically been recorded in the profit and loss section of our consolidated financial statements, unless, at inception, the company elects to designate the contracts as cash flow hedges under ASC 815. Gains or losses on commodity derivative contracts accounted for as cash flow hedges are recognized in other comprehensive income on the consolidated balance sheets and ultimately, when the forecasted transactions are completed in net sales or cost of goods sold in the consolidated statements of income.

The following table sets forth information relating to our open commodity derivative contracts as of December 31, 2014 ($ in millions).

	Total Outstanding		Notional Contract Volume (barrels) by Year of Maturity		
Contract Description	Market Value	Notional Contract Volume (barrels)	2015	2016	2017
Contracts not designated as hedging instruments:					
Crude oil price swaps - long	$52.4	3,757,250	907,000	2,850,250	—
Inventory, refined product and crack spread swaps - long	(31.5)	1,668,500	1,668,500	—	—
Inventory, refined product and crack spread swaps - short	25.7	1,231,000	1,231,000	—	—
Total	$46.6	6,656,750	3,806,500	2,850,250	—
Contracts designated as cash flow hedging instruments:					
Crude oil price swaps - long	$(38.3)	2,954,400	100,000	—	2,854,400
Inventory, refined product and crack spread swaps - long	(1.5)	270,000	270,000	—	—
Inventory, refined product and crack spread swaps - short	29.5	1,288,000	1,288,000	—	—
Total	$(10.3)	4,512,400	1,658,000	—	2,854,400

Interest Rate Risk

We have market exposure to changes in interest rates relating to our outstanding floating rate borrowings, which totaled $496.5 million as of December 31, 2014. The annualized impact of a hypothetical one percent change in interest rates on our floating rate debt outstanding as of December 31, 2014 would be to change interest expense by $5.0 million.

We help manage this risk through interest rate swap and cap agreements that modify the interest characteristics of our outstanding long-term debt. In accordance with ASC 815, all interest rate hedging instruments are recorded at fair value and any changes in the fair value between periods are recognized in earnings. The fair values of our interest rate swaps and cap agreements are obtained from dealer quotes. These values represent the estimated amount that we would receive or pay to terminate the agreements taking into account the difference between the contract rate of interest and rates currently quoted for agreements, of similar terms and maturities. We expect that any interest rate derivatives held would reduce our exposure to short-term interest rate movements. As of both December 31, 2014 and 2013, we had floating-to-fixed interest rate derivative agreements in place for notional amounts of $205.0 million. The estimated fair value of our interest rate derivative liability was $0.9 million and $2.7 million as of December 31, 2014 and 2013, respectively. In accordance with ASC 815, we recorded an expense representing cash settlements and changes in estimated fair value of the interest rate derivative agreements of $0.4 million, $0.4 million and $2.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are included in interest expense in the accompanying consolidated statements of income.

While we have not elected to apply permitted hedge accounting treatment for these interest rate derivatives in accordance with the provisions of ASC 815 in the past, we may choose to elect that treatment in future transactions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended ("Exchange Act") that are designed to provide reasonable assurance that the information that we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that, because of inherent limitations, our disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded, as of the end of the period covered by this report, that our disclosure controls and procedures were effective at a reasonable assurance level to ensure that the information that we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process that is designed under the supervision of our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

i. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
ii. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures recorded by us are being made only in accordance with authorizations of our management and Board of Directors; and
iii. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management has conducted its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2014, based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing the operational effectiveness of our internal control over financial reporting. Management reviewed the results of the assessment with the Audit Committee of the Board of Directors. Based on its assessment and review with the Audit Committee, management concluded that, at December 31, 2014, we maintained effective internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2014, as stated in their report, which is included in the section beginning on page F-1.

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

From time to time, we make changes to our internal control over financial reporting that are intended to enhance its effectiveness and which do not have a material effect on our overall internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Dividend Declaration

On February 23, 2015, our Board of Directors voted to declare a quarterly cash dividend of $0.15 per share, payable on March 10, 2015 to shareholders of record on March 24, 2015.

2015 Annual Bonus Plan

On February 24, 2015, our Compensation Committee approved an Annual Incentive Plan for the 2015 fiscal year (the “2015 Bonus Plan”). Payment of awards under the 2015 Bonus Plan will primarily be based on the Company’s earnings per share performance for the year ending December 31, 2015 as such may be adjusted by the Compensation Committee for certain non-cash gains or losses (“Adjusted EPS”).

Under the 2015 Bonus Plan, no annual bonuses will be paid to our executive officers unless the Company’s Adjusted EPS for the year ending December 31, 2015 equals or exceeds $1.00. If the Company’s Adjusted EPS equals or exceeds $1.00, the 2015 Bonus Plan is fully funded and the Compensation Committee may further evaluate the Company’s relative performance and exercise downward discretion under the formula below:

- Financial Performance. The Compensation Committee expects to attribute 60% of its evaluation to the Company’s financial performance under a matrix similar to the one used in determining annual bonuses for the fiscal year ended December 31, 2014.
- Refinery Safety. The Compensation Committee expects to attribute 20% of its evaluation, apportioned equally, to each of (i) the Company’s performance in refinery safety as measured by the Company’s total recordable incident rate and (ii) Tier I and II events at company refining facilities under the OSHA Process Safety Management standard.
- Refinery Utilization. The Compensation Committee expects to attribute the remaining 20% of its evaluation to the Company’s performance in refinery utilization as compared to utilization statistics published by the United States Department of Energy and United States Energy Information Administration.

Yemin 2015 Long-Term Incentive Grant

On February 24, 2015, our Compensation Committee approved a long-term incentive award (the “Yemin Grant”) to Ezra Uzi Yemin, our Chief Executive Officer. The Yemin Grant will be made under our 2006 Long-Term Incentive Plan, as amended, on March 10, 2015 and has two components: (i) time-based restricted stock units having a grant date fair value of $1.5 million (the “Time-Based Award”) and (ii) an equal quantity of performance-based shares assuming target performance (the “Performance Award”). The Time-Based Award will vest quarterly in equal amounts through March 10, 2018 (provided the initial installment that would otherwise vest on June 10, 2015, will instead vest on September 10, 2015, simultaneously with the second installment) and is conditioned upon Mr. Yemin’s continued employment at the time of vesting. The Performance Award is subject to a performance period beginning January 1, 2015 and ending December 31, 2017. The Performance Award vests at the end of the performance period and is based solely on our total shareholder return relative to the performance of our peer group as described in our definitive Proxy Statement filed with the SEC on April 7, 2014. Mr. Yemin may earn from 0% to 200% of the Performance Award based on the Company's performance over the course of the performance period.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board Governance Guidelines, our charters for our Audit, Compensation, Nominating and Corporate Governance and Environmental, Health and Safety Committees and our Code of Business Conduct & Ethics covering all employees, including our principal executive officer, principal financial officer, principal accounting officer and controllers, are available on our website, www.DelekUS.com, under the "About Us - Corporate Governance" caption. A copy of any of these documents will be mailed upon request made to Investor Relations, Delek US Holdings, Inc. or ir@delekus.com. We intend to disclose any amendments to or waivers of the Code of Business Conduct & Ethics on behalf of our Chief Executive Officer, Chief Financial Officer and persons performing similar functions on our website, at www.DelekUS.com, under the "Investor Relations" caption, promptly following the date of any such amendment or waiver.

The information required by Item 401 of Regulation S-K regarding directors will be included under "Election of Directors" in the definitive Proxy Statement for our Annual Meeting of Stockholders to be held May 5, 2015 (the "Definitive Proxy Statement"), and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers will be included under "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference. The information required by Item 405 of Regulation S-K will be included under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Definitive Proxy Statement and is incorporated herein by reference. The information required by Item 407(c)(3), (d)(4), and (d)(5) of Regulation S-K will be included under "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K will be included under "Executive Compensation" and "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 201(d) and Item 403 of Regulation S-K will be included under "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in the Definitive Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 404 of Regulation S-K will be included under "Certain Relationships and Related Transactions" in the Definitive Proxy Statement and is incorporated herein by reference.

The information required by Item 407(a) of Regulation S-K will be included under "Election of Directors" and "Corporate Governance" in the Definitive Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Set forth below are the fees paid for the services of Ernst & Young LLP:

	December 31,	
	2014	2013
Audit Fees [1]	$2,010,205	$2,983,285
Audit-related fees [2]	204,862	142,229
Tax fees [3]	124,340	122,630
Total	$2,339,407	$3,248,144

(1) Audit fees consisted of services rendered to us or certain of our subsidiaries. Such audit services include audits of our consolidated financial statements and internal control over financial reporting, reviews of our quarterly financial statements, and audit services provided in connection with our regulatory filings. Fees and expenses are for services in connection with the audit of our fiscal years ended December 31, 2014 and December 31, 2013 regardless of when the fees and expenses were paid.

(2) Fees for audit-related matters billed in 2014 and 2013 primarily consisted of agreed upon procedures related to acquisition due diligence, procedures related to regulatory filings of our parent companies, and consultations on various accounting and reporting areas.

(3) Fees for tax services billed in 2014 and 2013 consisted primarily of consultation on various tax matters related to us and our subsidiaries and certain tax compliance related activities.

The Audit Committee has considered and determined that the provision of non-audit services by our independent registered public accounting firm is compatible with maintaining auditor independence.

Pre-Approval Policies and Procedures. In general, all engagements performed by our independent registered public accounting firm, whether for auditing or non-auditing services, must be pre-approved by the Audit Committee. During 2014, all of the services performed for us by Ernst & Young LLP were pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Certain Documents Filed as Part of this Annual Report on Form 10-K:

1. Financial Statements. The accompanying Index to Financial Statements and Schedule on page F-1 of this Annual Report on Form 10-K is provided in response to this item.
2. List of Financial Statement Schedules:
Schedule I - Condensed financial information of Registrant as of December 31, 2014, 2013 and 2012
3. Exhibits - See below.

EXHIBIT INDEX

Exhibit No.		Description
2.1	^	Stock Purchase Agreement, dated March 17, 2011, by and among Ergon, Inc., Lion Oil Company and Delek US Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on May 4, 2011).
2.2	^	First Amendment, dated April 29, 2011, to Stock Purchase Agreement, dated March 17, 2011, by and among Ergon, Inc., Lion Oil Company and Delek US Holdings, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Form 8-K filed on May 4, 2011).
2.3		Contribution, Conveyance and Assumption Agreement, dated November 7, 2012, by and among Delek Logistics Partners, LP, Delek Logistics GP, LLC, Delek Logistics Operating, LLC, Delek Crude Logistics, LLC, Delek US Holdings, Inc., Delek Marketing & Supply, LLC, Delek Marketing and Supply, LP, Lion Oil Company and Delek Logistics Services Company (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on November 14, 2012).
3.1		Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on August 8, 2013).
3.2		Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on August 7, 2014).
4.1		Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
4.2		Registration Rights Agreement, dated April 17, 2006, by and between Delek US Holdings, Inc. and Delek Group Ltd. (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.1	*	Employment Agreement, dated November 1, 2013, by and between Delek US Holdings, Inc. and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K filed on March 3, 2014).
10.1(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 9, 2013).
10.1(b)	*	Subscription Agreement, dated December 10, 2013, between Delek Logistics GP, LLC and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.1(b) to the Company's Form 10-K filed on March 3, 2014).
10.2	*	Employment Agreement, dated August 7, 2012, by and between Delek US Holdings, Inc. and Donald N. Holmes (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 8, 2012).
10.3	*	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6	*	Delek US Holdings, Inc. 2006 Long-Term Incentive Plan (as amended through May 4, 2010) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 7, 2010).
10.6(a)	*	Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.13(a) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(b)	*	Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(b) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(c)	*	Officer Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(c) to the Company's Registration Statement on Form

		S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(d)	*	Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 6, 2010).
10.6(e)	*	Employee Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 6, 2010).
10.6(f)	*	Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 7, 2014).
10.7		Tyler Throughput and Tankage Agreement, dated July 26, 2013, between Delek Refining, Ltd. and Delek Marketing & Supply, LP (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2013).
10.8		Pipelines and Tankage Agreement, dated November 7, 2012, by and between Delek Refining, Ltd. and Delek Crude Logistics, LLC (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on November 14, 2012).

10.9		Pipelines and Storage Facilities Agreement, dated November 7, 2012, by and among Lion Oil Company, Delek Logistics Partners, LP, SALA Gathering Systems, LLC, El Dorado Pipeline Company, LLC, Magnolia Pipeline Company, LLC and J. Aron & Company (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed on November 14, 2012).
10.10	*	Employment Agreement, dated July 1, 2011, by and between Delek US Holdings, Inc. and Assaf Ginzburg (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 9, 2011).
10.10(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Assaf Ginzburg (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on May 9, 2013).
10.11	*	Employment Agreement, dated as of November 1, 2011, by and between Delek US Holdings, Inc. and Frederec Green (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K filed on March 14, 2012).
10.11(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Frederec Green (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 9, 2013).
10.12		Stock Repurchase Agreement, dated March 12, 2013, between Delek US Holdings, Inc. and Delek Hungary Holding Limited Liability Company (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 18, 2013).
10.13	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Mark B. Cox (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K filed on March 14, 2012).
10.13(a)	*	Separation of Employment / General Release, dated January 18, 2013, by and between Delek US Holdings, Inc. and Mark B. Cox (incorporated by reference to Exhibit 10.15(a) to the Company's Form 10-K filed on March 12, 2013).
10.14	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Harry P. (Pete) Daily (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K filed on March 14, 2012).
10.15	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Kent B. Thomas (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K filed on March 14, 2012).
10.16	‡	Amended and Restated Master Supply and Offtake Agreement, dated December 23, 2013, by and among J. Aron & Company, Lion Oil Company, and Lion Oil Trading & Transportation, LLC (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K/A filed on June 26, 2014).
10.17		Amended and Restated Financing Agreement, dated December 18, 2013, among Lion Oil Company as borrower, certain subsidiaries of Lion Oil Company named therein as guarantors, Bank Hapoalim B.M. as collateral agent and lender, and Israel Discount Bank of New York as lender (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 20, 2013).
10.17(a)		Amendment No. 1 to Amended and Restated Financing Agreement and Amendment No. 1 to Amended and Restated Parent Guaranty, dated June 23, 2014, among Lion Oil Company as borrower, certain subsidiaries of Lion Oil Company named therein as guarantors, Bank of Hapoalim B.M. as collateral agent and lender, Israel Discount Bank of New York as lender and Fifth Third Bank as lender (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on August 7, 2014).
10.18		Amended and restated asset-backed revolving credit agreement dated January 16, 2014 by and between Delek Refining, Ltd. as borrower and a consortium of lenders including Wells Fargo

	Bank, National Association as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 8, 2014).
10.19	El Dorado Throughput and Tankage Agreement, executed as of February 10, 2014, between Lion Oil Company and Delek Logistics Operating LLC, and, for limited purposes, J. Aron & Company (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on February 14, 2014).
10.20	Second Amended and Restated Omnibus Agreement, dated as of February 10, 2014, among Delek US Holdings, Inc., Lion Oil Company, Delek Marketing & Supply, LP, Delek Refining, Ltd., Delek Logistics Partners, LP, Paline Pipeline Company, LLC, SALA Gathering Systems, LLC, Magnolia Pipeline Company, LLC, El Dorado Pipeline Company, LLC, Delek Crude Logistics, LLC, Delek Marketing-Big Sandy, LLC, Delek Logistics Operating, LLC and Delek Logistics GP, LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on February 14, 2014).
10.21	Third Amended and Restated Credit Agreement, dated May 6, 2014, between MAPCO Express, Inc. as borrower, Fifth Third Bank as arranger and administrative agent and a lender, Bank of America, N.A., as co-syndication Agent and a lender, BMO Capital Markets, as joint lead arranger and co-syndication agent, Regions Business Capital, as co-syndication agent and the lenders from time to time parties thereto (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on August 7, 2014).
10.22	Employment letter between Delek US Holdings, Inc. and Mark D. Smith dated April 22, 2014 (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by the Company on August 7, 2014).

10.23		Employment Agreement, dated November 6, 2012, by and between Delek US Holdings, Inc. and Dan L. Gordon (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on November 6, 2014).
10.24		Second Amended and Restated Credit Agreement, dated as of December 30, 2014, among Delek Logistics Partners, LP and each other borrower referenced therein, as borrowers, Fifth Third Bank, as administrative agent, and a syndicate of lenders (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on January 6, 2015).
21.1	§	Subsidiaries of the Registrant
23.1	§	Consent of Ernst & Young LLP
24.1	§	Power of Attorney
31.1	§	Certification of the Company's Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.
31.2	§	Certification of the Company's Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.
32.1	§	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	§	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101		The following materials from Delek US Holdings, Inc.'s Annual Report on Form 10-K for the annual period ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and 2013, (ii) Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012 and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.

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* Management contract or compensatory plan or arrangement.

§ Filed herewith.

^ Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to supplementally furnish a copy of any of the omitted schedules to the United States Securities and Exchange Commission upon request.

‡ Confidential treatment has been requested and granted with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted portions have been filed separately with the United States Securities and Exchange Commission.

Delek US Holdings, Inc.

Consolidated Financial Statements
As of December 31, 2014 and 2013 and
For Each of the Three Years Ended December 31, 2014, 2013 and 2012

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

All other financial schedules are not required under related instructions, or are inapplicable and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Delek US Holdings, Inc.

We have audited Delek US Holdings, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Delek US Holdings Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Delek US Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Delek US Holdings, Inc. and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 26, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Delek US Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Delek US Holdings, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delek US Holdings, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Delek US Holdings, Inc.’s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 26, 2015

Delek US Holdings, Inc.
Consolidated Balance Sheets

	December 31, 2014	2013
	(In millions, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$444.1	$400.0
Accounts receivable	197.0	250.5
Inventory	469.6	672.3
Other current assets	136.7	94.3
Total current assets	1,247.4	1,417.1
Property, plant and equipment:		
Property, plant and equipment	1,958.4	1,678.4
Less: accumulated depreciation	(509.6)	(405.2)
Property, plant and equipment, net	1,448.8	1,273.2
Goodwill	73.9	73.9
Other intangibles, net	16.2	17.4
Other non-current assets	105.1	58.8
Total assets	$2,891.4	$2,840.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$477.0	$602.0
Current portion of long-term debt and capital lease obligations	56.4	33.7
Obligation under Supply and Offtake Agreement	200.9	331.0
Accrued expenses and other current liabilities	122.9	113.4
Total current liabilities	857.2	1,080.1
Non-current liabilities:		
Long-term debt and capital lease obligations, net of current portion	533.3	376.6
Environmental liabilities, net of current portion	8.5	9.2
Asset retirement obligations	9.2	8.5
Deferred tax liabilities	266.3	220.0
Other non-current liabilities	18.5	25.6
Total non-current liabilities	835.8	639.9
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 110,000,000 shares authorized, 60,637,525 shares and 60,229,107 shares issued at December 31, 2014 and 2013, respectively	0.6	0.6
Additional paid-in capital	395.1	384.5
Accumulated other comprehensive loss	(12.6)	(4.0)
Treasury stock, 3,365,561 and 1,000,000 shares, at cost, as of December 31, 2014 and 2013, respectively.	(112.6)	(37.9)
Retained earnings	731.2	591.8
Non-controlling interest in subsidiaries	196.7	185.4
Total stockholders' equity	1,198.4	1,120.4
Total liabilities and stockholders' equity	$2,891.4	$2,840.4

See accompanying notes to the consolidated financial statements

Delek US Holdings, Inc.
Consolidated Statements of Income

	Year Ended December 31,		
	2014	2013	2012
	(In millions, except share and per share data)		
Net sales	$8,324.3	$8,706.8	$8,726.7
Operating costs and expenses:			
Cost of goods sold	7,315.2	7,880.7	7,708.2
Operating expenses	398.8	387.4	363.3
General and administrative expenses	133.4	111.2	99.7
Depreciation and amortization	111.5	89.8	82.5
Other operating income, net	(1.1)	—	(0.1)
Total operating costs and expenses	7,957.8	8,469.1	8,253.6
Operating income	366.5	237.7	473.1
Interest expense	40.6	37.7	45.7
Interest income	(0.8)	(0.3)	(0.2)
Other income, net	(0.9)	(6.3)	—
Total non-operating expenses, net	38.9	31.1	45.5
Income before income taxes	327.6	206.6	427.6
Income tax expense	101.6	70.9	151.6
Net income	226.0	135.7	276.0
Net income attributed to non-controlling interest	27.4	18.0	3.2
Net income attributable to Delek	$198.6	$117.7	$272.8
Basic & diluted earnings per share:			
Basic	$3.38	$1.99	$4.65
Diluted	$3.35	$1.96	$4.57
Weighted average common shares outstanding:			
Basic	58,780,947	59,186,921	58,719,968
Diluted	59,355,120	60,047,138	59,644,798
Dividends declared per common share outstanding	$1.00	$0.95	$0.60

See accompanying notes to the consolidated financial statements

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Delek US Holdings, Inc.
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2014	2013	2012
	(In millions)		
Net income attributable to Delek	$198.6	$117.7	$272.8
Other comprehensive (loss) income:			
Net loss on derivative instruments, net of tax benefit of $4.0, $2.9, and $0.7 for years ended December 31, 2014, 2013 and 2012, respectively, and net of ineffectiveness of $6.3, $(2.5) and $(0.8) for the years ended December 31, 2014, 2013 and 2012, respectively.	(8.3)	(4.4)	(1.4)
Foreign currency translation	(0.3)	—	—
Comprehensive income	$190.0	$113.3	$271.4

See accompanying notes to the consolidated financial statements

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Delek US Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount				Shares	Amount		
	(In millions, except share and per share data)								
Balance at December 31, 2011	58,036,427	$0.6	$356.9	$ 1.8	$294.1	—	$—	$ 0.2	$ 653.6
Net income	—	—	—	—	272.8	—	—	3.2	276.0
Unrealized loss on cash flow hedges, net of deferred income tax benefit of $0.7 million and ineffectiveness of $(0.8) million	—	—	—	(1.4)	—	—	—	—	(1.4)
Common stock dividends ($0.60 per share)	—	—	—	—	(35.5)	—	—	—	(35.5)
Equity-based compensation expense	—	—	6.1	—	—	—	—	0.1	6.2
Net proceeds from issuance of common units - Delek Logistics	—	—	—	—	—	—	—	175.5	175.5
Acquisition of non-controlling interest in subsidiaries	—	—	(3.8)	—	—	—	—	(0.3)	(4.1)
Income tax benefit of equity-based compensation expense	—	—	9.2	—	—	—	—	—	9.2
Taxes paid due to the net settlement of equity-based compensation	—	—	(8.2)	—	—	—	—	—	(8.2)
Exercise of equity-based awards	1,583,121	—	6.7	—	—	—	—	—	6.7
Balance at December 31, 2012	59,619,548	$0.6	$366.9	$ 0.4	$531.4	—	$—	$ 178.7	$ 1,078.0

Delek US Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount				Shares	Amount		
	(In millions, except share and per share data)								
Balance at December 31, 2012	59,619,548	$0.6	$366.9	$ 0.4	$531.4	—	$—	$ 178.7	$ 1,078.0
Net income	—	—	—	—	117.7	—	—	18.0	135.7
Unrealized loss on cash flow hedges, net of deferred income tax benefit of $2.9 million and ineffectiveness of $(2.5) million	—	—	—	(4.4)	—	—	—	—	(4.4)
Common stock dividends ($0.95 per share)	—	—	—	—	(57.3)	—	—	—	(57.3)
Equity-based compensation expense	—	—	13.1	—	—	—	—	1.9	15.0
Distribution to non-controlling interest	—	—	—	—	—	—	—	(13.2)	(13.2)
Purchase of common stock	—	—	—	—	—	(1,000,000)	(37.9)	—	(37.9)
Income tax benefit of equity-based compensation expense	—	—	5.9	—	—	—	—	—	5.9
Taxes paid due to the net settlement of equity-based compensation	—	—	(2.5)	—	—	—	—	—	(2.5)
Exercise of equity-based awards	609,559	—	1.1	—	—	—	—	—	1.1
Balance at December 31, 2013	60,229,107	$0.6	$384.5	$ (4.0)	$591.8	(1,000,000)	$(37.9)	$ 185.4	$ 1,120.4

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Delek US Holdings, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		Non-Controlling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount				Shares	Amount		
	(In millions, except share and per share data)								
Balance at December 31, 2013	60,229,107	$0.6	$384.5	$ (4.0)	$591.8	(1,000,000)	$(37.9)	$ 185.4	$ 1,120.4
Net income	—	—	—	—	198.6	—	—	27.4	226.0
Unrealized loss on cash flow hedges, net of deferred income tax benefit of $4.0 million and ineffectiveness of $6.3 million	—	—	—	(8.3)	—	—	—	—	(8.3)
Common stock dividends ($1.00 per share)	—	—	—	—	(59.2)	—	—	—	(59.2)
Equity-based compensation expense	—	—	12.9	—	—	—	—	1.0	13.9
Distribution to non-controlling interest	—	—	—	—	—	—	—	(17.1)	(17.1)
Purchase of common stock	—	—	—	—	—	(2,365,561)	(74.7)	—	(74.7)
Income tax benefit from equity-based compensation expense	—	—	1.8	—	—	—	—	—	1.8
Taxes paid due to the net settlement of equity-based compensation	—	—	(5.2)	—	—	—	—	—	(5.2)
Exercise of equity-based awards	408,418	—	1.1	—	—	—	—	—	1.1
Foreign currency translation	—	—	—	(0.3)	—	—	—	—	(0.3)
Balance at December 31, 2014	60,637,525	$0.6	$395.1	$ (12.6)	$731.2	(3,365,561)	$(112.6)	$ 196.7	$ 1,198.4

See accompanying notes to the consolidated financial statements

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Delek US Holdings, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:	(In millions, except per share data)		
Net income	$226.0	$135.7	$276.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	111.5	89.8	82.5
Amortization of deferred financing costs	4.6	6.5	4.7
Accretion of asset retirement obligations	0.6	0.6	0.8
Amortization of unfavorable contract liability	(2.7)	(2.6)	(0.7)
Deferred income taxes	38.8	44.8	25.2
(Gain) loss on disposal of assets	(1.1)	1.6	(0.1)
Equity-based compensation expense	13.9	15.0	6.2
Income tax benefit of equity-based compensation	(1.8)	(5.9)	(9.2)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	55.4	5.8	20.5
Inventories and other current assets	217.0	(252.6)	43.5
Market value of derivatives	(59.9)	(8.8)	1.1
Accounts payable and other current liabilities	(117.3)	50.3	39.3
Obligation under Supply and Offtake Agreement	(130.1)	45.8	(13.4)
Non-current assets and liabilities, net	(38.0)	(23.5)	(13.5)
Net cash provided by operating activities	316.9	102.5	462.9
Cash flows from investing activities:			
Business combinations	(33.8)	(23.2)	(23.3)
Purchase of non-controlling interest in subsidiaries	—	—	(4.1)
Purchases of property, plant and equipment	(256.9)	(222.3)	(132.0)
Proceeds from sales of assets	1.3	1.3	0.2
Net cash used in investing activities	(289.4)	(244.2)	(159.2)
Cash flows from financing activities:			
Proceeds from long-term revolvers	1,097.7	735.2	713.6
Payments on long-term revolvers	(995.2)	(663.9)	(650.3)
Proceeds from term debt	107.4	70.9	9.3
Payments on term debt and capital lease obligations	(30.2)	(94.1)	(76.5)
Payments of notes payable to related party	—	—	(66.5)
Proceeds from exercise of stock options	1.1	1.1	6.7
Proceeds from issuance of common units - Delek Logistics	—	—	175.5
Taxes paid due to the net settlement of equity-based compensation	(5.2)	(2.5)	(8.2)
Income tax benefit of equity-based compensation	1.8	5.9	9.2
Repurchase of common stock	(74.7)	(37.9)	—
Distribution to non-controlling interest	(17.1)	(13.2)	—
Dividends paid	(59.2)	(57.3)	(35.5)
Deferred financing costs paid	(9.8)	(4.2)	(5.2)
Net cash provided by (used in) financing activities	16.6	(60.0)	72.1
Net increase (decrease) in cash and cash equivalents	44.1	(201.7)	375.8
Cash and cash equivalents at the beginning of the period	400.0	601.7	225.9
Cash and cash equivalents at the end of the period	$444.1	$400.0	$601.7

Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest, net of capitalized interest of $1.5 million, $1.0 million and $0.3 million in the 2014, 2013 and 2012, respectively.	$37.1	$31.3	$40.7
Income taxes	$111.7	$73.7	$111.3

See accompanying notes to the consolidated financial statements

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Delek US Holdings, Inc.
Notes to Consolidated Financial Statements
1. General
Delek US Holdings, Inc. is the sole shareholder or owner of membership interests of Delek Refining, Inc. ("Refining"), Delek Finance, Inc., Delek Marketing & Supply, LLC, Lion Oil Company ("Lion Oil"), Delek Renewables, LLC, Delek Rail Logistics, Inc., Delek Logistics Services Company, MAPCO Express, Inc. ("MAPCO Express"), MAPCO Fleet, Inc., NTI Investments, LLC, GDK Bearpaw, LLC, Delek Helena, LLC, Commerce Way Insurance Company, Inc., Delek Land Holdings, LLC and Delek Transportation, LLC. Unless otherwise indicated or the context requires otherwise, the terms "we," "our," "us," "Delek" and the "Company" are used in this report to refer to Delek US Holdings, Inc. and its consolidated subsidiaries. Delek is listed on the New York Stock Exchange under the symbol "DK."

2. Accounting Policies

Basis of Presentation
Our consolidated financial statements include the accounts of Delek and its subsidiaries. All significant intercompany transactions and account balances have been eliminated in consolidation. We have evaluated subsequent events through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in our financial statements.
Our consolidated financial statements include Delek Logistics Partners, LP ("Delek Logistics"), a variable interest entity. As the general partner of Delek Logistics, we have the sole ability to direct the activities of Delek Logistics that most significantly impact its economic performance. We are also considered to be the primary beneficiary for accounting purposes and are Delek Logistics' primary customer. As Delek Logistics does not derive a significant amount of gross margin from third parties, there is limited risk to Delek associated with Delek Logistics' operations. However, in the event that Delek Logistics incurs a loss, our operating results will reflect Delek Logistics' loss, net of intercompany eliminations, to the extent of our ownership interest in Delek Logistics.
The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain prior period amounts have been reclassified in order to conform to the current year presentation. For example, our December 31, 2013 balance sheet has been adjusted to increase goodwill by $1.2 million, offset by a corresponding decrease to property, plant and equipment, due to the finalization of the purchase price allocation of our Hopewell Pipeline (as defined in Note 4 below). These reclassifications had no effect on net income or shareholders' equity as previously reported.

Segment Reporting
Delek is a diversified energy business focused on petroleum refining, wholesale sales of refined products and retail marketing. Management views operating results in primarily three segments: refining, logistics and retail. As of December 31, 2014, the refining segment operated high conversion, independent refineries in Tyler, Texas (the "Tyler refinery") and El Dorado, Arkansas (the "El Dorado refinery") and biodiesel facilities in Cleburne, Texas and Crossett, Arkansas. The logistics segment owns and operates crude oil and refined products logistics and marketing assets. The retail segment markets gasoline, diesel and other refined petroleum products, and convenience merchandise through a network of 365 company-operated retail fuel and convenience stores. Segment reporting is more fully discussed in Note 12.

Cash and Cash Equivalents

Delek maintains cash and cash equivalents in accounts with large, multi-national financial institutions and retains nominal amounts of cash at the convenience store locations as petty cash. All highly liquid investments purchased with a term of three months or less are considered to be cash equivalents. As of December 31, 2014 and 2013, these cash equivalents consisted primarily of bank certificates of deposit and bank money market accounts, as well as overnight investments in U.S. Government obligations and bank repurchase obligations collateralized by U.S. Government obligations.

Accounts Receivable

Accounts receivable primarily consists of receivables related to credit card sales, receivables from vendor promotions and trade receivables generated in the ordinary course of business. Delek recorded an allowance for doubtful accounts related to trade receivables of a nominal amount as of both December 31, 2014 and 2013, respectively.

No customer accounted for more than 10% of our consolidated accounts receivable balance as of December 31, 2014 or 2013. No customers accounted for more than 10% of consolidated net sales for the years ended December 31, 2014, 2013 or 2012.

Inventory

Refinery inventory consists of crude oil, refined products and blendstocks which are stated at the lower of cost or market. Inventory cost at the Tyler refinery is determined under the last-in, first-out ("LIFO") valuation method. Cost of crude oil, refined product and blendstock inventories in excess of market value are charged to cost of goods sold. Such changes are subject to reversal in subsequent periods, not to exceed LIFO cost, if prices recover. Inventory costs at the El Dorado refinery are stated at the lower of cost or market on a first-in, first-out ("FIFO") basis.

Logistics inventory consists of refined products which are stated at the lower of cost or market on a FIFO basis.

Retail merchandise inventory consists of gasoline, diesel fuel, other petroleum products, cigarettes, beer, convenience merchandise and food service merchandise. Fuel inventories are stated at the lower of cost or market on a FIFO basis. Non-fuel inventories are stated at estimated cost as determined by the retail inventory method.

One vendor in the refining segment and a second vendor used by both the refining and retail segments accounted for a total of 32.9%, 25.0% and 24.2% of our consolidated inventory purchases during the years ended December 31, 2014, 2013 and 2012, respectively.

Property, Plant and Equipment

Assets acquired by Delek in conjunction with acquisitions are recorded at estimated fair market value in accordance with the purchase method of accounting as prescribed in Accounting Standards Codification ("ASC") 805, Business Combinations ("ASC 805"). Other acquisitions of property and equipment are carried at cost. Betterments, renewals and extraordinary repairs that extend the life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. Delek owns certain fixed assets on leased locations and depreciates these assets and asset improvements over the lesser of management's estimated useful lives of the assets or the remaining lease term.

Depreciation is computed using the straight-line method over management's estimated useful lives of the related assets, which are as follows:

	Years
Automobiles	3-5
Computer equipment and software	3-10
Refinery turnaround costs	4-5
Furniture and fixtures	5-15
Asset retirement obligation assets	15-50
Refinery machinery and equipment	5-40
Pipelines and terminals	15-40
Retail store equipment and site improvements	7-30
Building and building improvements	15-40

Other Intangible Assets
Delek has intangible assets consisting of long-term supply contracts, non-compete agreements, trademarks, capacity contracts and rights of way. We amortize the definite-lived intangible assets on straight-line bases over the estimated useful lives of three to 11.5 years. The amortization expense is included in depreciation and amortization on the accompanying consolidated statements of income.

Property, Plant and Equipment and Other Intangibles Impairment
Property, plant and equipment and definite life intangibles are evaluated for impairment whenever indicators of impairment exist. In accordance with ASC 360 and ASC 350, Intangibles - Goodwill and Other, Delek evaluates the realizability of these long-lived assets as events occur that might indicate potential impairment. In doing so, Delek assesses whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized based on the fair value of the asset.
Property and equipment of retail stores identified for closing are written down to their estimated net realizable value at the time such stores are closed. Delek analyzes regional market, division and store operations for changes in market demographics, competition, economic conditions and other factors, including the variability of cash flow. As a result, we identified and recorded impairment charges of $0.1 million, $0.6 million and $0.9 million for closed stores in 2014, 2013 and 2012, respectively. Similar changes may occur in the future that will require us to record an impairment charge.

Capitalized Interest
Delek capitalizes interest on capital projects associated with the refining segment and with the construction related to the new "prototype" stores being built in the retail segment. For the years ended December 31, 2014, 2013 and 2012, interest of $1.5 million, $1.0 million and $0.3 million, respectively, was capitalized relating to these projects.

Refinery Turnaround Costs
Refinery turnaround costs are incurred in connection with planned shutdowns and inspections of the Tyler and El Dorado refineries' major units to perform necessary repairs and replacements. Refinery turnaround costs are deferred when incurred, classified as property, plant and equipment and amortized on a straight-line basis over that period of time estimated to lapse until the next planned turnaround occurs. Refinery turnaround costs include, among other things, the cost to repair, restore, refurbish or replace refinery equipment such as vessels, tanks, reactors, piping, rotating equipment, instrumentation, electrical equipment, heat exchangers and fired heaters.

Goodwill and Potential Impairment

Goodwill in an acquisition represents the excess of the aggregate purchase price over the fair value of the identifiable net assets. Delek's goodwill, all of which was acquired in various purchase business combinations, is recorded at original fair value and is not amortized. Goodwill is subject to annual assessment to determine if an impairment of value has occurred and Delek performs this review annually in the fourth quarter. We could also be required to evaluate our goodwill if, prior to our annual assessment, we experience disruptions in our business, have unexpected significant declines in operating results, or sustain a permanent market capitalization decline. If a reporting unit's carrying amount exceeds its fair value, the impairment assessment leads to the testing of the implied fair value of the reporting unit's goodwill to its carrying amount. If the implied fair value is less than the carrying amount, a goodwill impairment charge is recorded. Our annual assessment of goodwill did not result in impairment during the years ended December 31, 2014, 2013 or 2012.

Derivatives

Delek records all derivative financial instruments, including interest rate swap and cap agreements, fuel-related derivatives, over the counter ("OTC") future swaps and forward contracts at estimated fair value in accordance with the provisions of ASC 815, Derivatives and Hedging ("ASC 815"). Changes in the fair value of the derivative instruments are recognized in operations, unless we elect to apply the hedging treatment permitted under the provisions of ASC 815 allowing such changes to be classified as other comprehensive income. We validate the fair value of all derivative financial instruments on a periodic basis, utilizing valuations from third party financial and brokerage institutions. On a regular basis, Delek enters into commodity contracts with counterparties for crude oil, blendstocks, and various finished products. These contracts usually qualify for the normal purchase / normal sale exemption under the standard and, as such, are not measured at fair value.

Delek's policy under the guidance of ASC 815-10-45, Derivatives and Hedging - Other Presentation Matters ("ASC 815-10-45"), is to net the fair value amounts recognized for multiple derivative instruments executed with the same counterparty and offset these values against the cash collateral arising from these derivative positions.

Fair Value of Financial Instruments

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

Delek applies the provisions of ASC 820, Fair Value Measurements and Disclosure ("ASC 820") in its presentation and disclosures regarding fair value, which pertain to certain financial assets and liabilities measured at fair value in the balance sheet on a recurring basis. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about such measurements that are permitted or required under other accounting pronouncements. See Note 13 for further discussion.

Delek also applies the provisions of ASC 825 as it pertains to the fair value option. This standard permits the election to carry financial instruments and certain other items similar to financial instruments at fair value on the balance sheet, with all changes in fair value reported in earnings. By electing the fair value option in conjunction with a derivative, an entity can achieve an accounting result similar to a fair value hedge without having to comply with complex hedge accounting rules. As of December 31, 2014 or 2013, we did not make the fair value election for any financial instruments not already carried at fair value in accordance with other standards.

Self-Insurance Reserves

Delek is primarily self-insured for workers' compensation and general liability costs, with varying limits of per claim and aggregate stop loss insurance coverage that management considers adequate. We maintain an accrual for these costs based on claims filed and an estimate of claims incurred but not reported. Differences between actual settlements and recorded accruals are recorded in the period identified.

Vendor Discounts and Deferred Revenue

Delek receives cash discounts or cash payments from certain vendors related to product promotions based upon factors such as quantities purchased, quantities sold, merchandise exclusivity, store space and various other factors. In accordance with ASC 605-50, Revenue Recognition - Customer Payments and Incentives, we recognize these amounts as a reduction of inventory until the products are sold, at which time the amounts are reflected as a reduction in cost of goods sold. Certain of these amounts are received from vendors related to agreements covering several periods. These amounts are initially recorded as deferred revenue, are reclassified as a reduction in inventory over the period the products are received, and are subsequently recognized as a reduction of cost of goods sold as the products are sold.

Delek also receives advance payments from certain vendors relating to non-inventory agreements. These amounts are recorded as deferred revenue and are subsequently recognized as a reduction of cost of goods sold as earned.

Environmental Expenditures

It is Delek's policy to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and the amount can be reasonably estimated. Environmental liabilities represent the current estimated costs to investigate and remediate contamination at our properties. This estimate is based on internal and third-party assessments of the extent of the contamination, the selected remediation technology and review of applicable environmental regulations, typically considering estimated activities and costs for the next 15 years, unless a specific longer range estimate is practicable. Accruals for estimated costs from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study and include, but are not limited to, costs to perform remedial actions and costs of machinery and equipment that are dedicated to the remedial actions and that does not have an alternative use. Such accruals are adjusted as further information develops or circumstances change. We discount environmental liabilities to their present value if payments are fixed and determinable. Expenditures for equipment necessary for environmental issues relating to ongoing operations are capitalized.

Asset Retirement Obligations

Delek recognizes liabilities which represent the fair value of a legal obligation to perform asset retirement activities, including those that are conditional on a future event, when the amount can be reasonably estimated. In the retail segment, these obligations relate to the net present value of estimated costs to remove underground storage tanks at owned and leased retail sites which are legally required under the applicable leases. The asset retirement obligation for storage tank removal on leased retail sites is being accreted over the expected life of the owned retail site or the average retail site lease term. In the refining segment, these obligations relate to the required disposal of waste in certain storage tanks, asbestos abatement at an identified location and other estimated costs that would be legally required upon final closure of the Tyler and El Dorado refineries. In the logistics segment, these obligations related to the required cleanout of the pipeline and terminal tanks, and removal of certain above-grade portions of the pipeline situated on right-of-way property.

The reconciliation of the beginning and ending carrying amounts of asset retirement obligations is as follows (in millions):

	December 31,	
	2014	2013
Beginning balance	$8.5	$8.3
Liabilities identified	0.2	0.2
Liabilities settled	(0.1)	(0.6)
Accretion expense	0.6	0.6
Ending balance	$9.2	$8.5

In order to determine fair value, management must make certain estimates and assumptions including, among other things, projected cash flows, a credit-adjusted risk-free rate and an assessment of market conditions that could significantly impact the estimated fair value of the asset retirement obligations.

Revenue Recognition

Revenues for products sold are recorded at the point of sale upon delivery of product, which is the point at which title to the product is transferred, and when payment has either been received or collection is reasonably assured.

Delek derives service revenue from the sale of lottery tickets, money orders, car washes and other ancillary product and service offerings. Service revenue and related costs are recorded at gross amounts and net amounts, as appropriate, in accordance with the provisions of ASC 605-45, Revenue Recognition - Principal Agent Considerations ("ASC 605-45"). We record service revenue and related costs at gross amounts when Delek is the primary obligor, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, influences product or service specifications, or has several but not all of these indicators. When Delek is not the primary obligor and does not possess other indicators of gross reporting as discussed previously, we record net service revenue.

Cost of Goods Sold and Operating Expenses

For the retail segment, cost of goods sold comprises the costs of specific products sold. Operating expenses include costs such as wages of employees at the stores, lease expense for the stores, utility expense for the stores and other costs of operating the stores. For the refining segment, cost of goods sold includes all the costs of crude oil, feedstocks and external costs. Operating expenses include the costs associated with the actual operations of the Tyler and El Dorado refineries and biodiesel facilities. For the logistics segment, cost of goods sold includes all costs of refined products, additives and related transportation. Operating expenses include the costs associated with the actual operation of owned terminals, terminalling expense at third-party locations and pipeline maintenance costs.

Sales, Use and Excise Taxes

Delek's policy is to exclude sales, use and excise taxes from revenue when we are an agent of the taxing authority, in accordance with ASC 605-45.

Deferred Financing Costs

Deferred financing costs are included in other non-current assets in the accompanying consolidated balance sheets and represent expenses related to issuing our long-term debt and obtaining our lines of credit. These amounts are amortized ratably over the remaining term of the respective financing and are included in interest expense. See Note 10 for further information.

Advertising Costs

Delek expenses advertising costs as the advertising space is utilized. Advertising expense for the years ended December 31, 2014, 2013 and 2012 was $3.6 million, $4.0 million and $3.4 million, respectively.

Operating Leases

Delek leases land, buildings and various equipment under various operating lease arrangements, most of which provide the option, after the initial lease term, to renew the leases. Some of these lease arrangements include fixed rental rate increases, while others include rental rate increases based upon such factors as changes, if any, in defined inflationary indices.

In accordance with ASC 840-20, Leases - Operating Leases, for all leases that include fixed rental rate increases, Delek calculates the total rent expense for the entire lease period, considering renewals for all periods for which failure to renew the lease imposes economic penalty, and records rental expense on a straight-line basis in the accompanying consolidated statements of income.

Income Taxes

Income taxes are accounted for under the provisions of ASC 740, Income Taxes ("ASC 740"). This statement generally requires Delek to record deferred income taxes for the differences between the book and tax bases of its assets and liabilities, which are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax expense or benefit represents the net change during the year in our deferred income tax assets and liabilities, exclusive of the amounts held in other comprehensive income.

ASC 740 also prescribes a comprehensive model for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return and prescribes the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Finally, ASC 740 requires an annual tabular roll-forward of unrecognized tax benefits.

Earnings Per Share

Basic and diluted earnings per share are computed by dividing net income by the weighted average common shares outstanding. The common shares used to compute Delek’s basic and diluted earnings per share are as follows:

	Year Ended December 31,		
	2014	2013	2012
Weighted average common shares outstanding	58,780,947	59,186,921	58,719,968
Dilutive effect of equity instruments	574,173	860,217	924,830
Weighted average common shares outstanding, assuming dilution	59,355,120	60,047,138	59,644,798

Outstanding equity awards totaling 1,867,368, 1,226,038 and 1,344,825 common share equivalents were excluded from the diluted earnings per share calculation for the years ended December 31, 2014, 2013 and 2012, respectively. These share equivalents did not have a dilutive effect under the treasury stock method.

Stock-Based Compensation

ASC 718, Compensation - Stock Compensation ("ASC 718"), requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement and establishes fair value as the measurement objective in accounting for share-based payment arrangements. ASC 718 requires the use of a valuation model to calculate the fair value of stock-based awards on the date of grant. Delek uses the Black-Scholes-Merton option-pricing model to determine the fair value of stock option and stock appreciation right (SAR) awards, with the exception of the SARs granted to certain executive employees, which are valued under the Monte-Carlo simulation model.

Restricted stock units ("RSUs") are measured based on the fair market value of the underlying stock on the date of grant. Vested RSUs are not issued until the minimum statutory withholding requirements have been remitted to us for payment to the taxing authority. As a result, the actual number of shares accounted for as issued may be less than the number of RSUs vested, due to any withholding amounts which have not been remitted.

We generally recognize compensation expense related to stock-based awards with graded or cliff vesting on a straight-line basis over the vesting period. It is our practice to issue new shares when stock-based compensation is exercised.

Comprehensive Income

For the years ended December 31, 2014, 2013 and 2012, comprehensive income includes net income and changes in the fair value of derivative instruments designated as cash flow hedges and foreign currency translation adjustments.

New Accounting Pronouncements

In May 2014, the FASB issued guidance regarding “Revenue from Contracts with Customers,” to clarify the principles for recognizing revenue. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires improved interim and annual disclosures that enable the users of financial statements to better understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period, and can be adopted either retrospectively to each prior reporting period presented using a practical expedient as allowed by the new guidance or retrospectively with a cumulative effect adjustment to retained earnings as of the date of initial application. Early adoption is not permitted. We are currently evaluating the effect that adopting this new standard will have on our consolidated financial statements and related disclosures.

On January 1, 2014 we adopted guidance issued by the Financial Accounting Standards Board ("FASB") regarding "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This guidance requires that companies net their unrecognized tax benefits against all same-jurisdiction net operating losses or tax credit carryforwards that would be used to settle the position with a tax authority. The adoption of this guidance did not materially affect our business, financial position or results of operations.

3. Delek Logistics
Delek Logistics is a publicly traded limited partnership that was formed by Delek to own, operate, acquire and construct crude oil and refined products logistics and marketing assets. A substantial majority of Delek Logistics' assets are currently integral to Delek's refining and marketing operations. As of December 31, 2014, we owned a 59.9% limited partner interest in Delek Logistics, and a 95.8% interest in Logistics GP, which owns both the entire 2.0% general partner interest in Delek Logistics and all of the incentive distribution rights. Delek's partnership interest in Delek Logistics includes 2,799,258 common units, 11,999,258 subordinated units and 494,197 general partner units.
In July 2013, Delek Logistics completed the acquisition of a terminal, storage tanks and related assets adjacent to our refinery in Tyler, Texas (the "Tyler refinery") from one of our subsidiaries (the "Tyler Acquisition"). The cash paid for the assets acquired was approximately $94.8 million, financed with a combination of proceeds from the amended and restated Delek Logistics revolving credit agreement and cash on hand.

In February 2014, a subsidiary of Delek Logistics completed the acquisition of certain storage tanks and the products terminal located at our refinery in El Dorado, Arkansas (the "El Dorado refinery") from Lion Oil (the "El Dorado Acquisition"). The cash paid for the assets acquired was approximately $95.9 million, financed with borrowings under the amended and restated Delek Logistics revolving credit agreement. The storage tanks have approximately 2.5 million barrels of aggregate shell capacity and consist of 158 tanks and ancillary assets, including piping and pumps.

The Tyler Acquisition and the El Dorado Acquisition are each considered a transfer of a business between entities under common control. As such, the assets acquired and liabilities assumed were transferred to Delek Logistics at historical basis instead of fair value.
We have agreements with Delek Logistics that, among other things, establish fees for certain administrative and operational services provided by us and our subsidiaries to Delek Logistics, provide certain indemnification obligations and establish terms for fee-based commercial logistics and marketing services provided by Delek Logistics and its subsidiaries to us.
Delek Logistics is a variable interest entity as defined under GAAP and is consolidated into our consolidated financial statements. With the exception of affiliate balances which are eliminated in consolidation, the Delek Logistics condensed consolidated balance sheets as of December 31, 2014 and 2013, as presented below, are included in the consolidated balance sheets of Delek.

	December 31,	
	2014	2013
	(In millions)	
ASSETS		
Cash and cash equivalents	$1.9	$0.9
Accounts receivable	28.0	29.0
Inventory	10.3	17.5
Other current assets	0.8	0.3
Net property, plant and equipment	240.5	224.5
Goodwill	11.7	11.7
Intangible assets, net	11.3	12.4
Other non-current assets	7.4	5.0
Total assets	$311.9	$301.3
LIABILITIES AND EQUITY		
Accounts payable	$18.2	$26.0
Accounts payable to related parties	0.6	1.5
Accrued expenses and other current liabilities	11.8	12.2
Revolving credit facility	251.8	164.8
Asset retirement obligations	3.3	3.1

Deferred tax liabilities	0.2	0.3
Other non-current liabilities	5.9	6.2
Equity	20.1	87.2
Total liabilities and equity	$311.9	$301.3

4. Acquisitions

Trucking Asset Acquisition

On December 17, 2014, Delek Logistics purchased 100% of the assets of Frank Thompson Transport, Inc. ("FTT"). FTT is a transport company that primarily hauls crude oil and refined products by transport truck. The assets purchased include approximately 120 trucks and 200 trailers (the "FTT Assets"). The aggregate purchase price of the FTT Assets was approximately $11.6 million, of which $0.5 million has been allocated to working capital and $11.1 million has been preliminarily allocated to property, plant and equipment, which is subject to change during the purchase price allocation period.

Mount Pleasant Acquisition

On October 1, 2014, Delek Logistics purchased (i) a light products terminal in Mount Pleasant, Texas (the "Mount Pleasant Terminal"), (ii) a light products storage facility in Greenville, Texas (the "Greenville Storage Facility") and (iii) a 76-mile pipeline connecting the locations (the "Greenville-Mount Pleasant Pipeline"). The Mount Pleasant Terminal, the Greenville Storage Facility and the Greenville-Mount Pleasant Pipeline are hereinafter collectively referred to as the "Greenville-Mount Pleasant Assets." Delek Logistics acquired the Greenville-Mount Pleasant Assets from an affiliate of Magellan Midstream Partners, L.P. to complement our existing assets and provide enhanced logistical capabilities. The Mount Pleasant Terminal consists of approximately 200,000 barrels of light product storage capacity, three truck loading lanes and ethanol blending capability. The Greenville Storage Facility has approximately 325,000 barrels of storage capacity and is connected to the Explorer Pipeline System. The aggregate purchase price was approximately $11.1 million in cash, of which $1.1 million and $10.0 million has been allocated to inventory and property, plant and equipment, respectively. The property, plant and equipment valuation is subject to change during the purchase price allocation period.

Crossett Biodiesel Facility Acquisition

On January 2, 2014, we purchased a biodiesel plant in Crossett, Arkansas (the "Crossett Facility") from Pinnacle Biofuels, Inc. for approximately $11.1 million, of which $11.0 million and $0.1 million has been allocated to property, plant and equipment and inventory, respectively. The Crossett Facility has a production capacity of approximately 10.0 million gallons per year and produced biodiesel exclusively for Delek under a tolling agreement prior to this acquisition.

Helena Acquisition

On December 31, 2013, we purchased a 149-mile pipeline and terminal from an affiliate of Enterprise Product Partners L.P. for $5.0 million. The pipeline is a 10-inch diameter pipe that connects El Dorado, Arkansas to Helena, Arkansas (the "Helena Pipeline"). The terminal is located on the Mississippi River in Helena, Arkansas, contains a dock, and can be used for crude oil or finished products (the "Helena Terminal" and together with the Helena Pipeline, the "Helena Assets"). The Helena Assets are currently out of service and will require capital investment to be restored to working order. This purchase gives us rights of way that terminates in El Dorado, Arkansas, and offers flexibility to increase crude access and light product outlets for the El Dorado refinery.

The allocation of the aggregate purchase price of the Helena Assets as of December 31, 2014 is summarized as follows (in millions):

Property, plant and equipment	$1.0
Intangible assets	4.0
	$5.0

North Little Rock Acquisition

On October 24, 2013, we purchased a refined product terminal in Little Rock, Arkansas from Enterprise Refined Products Pipeline Company LLC. The aggregate purchase price was approximately $7.2 million, including $2.2 million in refined product inventory. The remainder of the purchase price was allocated to property, plant and equipment.

Hopewell Acquisition

On July 19, 2013, we purchased a 13.5-mile pipeline from Enterprise TE Products Pipeline Company LLC (the "Hopewell Pipeline"). The Hopewell Pipeline originates at the Tyler refinery and terminates at the Hopewell delivery yard, where it connects to our pipeline that terminates at the Big Sandy Terminal (as defined below). The Hopewell Pipeline and the Big Sandy Pipeline (as defined below) form essentially one pipeline link between the Tyler Refinery and the Big Sandy Terminal (collectively, the Hopewell

Pipeline and the Big Sandy Pipeline are referred to as the "Tyler-Big Sandy Pipeline"). The aggregate purchase price was approximately $5.7 million.

The allocation of the aggregate purchase price of the Hopewell Pipeline as of December 31, 2014 is summarized as follows (in millions):

Property, plant and equipment	$3.5
Goodwill (all is expected to be deductible for tax purposes)	1.2
Intangible assets	1.0
	$5.7

Beacon Acquisition

On January 10, 2013, we purchased a biodiesel plant in Cleburne, Texas, involved in the production of biodiesel fuels and related activities, from Beacon Energy (Texas) Corp. The aggregate purchase price was approximately $5.3 million, which has been allocated to property, plant and equipment.

5. Inventory

Refinery inventory consists of crude oil, refined products and blendstocks which are stated at the lower of cost or market. Cost of inventory for the Tyler refinery is determined under the LIFO valuation method. Cost of inventory for the El Dorado refinery is determined on a FIFO basis. Cost of crude oil, refined product and feedstock inventories in excess of market value are charged to cost of goods sold.

Logistics inventory consists of refined products which are stated at the lower of cost or market on a FIFO basis.

Retail merchandise inventory consists of gasoline, diesel fuel, other petroleum products, cigarettes, beer, convenience merchandise and food service merchandise. Fuel inventories are stated at the lower of cost or market on a FIFO basis. Non-fuel inventories are stated at estimated cost as determined by the retail inventory method.

Carrying value of inventories consisted of the following (in millions):

	December 31, 2014	December 31, 2013
Refinery raw materials and supplies	$158.8	$250.9
Refinery work in process	26.5	58.6
Refinery finished goods	235.1	299.2
Retail fuel	10.9	19.2
Retail merchandise	28.0	26.9
Logistics refined products	10.3	17.5
Total inventories	$469.6	$672.3

In the year ended December 31, 2014, market prices declined to a level below the average cost of our inventories and we recorded a $50.1 million pre-tax write down of the carrying value of our inventory to the market value. Of the total write down, $35.4 million related to LIFO inventory, which is subject to reversal in subsequent periods, not to exceed LIFO cost, should market prices recover.

At December 31, 2014 and December 31, 2013, the excess of replacement cost (FIFO) over the carrying value (LIFO) of the Tyler refinery inventories was $0.3 million and $51.5 million, respectively. There were increases of $6.4 million, $0.3 million and $1.1 million to costs of goods sold during the years ended December 31, 2014, 2013 and 2012, respectively, as a result of the liquidation of LIFO inventories.

6. Crude Oil Supply and Inventory Purchase Agreement

Delek has a Master Supply and Offtake Agreement (the "Supply and Offtake Agreement") with J. Aron & Company ("J. Aron"). Throughout the term of the Supply and Offtake Agreement, which was amended on December 23, 2013 to expire on April 30, 2017, Lion Oil and J. Aron will identify mutually acceptable contracts for the purchase of crude oil from third parties and J. Aron will supply up to 100,000 bpd of crude to the El Dorado refinery. J. Aron purchases virtually all crude oil and refined products at monthly average prices as Lion Oil needs the materials for refining processes or sale to third parties. These daily purchases and sales are made using provisional prices and are trued-up on a monthly basis in order to reflect actual average monthly prices. We have recorded a (payable) receivable related to this monthly settlement of $(4.9) million and $18.2 million as of December 31, 2014 and 2013, respectively. Also pursuant to the Supply and Offtake Agreement and other related agreements, Lion Oil will endeavor to arrange potential sales by either Lion Oil or J. Aron to third parties of the products produced at the El Dorado refinery or purchased from third parties. In instances where Lion Oil is the seller to such third parties, J. Aron will first transfer the applicable products to Lion Oil.

While title to the inventories will reside with J. Aron, this arrangement will be accounted for as a product financing arrangement. Delek incurred fees payable to J. Aron of $10.5 million and $10.0 million during the year ended December 31, 2014 and 2013, respectively. These amounts are included as a component of interest expense in the condensed consolidated statements of income. Upon any termination of the Supply and Offtake Agreement, including in connection with a force majeure event, the parties are required to negotiate with third parties for the assignment to us of certain contracts, commitments and arrangements, including procurement contracts, commitments for the sale of product, and pipeline, terminalling, storage and shipping arrangements.

Upon the expiration of the Supply and Offtake Agreement on April 30, 2017 or upon any earlier termination, Delek will be required to repurchase the consigned crude oil and refined products from J. Aron at then prevailing market prices. At December 31, 2014, Delek had 3.2 million barrels of inventory consigned for J. Aron and we have recorded liabilities associated with this consigned inventory of $200.9 million in the condensed consolidated balance sheet.

7. Property, Plant and Equipment

Property, plant and equipment, at cost, consist of the following (in millions):

	December 31,	
	2014	2013
Land	$94.9	$86.1
Building and building improvements	266.0	255.0
Refinery machinery and equipment	771.4	641.4
Pipelines and terminals	266.2	204.6
Retail store equipment and site improvements	187.4	158.3
Refinery turnaround costs	112.0	55.1
Other equipment	77.8	58.4
Construction in progress	182.7	219.5
	1,958.4	1,678.4
Less: accumulated depreciation	(509.6)	(405.2)
	$1,448.8	$1,273.2

Property, plant and equipment, accumulated depreciation and depreciation expense by reporting segment as of and for the years ended December 31, 2014 and 2013 are as follows (in millions):

	As of and For the Year Ended December 31, 2014				
	Refining[1]	Logistics[1]	Retail	Corporate, Other and Eliminations	Consolidated
Property, plant and equipment	$1,098.1	$293.5	$511.9	$54.9	$1,958.4
Less: Accumulated depreciation	(252.9)	(53.0)	(194.5)	(9.2)	(509.6)
Property, plant and equipment, net	$845.2	$240.5	$317.4	$45.7	$1,448.8
Depreciation expense	$63.5	$13.6	$28.5	$4.6	$110.2

	As of and For the Year Ended December 31, 2013				
	Refining[1]	Logistics[1]	Retail	Corporate, Other and Eliminations	Consolidated
Property, plant and equipment	$893.3	$264.1	$477.6	$43.4	$1,678.4
Less: Accumulated depreciation	(192.7)	(39.6)	(168.4)	(4.5)	(405.2)
Property, plant and equipment, net	$700.6	$224.5	$309.2	$38.9	$1,273.2
Depreciation expense	$44.3	$12.6	$25.2	$3.4	$85.5

(1) In conjunction with the El Dorado Acquisition, we have reclassified certain operating segments. The certain assets previously operated by our refining segment were contributed to Delek Logistics.

8. Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the identifiable net assets acquired. Goodwill acquired in a purchase business combination is recorded at fair value and is not amortized. Delek's goodwill relates to its retail and logistics segments only. As of December 31, 2014, our accumulated goodwill impairment losses were $20.4 million, all of which related to our retail segment.

Delek performs an annual assessment of whether goodwill retains its value. This assessment is done more frequently if indicators of potential impairment exist. We performed our annual goodwill impairment review in the fourth quarter of 2014, 2013 and 2012. In our retail segment, this review was performed on reporting units at a level below our reportable segment level. In our logistics segment, our review was done at the original west Texas operations level of the segment. We performed a discounted cash flows test to test for value of each of our reporting units. We use a market participant weighted average cost of capital, estimated minimal growth rates for revenue, gross profit, and capital expenditures based on history and our best estimate of future forecasts. We also estimated the fair values of the reporting units using a multiple of expected future cash flows such as those used by third party analysts. In December 31, 2014, 2013 and 2012, the annual impairment review resulted in the determination that no impairment of goodwill had occurred.

A summary of our goodwill accounts in our retail and logistics segments are as follows (in millions):

	Retail	Logistics	Total
Balance, December 31, 2011	$62.2	$7.5	$69.7
Acquisitions	—	3.0	3.0
Balance, December 31, 2012	62.2	10.5	72.7
Acquisitions	—	1.2	1.2

Balance, December 31, 2013	62.2	11.7	73.9
Balance, December 31, 2014	$62.2	$11.7	$73.9

9. Other Intangible Assets

A summary of our identifiable intangible assets are as follows (in millions):

As of December 31, 2014	Useful Life	Gross	Accumulated Amortization		Net
Intangible Assets subject to amortization:					
Supply contracts	11.5 years	$12.2	$(8.9	)	$3.3
Trademarks	4 years	0.7	(0.7	)	—
Non-compete Agreements	3-10 years	1.3	(1.3	)	—
Capacity contract	8 years	9.3	(8.5	)	0.8
Intangible assets not subject to amortization:					
Rights-of-Way	Indefinite	12.1	—		12.1
Total		$35.6	$(19.4	)	$16.2

As of December 31, 2013	Useful Life	Gross	Accumulated Amortization		Net
Intangible Assets subject to amortization:					
Supply contracts	11.5 years	$12.2	$(7.9	)	$4.3
Trademarks	4 years	0.7	(0.7	)	—
Non-compete Agreements	3-10 years	1.3	(1.3	)	—
Capacity contract	8 years	9.3	(8.2	)	1.1
Intangible assets not subject to amortization:					
Rights-of-Way	Indefinite	12.0	—		12.0
Total		$35.5	$(18.1	)	$17.4

Amortization of intangible assets was $1.3 million, $4.3 million and $4.2 million during the years ended December 31, 2014, 2013 and 2012, respectively, and is included in depreciation and amortization on the accompanying consolidated statements of income. Amortization expense is estimated to be $1.3 million, $1.3 million, $1.3 million and $0.2 million, for the years ended 2015 through 2018, respectively.

10. Long-Term Obligations and Notes Payable

Outstanding borrowings under Delek's existing debt instruments and capital lease obligations are as follows (in millions):

	December 31, 2014	December 31, 2013
MAPCO Revolver	$76.0	$67.5
Wells Term Loan	64.2	—
DKL Revolver	251.8	164.8
Reliant Bank Revolver	17.0	10.0
Promissory Notes	76.0	77.4
Lion Term Loan Facility, net of $0.3 million debt discount	104.2	90.0
Capital Lease Obligations	0.5	0.6
	589.7	410.3
Less: Current portion of long-term debt, notes payable and capital lease obligations	56.4	33.7
	$533.3	$376.6

Principal maturities of Delek's existing third party debt instruments for the next five years and thereafter are as follows as of December 31, 2014 (in millions):

	2015	2016	2017	2018	2019	Thereafter	Total
MAPCO Revolver	$—	$—	$—	$—	$76.0	$—	$76.0
Wells Term Loan	23.3	40.9	—	—	—	—	64.2
DKL Revolver	—	—	—	—	251.8	—	251.8
Reliant Bank Revolver	—	17.0	—	—	—	—	17.0
Promissory Notes	11.0	11.0	11.1	1.1	1.2	40.6	76.0
Lion Term Loan Facility, net of $0.3 million debt discount	21.9	21.9	21.9	38.5	—	—	104.2
Capital Lease Obligations	0.1	0.1	0.1	0.1	0.1	—	0.5
Total	$56.3	$90.9	$33.1	$39.7	$329.1	$40.6	$589.7

MAPCO Revolver

Our subsidiary, MAPCO Express, has a revolving credit facility with Fifth Third Bank, as administrative agent, and a syndicate of lenders that was amended and restated on May 6, 2014 (the "MAPCO Revolver"). The MAPCO Revolver consists of a $160.0 million revolving credit limit which includes (i) a $10.0 million swing line loan sub-limit; (ii) a $40.0 million letter of credit sub-limit; and (iii) an accordion feature which permits an increase in borrowings by up to $50.0 million, subject to additional lender commitments. As of December 31, 2014, we had $76.0 million outstanding under the MAPCO Revolver, as well as letters of credit issued of $2.6 million, with approximately $81.4 million availability remaining. Borrowings under the MAPCO Revolver are secured by (i) substantially all the assets of MAPCO Express and its subsidiaries, subject to certain exceptions and limitations, (ii) all of Delek’s shares in MAPCO Express, and (iii) a limited guaranty provided by Delek of up to $50.0 million in obligations. The MAPCO Revolver will mature on May 6, 2019. The MAPCO Revolver bears interest based on predetermined pricing grids which allow us to choose between base rate loans or London Interbank Offered Rate ("LIBOR") loans. At December 31, 2014, the weighted average borrowing rate under the MAPCO Revolver was approximately 3.6%. Additionally, the MAPCO Revolver requires us to pay a leverage ratio dependent quarterly fee on the average unused revolving commitment. As of December 31, 2014, this fee was 0.35% per year.

Wells ABL

Our subsidiary, Delek Refining, Ltd., has an asset-based loan credit facility with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of lenders (the "Wells ABL") that consists of (i) a $600.0 million revolving loan (the "Wells Revolving Loan"), which includes a $55.0 million swing line loan sub-limit and a $550.0 million letter of credit sub-limit, (ii) a $70.0 million delayed single draw term loan (the "Wells Term Loan"), and (iii) an accordion feature which permits an increase in the size of the revolving credit facility to an aggregate of $875.0 million subject to additional lender commitments and the satisfaction of certain other conditions precedent. The Wells Revolving Loan matures on January 16, 2019 and the Wells Term Loan matures on December 31, 2016. The Wells Term Loan is subject to repayment in level principal installments of approximately $5.8 million per quarter, beginning December 31, 2014, with a final balloon payment due on December 31, 2016. As of December 31, 2014, under the Wells ABL we had letters of credit issued totaling $90.5 million and no amounts outstanding under the Wells Revolving Loan; under the Wells Term Loan we had approximately $64.2 million outstanding. Borrowings under the Wells ABL are secured by substantially all the assets of Refining and its subsidiaries, with certain limitations. Under the facility, revolving loans and letters of credit are provided subject to availability requirements which are determined pursuant to a borrowing base calculation as defined in the credit agreement. The borrowing base as calculated is primarily supported by cash, certain accounts receivable and certain inventory. Borrowings under the Wells Revolving Loan and Wells Term Loan bear interest based on separate predetermined pricing grids which allow us to choose between base rate loans or LIBOR loans. At December 31, 2014, the weighted average borrowing rate under the Wells Term Loan was approximately 3.9%. Additionally, the Wells ABL requires us to pay a quarterly unused credit commitment fee. As of December 31, 2014, this fee was approximately 0.38% per year. Borrowing capacity, as calculated and reported under the terms of the Wells ABL credit facility, as of December 31, 2014, was $186.3

million.

DKL Revolver

Delek Logistics has a $700.0 million Senior Secured Revolving Credit Agreement with Fifth Third Bank, as administrative agent, and a syndicate of lenders (the "DKL Revolver"). Delek Logistics and each of its existing subsidiaries are borrowers under the DKL Revolver. The DKL Revolver contains a dual currency borrowing tranche that permits draw downs in U.S. or Canadian dollars and an accordion feature whereby Delek Logistics can increase the size of the credit facility to an aggregate of $800.0 million, subject to receiving increased or new commitments from lenders and the satisfaction of certain other conditions precedent.

The obligations under the DKL Revolver are secured by a first priority lien on substantially all of Delek Logistics' tangible and intangible assets. Additionally, a subsidiary of Delek provides a limited guaranty of Delek Logistics' obligations under the DKL Revolver. The guaranty is (i) limited to an amount equal to the principal amount, plus unpaid and accrued interest, of a promissory note made by Delek in favor of the subsidiary guarantor (the "Holdings Note") and (ii) secured by the subsidiary guarantor's pledge of the Holdings Note to the DKL Revolver lenders. As of December 31, 2014, the principal amount of the Holdings Note was $102.0 million.

The DKL Revolver will mature on December 30, 2019. Borrowings under the DKL Revolver bear interest at either a U.S. base rate, Canadian prime rate, LIBOR, or a Canadian Dealer Offered Rate ("CDOR"), plus applicable margins, at the election of the borrowers and as a function of draw down currency. The applicable margin, in each case, varies based upon Delek Logistics' Leverage Ratio, which is defined as the ratio of total funded debt to EBITDA for the most recently ended four fiscal quarters. At December 31, 2014, the weighted average borrowing rate was approximately 2.3%. Additionally, the DKL Revolver requires us to pay a leverage ratio dependent quarterly fee on the average unused revolving commitment. As of December 31, 2014, this fee was 0.3% per year. As of December 31, 2014, Delek Logistics had $251.8 million of outstanding borrowings under the credit facility, as well as letters of credit issued of $7.5 million. Amounts available under the DKL Revolver, as of December 31, 2014, were approximately $440.8 million.

Reliant Bank Revolver

We have a revolving credit agreement with Reliant Bank which was amended on June 26, 2014 (the "Reliant Bank Revolver"). The Reliant Bank Revolver provides for unsecured loans of up to $17.0 million. As of December 31, 2014, we had $17.0 million outstanding under this facility. The Reliant Bank Revolver matures on June 28, 2016 and bears interest at a fixed rate of 5.25% per annum. The Reliant Bank Revolver requires us to pay a quarterly fee of 0.50% per year on the average available revolving commitment. As of December 31, 2014, we had no undrawn amounts available under the Reliant Bank Revolver.

Promissory Notes

In 2011, Delek began construction on new MAPCO Mart convenience stores (each a "Build-to-Suit Development" or "BTS"). In order to fund these construction projects, we entered into separate notes for each BTS project with Standard Insurance Company (collectively, the "Notes") varying in size from $1.0 million to $2.2 million. The Notes bear interest at fixed rates, ranging from 5.0% to 6.4% per annum. Each of the Notes is secured by the land or leasehold interest, as applicable, and the building and equipment of its respective completed MAPCO Mart. Under the terms of each Note, beginning on the first day of the eleventh month following the initial fund advancement, payments of principal on each respective Note are due over a ten-year term calculated using a 25-year amortization schedule. If any Note is not paid in full after the initial ten-year period, we may continue to make monthly payments under the Note, however, the interest rate will reset pursuant to the terms of the Note. There is also an additional interest rate reset after the first 20-year period. The final maturity dates of the Notes range from June 1, 2036 to November 1, 2039. As of December 31, 2014, we had amounts drawn under 29 Notes related to these BTS projects for a total amount of approximately $46.0 million outstanding under the Notes.

On April 29, 2011, Delek entered into a $50.0 million promissory note (the "Ergon Note") with Ergon, Inc. in connection with the closing of our acquisition of Lion Oil. As of December 31, 2014, $30.0 million was outstanding under the Ergon Note. The Ergon Note requires Delek to make annual amortization payments of $10.0 million each, commencing April 29, 2013. The Ergon Note matures on April 29, 2017. Interest under the Ergon Note is computed at a fixed rate equal to 4.0% per annum.

On December 19, 2011, Delek entered into a $25.0 million promissory note (the "Ergon Paline Note") with Ergon Terminaling, Inc. ("Ergon Terminaling") in connection with the closing of the acquisition of all of the membership interests of Paline from Ergon Terminaling. The Ergon Paline Note was subsequently assigned by Ergon Terminaling to Ergon. The Ergon Paline Note matured on December 19, 2014 and as of December 31, 2014, there were no amounts outstanding under the Ergon Paline Note.

Lion Term Loan

Our subsidiary, Lion Oil, has a term loan credit facility (the "Lion Term Loan") with Israel Discount Bank of New York, Bank Hapoalim B.M. and Fifth Third Bank as the lenders. The Lion Term Loan was amended on June 23, 2014 to add Fifth Third Bank as an additional lender in the principal amount to $20.0 million, thereby increasing the total loan size to $110.0 million. As of December 31, 2014, $104.5 million was outstanding under the Lion Term Loan. The Lion Term Loan requires Lion Oil to make quarterly principal amortization payments in the amount of $5.5 million each, commencing on December 31, 2014. The Lion Term Loan matures on December 18, 2018, and is secured by (i) all the assets of Lion Oil (excluding inventory and accounts receivable), (ii) all of our shares in Lion Oil, and (iii) a first priority lien on the subordinated and common units of Delek Logistics held by Lion Oil. Interest on the unpaid balance of the Lion Term Loan is computed at a rate per annum equal to LIBOR or the base rate, at our election, plus the applicable margins, subject in each case to an interest rate floor of 5.50% per annum. As of December 31, 2014, the weighted average borrowing rate under the Lion Term Loan was 5.5%.

Restrictive Covenants

Under the terms of our MAPCO Revolver, Wells ABL, DKL Revolver, Reliant Bank Revolver and Lion Term Loan, we are required to comply with certain usual and customary financial and non-financial covenants. Further, although we were not required to comply with a fixed charge coverage ratio financial covenant under the Wells ABL during the year ended December 31, 2014, we may be required to comply with this covenant at times when the borrowing base excess availability is less than certain thresholds, as defined in the Wells ABL. We believe we were in compliance with all covenant requirements under each of our credit facilities as of December 31, 2014.

Certain of our credit facilities contain limitations on the incurrence of additional indebtedness, making of investments, creation of liens, dispositions of property, making of restricted payments and transactions with affiliates. Specifically, these covenants may limit the payment, in the form of cash or other assets, of dividends or other distributions, or the repurchase of shares with respect to the equity of our subsidiaries. Additionally, certain of our credit facilities limit our ability to make investments, including extensions of loans or advances to, or acquisitions of equity interests in, or guarantees of obligations of, any other entities.

Restricted Net Assets

Some of Delek's subsidiaries have restrictions in their respective credit facilities limiting their use of certain assets, as has been discussed above. The total amount of our subsidiaries' restricted net assets as of December 31, 2014 was $941.8 million.

Interest-Rate Derivative Instruments

Delek entered into interest rate swap and cap agreements for a total notional amount of $205.0 million. These agreements are intended to economically hedge floating interest rate risk related to our existing debt. However, as we have elected to not apply the permitted hedge accounting treatment, including formal hedge designation and documentation, in accordance with the provisions of ASC 815, the fair value of the derivatives is recorded in other current assets in the accompanying consolidated balance sheets with the offset recognized in interest expense in the accompanying consolidated statements of income. The derivative instruments mature in 2015 and 2016. The estimated mark-to-market liability associated with our interest rate derivatives as of December 31, 2014 and 2013 was $0.9 million and $2.7 million, respectively.

In accordance with ASC 815, we recorded expense representing cash settlements and changes in estimated fair value of the interest rate derivative agreements of $0.4 million, $0.4 million and $2.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are included in interest expense in the accompanying consolidated statements of income.

While Delek has not elected to apply permitted hedge accounting treatment for these interest rate derivatives in accordance with the provisions of ASC 815 in the past, we may choose to apply that treatment for future transactions.

11. Equity Based Compensation

2006 Long-Term Incentive Plan

The Delek US Holdings, Inc. 2006 Long-Term Incentive Plan, as amended (the "Plan"), allows Delek to grant stock options, SARs, restricted stock, RSUs, performance awards and other stock-based awards of up to 5,053,392 shares of Delek's common stock to certain directors, officers, employees, consultants and other individuals who perform services for Delek or its affiliates. Stock options and SARs granted under the Plan are generally granted at market price or higher. The vesting of all outstanding awards is subject to continued service to Delek or its affiliates except that vesting of awards granted to certain executive employees could, under certain circumstances, accelerate upon termination of their employment and the vesting of all outstanding awards could accelerate upon the occurrence of an Exchange Transaction (as defined in the Plan).

In the second quarter of 2010, Delek's Board of Directors and its Incentive Plan Committee began using stock-settled SARs, rather than stock options, as the primary form of appreciation award under the Plan.

Delek Logistics GP, LLC 2012 Long-Term Incentive Plan

Logistics GP maintains a unit-based compensation plan for officers, directors and employees of Logistics GP or its affiliates and any consultants, affiliates of our general partner or other individuals who perform services for Delek Logistics. The Delek Logistics GP, LLC 2012 Long-Term Incentive Plan ("Logistics LTIP") permits the grant of phantom units, unit options, restricted units, unit appreciation rights, distribution equivalent rights, unit awards, and other unit-based awards. The Logistics LTIP limits the number of units that may be delivered pursuant to vested awards to 612,207 common units, subject to proportionate adjustment in the event of unit splits and similar events. Awards granted under the Logistics LTIP will be settled with Delek Logistics units. Total compensation expense for awards granted under the Logistics LTIP amounted to $1.6 million ($1.0 million, net of taxes) and $4.2 million ($2.7 million, net of taxes) for the years ended December 31, 2014 and 2013, respectively. These amounts are included in general and administrative expenses in the accompanying consolidated statements of income.

As of December 31, 2014, there was $4.4 million of total unrecognized compensation cost related to non-vested Logistics LTIP awards, which is expected to be recognized over a weighted-average period of 2.7 years.

Option and SAR Assumptions

The table below provides the assumptions used in estimating the fair values of our outstanding stock options and SARs under the Plan. For all awards granted, we calculated volatility using historical volatility and implied volatility of a peer group of public companies using weekly stock prices.

	2014 Grants	2013 Grants	2012 Grants	2011 Grants	2010 Grants
	(Graded Vesting)	(Graded Vesting)	(Graded Vesting)	(Graded Vesting)	(Graded Vesting)
	4 years	4 years	4 years	4 years	4 years
Expected Volatility	50.15%-52.63%	53.36%-53.95%	55.35%-57.46%	58.58%-60.54%	33.01-60.88%
Dividend Yield	2.54%-2.74%	1.00 %	1.00 %	1.00 %	1.00 %
Expected Term	4.54-6.25 years	6.25 years	6.25 years	6.25 years	6.25 years
Risk Free Rate	0.01%-2.96%	0.01%-2.96%	0.04%-2.04%	0.00%-3.37%	0.06%-3.33%
Fair Value	$10.67	$15.75	$9.28	$6.59	$3.51

Stock Option and SAR Activity

The following table summarizes the stock option and SAR activity under the Plan for Delek for the years ended December 31, 2014, 2013 and 2012:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Average Intrinsic Value
Options outstanding, December 31, 2011	4,057,829	$ 11.71		
Granted	1,140,300	$ 19.01		
Exercised	(2,538,210)	$ 10.95		
Forfeited	(101,078)	$ 12.84		
Options and SARs outstanding, December 31, 2012	2,558,841	$ 15.67		
Granted	867,400	$ 33.23		
Exercised	(773,186)	$ 14.07		
Forfeited	(265,125)	$ 20.41		
Options and SARs outstanding, December 31, 2013	2,387,930	$ 22.04		
Granted	1,006,100	$ 30.18		
Exercised	(390,753)	$ 14.27		
Forfeited	(306,691)	$ 27.02		
Options and SARs outstanding, December 31, 2014	2,696,586	$ 25.61	8.2	$16.1
Vested options and SARs exercisable, December 31, 2014	721,450	$ 14.17	6.3	$9.4

Restricted Stock Units

The Plan also provides for the award of RSUs to certain employees and non-employee directors. RSUs granted to employees vest ratably over three to five years from the date of grant and RSUs granted to non-employee directors vest quarterly over the year following the date of grant. The fair value of RSUs is determined based on the closing price of Delek's common stock on grant date.

During 2014, we granted 49,836 performance-based RSUs to Ezra Uzi Yemin, our Chairman, President and Chief Executive Officer (our "CEO") which may vest in 2015 and 2016, based on the level of performance during the performance period and subject to continued employment. The number of awards that will ultimately vest is based on the Company's total shareholder return over the performance period ended December 31, 2015 and 2016 relative to the total shareholder return of a peer group of companies during the same period. The weighted average grant date fair value of $36.84 was determined using a Monte-Carlo simulation model, which assumed a risk-free rate of interest of 0.72%, an expected life of 2.56 years and an expected volatility of 40.26%. As these awards include a market condition, we record compensation expense for these awards based on the grant date fair value of the award, recognized ratably over the measurement period.

The following table summarizes the RSU activity under the Plan for Delek for the years ended December 31, 2014, 2013 and 2012:

		Number of RSUs	Weighted-Average Grant Price
Non-vested RSUs,	December 31, 2011	935,500	$ 11.41
Granted		156,000	$ 23.94
Vested		(279,045)	$ 11.65
Non-vested RSUs,	December 31, 2012	812,455	$ 13.73
Granted		121,000	$ 32.59
Vested		(284,786)	$ 15.02
Forfeited		(136,000)	$ 10.91
Non-vested RSUs,	December 31, 2013	512,669	$ 18.21
Granted		145,452	$ 32.41
Vested		(241,122)	$ 18.17
Non-vested RSUs,	December 31, 2014	416,999	$ 23.19

Compensation Expense Related to Equity-based Awards Granted Under the Plan

Total compensation expense for the equity-based awards amounted to $11.9 million ($7.7 million, net of taxes), $9.3 million ($6.0 million, net of taxes) and $6.1 million ($4.0 million, net of taxes) for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are included in general and administrative expenses in the accompanying consolidated statements of income. We recognized a total income tax benefit for equity-based awards of $1.8 million, $5.9 million and $9.2 million for the years end December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was $25.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 2.3 years.

The aggregate intrinsic value, which represents the difference between the underlying stock's market price and the award's exercise price, of the share-based awards exercised or vested during the years ended December 31, 2014, 2013 and 2012 was $13.9 million, $10.9 million and $27.8 million, respectively. During the years December 31, 2014, 2013 and 2012, respectively, we issued 408,418, 609,743 and 1,583,121 shares of common stock as a result of exercised or vested equity-based awards. These amounts are net of 223,457, 448,229 and 1,234,134 shares, respectively, withheld to satisfy employee tax obligations related to the exercises and vestings for the years ended December 31, 2014, 2013 and 2012. Delek paid approximately $5.2 million, $2.5 million and $8.2 million of taxes in connection with the settlement of these awards for the years ended December 31, 2014, 2013 and 2012. We issue new shares of common stock upon exercise or vesting of share-based awards.

Granting of GP Interest

On March 10, 2013, we granted membership interests in Logistics GP, the general partner of Delek Logistics, to certain executives, including our CEO. These interests consisted of a total 1.4% membership interest in Logistics GP and vested on June 10, 2013. On December 10, 2013, we granted Mr. Yemin an additional 4.0% membership interest in Logistics GP, half of which vested immediately. Subject to Mr. Yemin's continued employment with Delek, 0.50% vested on June 10, 2014 and 0.25% will vest every six months thereafter through June 10, 2017. Total compensation expense recognized for these grants amounted to $0.4 million ($0.3 million, net of taxes) and $1.5 million ($1.0 million, net of taxes) for the years ended December 31, 2014 and 2013. As of December 31, 2014, there was $0.5 million of total unrecognized compensation cost related to non-vested GP membership interests, which is expected to be recognized over a weighted-average period of 2.4 years.

12. Segment Data

We report our operating results in three reportable segments: refining, logistics and retail. Decisions concerning the allocation of resources and assessment of operating performance are made based on this segmentation. Management measures the operating performance of each of its reportable segments based on the segment contribution margin.

In conjunction with the El Dorado Acquisition, we reclassified the components of certain operating segments. The results of the operations of the assets associated with these acquisitions were previously reported as part of our refining segment and are now reported in our logistics segment. The historical results of the operations of these assets have been reclassified to conform to the current presentation.

In April 2014, we revised the structure of the internal financial information reviewed by management and began allocating the results of hedging activity previously reported in corporate, other and eliminations to our refining segment. The historical results of this hedging activity have been reclassified to conform to the current presentation. The assets and/or liabilities associated with this hedging activity have not been allocated to the refining segment.

Segment contribution margin is defined as net sales less cost of sales and operating expenses, excluding depreciation and amortization. Operations which are not specifically included in the reportable segments are included in the corporate and other category, which primarily consists of operating expenses, depreciation and amortization expense and interest income and expense associated with corporate headquarters.

The refining segment processes crude oil and other purchased feedstocks for the manufacture of transportation motor fuels including various grades of gasoline, diesel fuel, aviation fuel, asphalt and other petroleum-based products that are distributed through owned and third-party product terminals. The refining segment has a combined nameplate capacity of 140,000 bpd, including the 60,000 bpd Tyler refinery and the 80,000 bpd El Dorado refinery. As of December 31, 2014, the refining segment also owned and operated two biodiesel facilities involved in the production of biodiesel fuels and related activities and a currently idle pipeline and terminal in Helena, Arkansas.

Our logistics segment owns and operates crude oil and refined products logistics and marketing assets. The logistics segment generates revenue and subsequently contribution margin, which we define as net sales less cost of goods sold and operating expenses, by charging fees for gathering, transporting and storing crude oil and for marketing, distributing, transporting and storing intermediate and refined products.

Our retail segment markets gasoline, diesel, other refined petroleum products and convenience merchandise through a network of company-operated retail fuel and convenience stores throughout the southeastern United States. As of December 31, 2014, we had 365 stores in total, consisting of 197 located in Tennessee, 90 in Alabama, 48 in Georgia, 13 in Arkansas and 8 in Virginia. The remaining 9 stores are located in Kentucky and Mississippi. The retail fuel and convenience stores operate under Delek’s MAPCO Express®, MAPCO Mart®, East Coast®, Fast Food and Fuel™, Favorite Markets®, Delta Express® and Discount Food Mart™ brands. The retail segment also supplied fuel to approximately 46 dealer locations as of December 31, 2014. In the retail segment, management reviews operating results on a divisional basis, where a division represents a specific geographic market. These divisional operating segments exhibit similar economic characteristics, provide the same products and services, and operate in such a manner such that aggregation of these operations is appropriate for segment presentation.

Our refining segment has a services agreement with our logistics segment, which, among other things, requires the refining segment to pay service fees based on the number of gallons sold at the Tyler refinery and a sharing of a portion of the margin achieved in return for providing marketing, sales and customer services. This intercompany transaction fee was $14.4 million and $13.6 million during the years ended December 31, 2014 and 2013, respectively. Additionally, the refining segment pays crude transportation and storage fees to the logistics segment for the utilization of certain crude pipeline assets. These fees were $94.6 million and $57.8 million during the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014 and 2013, the refining segment recorded sales and fee revenues from the retail and logistics segments in the amount of $622.1 million and $430.7 million, respectively. All inter-segment transactions have been eliminated in consolidation.

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

	As of and For the Year Ended December 31, 2014				
(In millions)	Refining	Retail	Logistics	Corporate, Other and Eliminations	Consolidated
Net sales (excluding intercompany fees and sales)	$5,728.4	$1,869.3	$726.7	$(0.1)	$8,324.3
Intercompany fees and sales	622.1	—	114.6	(736.7)	—
Operating costs and expenses:					
Cost of goods sold	5,664.8	1,671.5	697.2	(718.3)	7,315.2
Operating expenses	221.7	136.8	38.8	1.5	398.8
Segment contribution margin	$464.0	$61.0	$105.3	$(20.0)	610.3
General and administrative expenses					133.4
Depreciation and amortization					111.5
Other operating income					(1.1)
Operating income					$366.5
Total assets	$1,959.9	$447.1	$311.8	$172.6	$2,891.4
Capital spending (excluding business combinations)	$201.1	$26.2	$7.2	$22.4	$256.9

	As of and For the Year Ended December 31, 2013				
(In millions)	Refining	Retail	Logistics	Corporate, Other and Eliminations	Consolidated
Net sales (excluding intercompany fees and sales)	$6,005.1	$1,871.4	$829.8	$0.5	$8,706.8
Intercompany fees and sales	430.7	—	77.6	(508.3)	—
Operating costs and expenses:					
Cost of goods sold	5,865.2	1,691.3	811.3	(487.1)	7,880.7
Operating expenses	223.1	132.5	35.6	(3.8)	387.4
Segment contribution margin	$347.5	$47.6	$60.5	$(16.9)	438.7
General and administrative expenses					111.2
Depreciation and amortization					89.8
Operating income					$237.7
Total assets	$1,881.1	$449.0	$301.3	$209.0	$2,840.4
Capital spending (excluding business combinations)	$136.7	$37.9	$12.7	$35.0	$222.3

(In millions)	As of and For the Year Ended December 31, 2012 Refining	Retail	Logistics	Corporate, Other and Eliminations	Consolidated
Net sales (excluding intercompany fees and sales)	$6,070.8	$1,877.8	$775.9	$2.2	$8,726.7
Intercompany fees and sales	170.1	—	42.6	(212.7)	—
Operating costs and expenses:					
Cost of goods sold	5,441.3	1,704.6	757.9	(195.6)	7,708.2
Operating expenses	197.7	128.0	39.4	(1.8)	363.3
Segment contribution margin	$601.9	$45.2	$21.2	$(13.1)	655.2
General and administrative expenses					99.7
Depreciation and amortization					82.5
Other operating income, net					(0.1)
Operating income					$473.1
Total assets	$1,811.2	$425.6	$307.9	$79.0	$2,623.7
Capital spending (excluding business combinations)	$46.1	$29.1	$30.3	$26.5	$132.0

13. Fair Value Measurements

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

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

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

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

The fair value hierarchy for our financial assets and liabilities accounted for at fair value on a recurring basis at December 31, 2014, was (in millions):

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
OTC commodity swaps	$—	$389.6	$—	$389.6
Interest rate derivatives	—	—	—	—
Total assets	—	389.6	—	389.6
Liabilities				
Interest rate derivatives	—	(0.9)	—	(0.9)
OTC commodity swaps	—	(353.3)	—	(353.3)
Total liabilities	—	(354.2)	—	(354.2)
Net assets	$—	$35.4	$—	$35.4

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
OTC commodity swaps	$—	$23.9	$—	$23.9
Interest rate derivatives	—	0.1	—	0.1
Total assets	—	24.0	—	24.0
Liabilities				
Interest rate derivatives	—	(2.8)	—	(2.8)
OTC commodity swaps	—	(24.9)	—	(24.9)
Total liabilities	—	(27.7)	—	(27.7)
Net liabilities	$—	$(3.7)	$—	$(3.7)

The derivative values above are based on analysis of each contract as the fundamental unit of account as required by ASC 820. Derivative assets and liabilities with the same counterparty are not netted where the legal right of offset exists. This differs from the presentation in the financial statements which reflects our policy under the guidance of ASC 815-10-45, wherein we have elected to offset the fair value amounts recognized for multiple derivative instruments executed with the same counterparty, where right of offset exists. As of December 31, 2014 and 2013, $11.1 million and $2.6 million, respectively, of cash collateral was held by counterparty brokerage firms and has been netted with the net derivative positions with each counterparty.

14. Derivative Instruments

We use derivatives to reduce normal operating and market risks with the primary objective of reducing the impact of market price volatility on our results of operations. As such, our use of derivative contracts is aimed at:

- limiting the exposure to price fluctuations of commodity inventory above or below target levels at each of our segments;
- managing our exposure to commodity price risk associated with the purchase or sale of crude oil, feedstocks and finished grade fuel products at each of our segments; and
- limiting the exposure to interest rate fluctuations on our floating rate borrowings.

We primarily utilize OTC commodity swaps, generally with maturity dates of three years or less, and interest rate swap and cap agreements to achieve these objectives. OTC commodity swap contracts require cash settlement for the commodity based on the difference between a fixed or floating price and the market price on the settlement date. Interest rate swap and cap agreements economically hedge floating rate debt by exchanging interest rate cash flows, based on a notional amount from a floating rate to a fixed rate. At this time, we do not believe there is any material credit risk with respect to the counterparties to these contracts.

In accordance with ASC 815, certain of our OTC commodity swap contracts have been designated as cash flow hedges and the change in fair value between the execution date and the end of period has been recorded in other comprehensive income. The fair

value of these contracts is recognized in income at the time the positions are closed and the hedged transactions are recognized in income.

From time to time, we also enter into futures contracts with supply vendors that secure supply of product to be purchased for use in the normal course of business at our refining and retail segments. These contracts are priced based on an index that is clearly and closely related to the product being purchased, contain no net settlement provisions and typically qualify under the normal purchase exemption from derivative accounting treatment under ASC 815.

The following table presents the fair value of our derivative instruments as of December 31, 2014 and 2013. The fair value amounts below are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under our master netting arrangements, including cash collateral on deposit with our counterparties. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements. As a result, the asset and liability amounts below differ from the amounts presented in our consolidated balance sheets (in millions):

		As of December 31, 2014		As of December 31, 2013	
Derivative Type	Balance Sheet Location	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedging instruments:					
OTC commodity swaps[1]	Other current assets	$190.3	$(163.3)	$17.4	$(8.6)
OTC commodity swaps[1]	Other current liabilities	20.1	(37.8)	—	(3.4)
OTC commodity swaps[1]	Other long term assets	21.5	(14.3)	—	—
OTC commodity swaps[1]	Other long term liabilities	32.8	(2.7)	—	—
Interest rate derivatives	Other current assets	—	(0.6)	—	—
Interest rate derivatives	Other current liabilities	—	(0.3)	—	—
Interest rate derivatives	Other long term assets	—	—	0.1	—
Interest rate derivatives	Other long term liabilities	—	—	—	(2.8)
Derivatives designated as hedging instruments:					
OTC commodity swaps[1]	Other current assets	97.1	(76.1)	3.5	(3.2)
OTC commodity swaps[1]	Other current liabilities	9.4	(7.1)	—	—
OTC commodity swaps[1]	Other long term assets	—	—	—	—
OTC commodity swaps[1]	Other long term liabilities	18.4	(52.0)	3.0	(9.7)
Total gross fair value of derivatives		389.6	(354.2)	24.0	(27.7)
Less: Counterparty netting and cash collateral[2]		333.0	(344.1)	14.2	(16.8)
Less: Amounts subject to master netting arrangements that are not netted on the balance sheet		$3.2	$(3.2)	$6.0	$(6.0)
Total net fair value of derivatives		$53.4	$(6.9)	$3.8	$(4.9)

(1) As of December 31, 2014 and 2013, we had open derivative contracts representing 11,169,150 and 7,703,000 barrels, respectively, of crude oil and refined petroleum products. Of these open contracts, contracts representing 4,512,400 and 5,186,000 barrels were designated as hedging instruments as of December 31, 2014 and 2013, respectively.

(2) As of December 31, 2014 and 2013, $11.1 million and $2.6 million, respectively, of cash collateral has been netted with the derivatives with each counterparty. Included in these amounts is $2.0 million of cash collateral associated with our interest rate derivatives as of both December 31, 2014 and 2013.

For the years ended December 31, 2014, 2013 and 2012, we recognized total gains (losses) on our commodity derivatives of $131.6 million, $(3.0) million and $1.4 million, respectively. The gains and losses on commodity derivatives were recorded in cost of goods sold on the condensed consolidated statement of income, primarily in the refining segment.

Gains (losses) associated with derivatives not designated as hedging instruments for the years ended December 31, 2014, 2013 and 2012 are as follows (in millions):

		Year Ended December 31,		
Derivative Type	Income Statement Location	2014	2013	2012
OTC commodity swaps	Cost of goods sold	$102.7	$(1.2)	$3.3
Interest rate derivatives	Interest expense	(0.4)	(0.4)	(2.6)
	Total	$102.3	$(1.6)	$0.7

Gains (losses) on our derivatives designated as cash flow hedging instruments or the years ended December 31, 2014, 2013 and 2012 are as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
OTC commodity swaps:			
Gain (loss) recognized in OCI (effective portion)	$15.0	$(5.6)	$(4.0)
Gain (loss) reclassified from accumulated OCI into cost of goods sold on closed positions (effective portion)	$22.6	$0.7	$(1.1)
Gain (loss) recognized in cost of goods sold related to ineffectiveness	$6.3	$(2.5)	$(0.8)

For cash flow hedges, no component of the derivative instruments' gains or losses was excluded from the assessment of hedge effectiveness for the years ended December 31, 2014, 2013 and 2012. For the year ended December 31, 2014, losses of $12.3 million, net of taxes, on cash flow hedges, primarily related to future purchases of crude oil and the associated sale of finished grade fuel, remain in accumulated other comprehensive income. Gains (losses) of $14.7 million, $0.4 million and $(0.7) million, net of tax, on settled contracts were reclassified into cost of sales during the years ended December 31, 2014, 2013 and 2012. We estimate that $9.0 million of deferred gains as of December 31, 2014 will be reclassified into cost of sales over the next 12 months as a result of hedged transactions that are forecasted to occur. For the years ended December 31, 2014, 2013 and 2012, there were no amounts reclassified from accumulated other comprehensive income into income as a result of the discontinuation of cash flow hedge accounting.

15. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of Delek's deferred tax assets and liabilities, reported separately in the accompanying consolidated financial statements, as of December 31, 2014 and 2013 were as follows (in millions):

	December 31,	
	2014	2013
Current Deferred Taxes:		
Reserves and accruals	9.7	4.3
Inventories	22.2	2.7
ASC 815	(11.6)	—
Valuation allowance	(0.1)	(0.1)
Total current deferred tax assets	20.2	6.9
Non-Current Deferred Taxes:		
Property, plant and equipment, and intangibles	(251.6)	(207.8)
Partnership investment	(16.3)	(12.6)
Deferred revenues	(13.8)	(14.8)
Compensation and employee benefits	7.1	4.9
Net operating loss carryforwards	6.2	6.0
Reserves and accruals	4.9	5.3
Other	—	2.3
Valuation allowance	(2.8)	(3.3)
Total non-current deferred tax liabilities	(266.3)	(220.0)
Total net deferred tax liabilities	$(246.1)	$(213.1)

The difference between the actual income tax expense and the tax expense computed by applying the statutory federal income tax rate to income from continuing operations was attributable to the following (in millions):

	Year Ended December 31,		
	2014	2013	2012
Provision for federal income taxes at statutory rate	$114.7	$72.3	$149.7
State income taxes, net of federal tax provision	6.7	2.6	11.4
Non-controlling interest	(9.6)	(6.4)	(1.1)
Other items	(10.2)	2.4	(8.4)
Income tax expense	$101.6	$70.9	$151.6

Income tax expense from continuing operations was as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Current	$64.2	$32.0	$135.8
Deferred	37.4	38.9	15.8
	$101.6	$70.9	$151.6

Deferred income tax expense above was reflective of the changes in deferred tax assets and liabilities during the current period.

During the year ended December 31, 2014 and 2013, we recorded decreases to the valuation allowance of $0.5 million and $2.0 million, respectively. We carry valuation allowances against certain state deferred tax assets and net operating losses that may not be recoverable with future taxable income. During the year ended December 31, 2014 and 2013, we decreased the valuation allowance on some of our state deferred tax assets that we believe will more likely than not be realized based on the future reversal of our deferred tax liabilities.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods for which the deferred tax assets are deductible, management believes it is more likely than not Delek will realize the benefits of these deductible differences, net of the existing valuation allowance. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. Subsequently recognized tax benefit or expense relating to the valuation allowance for deferred tax assets will be reported as an income tax benefit or expense in the consolidated statement of income.

State net operating loss carryforwards at December 31, 2014 totaled $170.5 million, a portion of which was subject to a valuation allowance and which include $26.8 million related to non-qualified stock option deductions. Delek has $0.8 million of state net operating losses that are set to expire between 2015 and 2016. Remaining net operating losses will begin expiring in 2017-2034. To the extent net operating loss carryforwards, when realized, relate to non-qualified stock option deductions, the resulting benefits will be credited to stockholders' equity.

Delek files a consolidated U.S. federal income tax return, as well as income tax returns in various state jurisdictions. Delek is no longer subject to U.S. federal income tax examinations by tax authorities for years through 2009. The Internal Revenue Service has examined Delek's income tax returns through the tax year ending 2009.

ASC 740 provides a recognition threshold and guidance for measurement of income tax positions taken or expected to be taken on a tax return. ASC 740 requires the elimination of the income tax benefits associated with any income tax position where it is not "more likely than not" that the position would be sustained upon examination by the taxing authorities. During the years ending December 31, 2014 and 2013, respectively, $2.6 million and a nominal amount of unrecognized tax benefits were recorded, while $0.2 million and $0.3 million of unrecognized tax benefits lapsed due to statue of limitations expiration.

Increases and decreases to the beginning balance of unrecognized tax benefits during the year ended December 31, 2014 and 2013 were as follows:

	2014	2013	2012
Balance at the beginning of the year	$0.3	$0.6	$0.7
Additions based on tax positions related to current year	—	—	0.1
Additions for tax positions related to prior years	2.6	—	—
Reductions for tax positions related to the lapse of applicable statute of limitations	(0.2)	(0.3)	(0.2)
Balance at the end of the year	$2.7	$0.3	$0.6

The amount of the unrecognized benefit above that if recognized would change the effective tax rate is $2.2 million and $0.3 million as of December 31, 2014 and 2013, respectively.

Delek recognizes accrued interest and penalties related to unrecognized tax benefits as an adjustment to the current provision for income taxes. Interest of $0.2 million was recognized related to unrecognized tax benefits during the year ended December 31, 2014. A nominal amount of interest was recognized related to unrecognized tax benefits during each of the years ended December 31, 2013 and 2012.

Uncertain tax positions have been examined by Delek for any material changes in the next 12 months and none are expected.

16. Commitments and Contingencies

Litigation

In the ordinary conduct of our business, we are from time to time subject to lawsuits, investigations and claims, including environmental claims and employee-related matters.

We experienced a security breach by third-party hackers that may have compromised the credit/debit card information of certain of our retail segment customers. The incident involved credit/debit card payments for transactions at certain retail locations between March 19-25, 2013, April 14-15, 2013 and April 20-21, 2013, and several lawsuits have been brought against us as a result of this incident. Although we are unable to definitively determine the extent of any potential losses related to this breach, we do not believe that this incident will have a material adverse effect on our business, financial position or results of operations.

Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, including civil penalties or other enforcement actions, we do not believe that any currently pending legal proceeding or proceedings to which we are a party will have a material adverse effect on our business, financial condition or results of operations.

Self-insurance

Delek is self-insured for workers' compensation claims up to $1.0 million on a per accident basis. We self-insure for general liability claims up to $4.0 million on a per occurrence basis. We self-insure for auto liability up to $4.0 million on a per accident basis.

We have umbrella liability insurance available to each of our segments in an amount determined reasonable by management.

Rate Regulation of Petroleum Pipelines

The rates and terms and conditions of service on certain of our pipelines may be subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Interstate Commerce Act ("ICA") or by the state regulatory commissions in the states in which we transport crude oil and refined products, including the Railroad Commission of Texas, the Louisiana Public Service Commission, and the Arkansas Public Service Commission. Certain of our pipeline systems are subject to such regulation and have filed tariffs with the appropriate entities. We also comply with the reporting requirements for these pipelines. Other of our pipelines have received a waiver from application of FERC's tariff requirements but will comply with other regulatory requirements.

FERC regulates interstate transportation under the ICA, the Energy Policy Act of 1992 and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil pipelines, including pipelines that transport crude oil and refined products in interstate commerce (collectively referred to as “petroleum pipelines”), be just and reasonable and non-discriminatory and that such rates and terms and conditions of service be filed with FERC. Under the ICA, shippers may challenge new or existing rates or services. FERC is authorized to suspend the effectiveness of a challenged rate for up to seven months, though rates are typically not suspended for the maximum allowable period.

While FERC regulates rates for shipments of crude oil or refined products in interstate commerce, state agencies may regulate rates and service for shipments in intrastate commerce. We own pipeline assets in Texas, Arkansas, and Louisiana.

Environmental Health and Safety

We are subject to various federal, state and local environmental and safety laws enforced by agencies including the United States Environmental Protection Agency (the "EPA"), the United States Department of Transportation, the Occupational Safety and Health Administration, the Texas Commission on Environmental Quality, the Railroad Commission of Texas, the Arkansas Department of Environmental Quality and the Tennessee Department of Environment and Conservation as well as other state and federal agencies. Numerous permits or other authorizations are required under these laws for the operation of our refineries, biodiesel facilities, terminals, pipelines, underground storage tanks ("USTs"), trucks, rail cars and related operations, and may be subject to revocation, modification and renewal.

These laws and permits raise potential exposure to future claims and lawsuits involving environmental and safety matters which could include soil and water contamination, air pollution, personal injury and property damage allegedly caused by substances which we manufactured, handled, used, released or disposed of, transported, or that relate to pre-existing conditions for which we have assumed responsibility. We believe that our current operations are in substantial compliance with existing environmental and safety requirements. However, there have been and will continue to be ongoing discussions about environmental and safety matters between us and federal and state authorities, including notices of violations, citations and other enforcement actions, some of which have resulted or may result in changes to operating procedures and in capital expenditures. While it is often difficult to quantify future environmental or safety related expenditures, we anticipate that continuing capital investments and changes in operating procedures will be required for the foreseeable future to comply with existing and new requirements as well as evolving interpretations and more strict enforcement of existing laws and regulations.

The Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. Analogous state laws impose similar responsibilities and liabilities on responsible parties. In the course of our ordinary operations, our various businesses generate waste, some of which falls within the statutory definition of a hazardous substance and some of which may have been disposed of at sites that may require future cleanup under Superfund. At this time, our El Dorado refinery has been named as a minor potentially responsible party at one site for which we believe future costs will not be material.

As of December 31, 2014, we have recorded an environmental liability of approximately $9.4 million, primarily related to the probable estimated costs of remediating or otherwise addressing certain environmental issues of a non-capital nature at the Tyler and El Dorado refineries and a pipeline leak location. This liability includes estimated costs for ongoing investigation and remediation efforts, which were already being performed by the former operators of the Tyler and El Dorado refineries prior to our acquisition of those facilities, for known contamination of soil and groundwater, as well as estimated costs for additional issues which have been identified subsequent to the acquisition. We expect approximately $0.5 million of this amount to be reimbursable by a prior owner of the El Dorado refinery and have recorded $0.1 million in other current assets and $0.4 million in other non-current assets in our condensed consolidated balance sheet as of December 31, 2014. Approximately $0.9 million of the total liability is expected to be expended over the next 12 months with most of the balance expended by 2022. In the future, we could be required to undertake additional investigations of our refineries, pipelines and terminal facilities or convenience stores, which

could result in additional remediation liabilities.
Most of the cost of remediating releases from USTs in our retail segment is reimbursed by state reimbursement funds which are funded by a tax on petroleum products and subject to certain deductible amounts. As of December 31, 2014, our accrual for such UST-related remediation was less than $0.1 million.
The EPA issued final rules for gasoline formulation that required the reduction of average benzene content by January 1, 2011 and the reduction of maximum annual average benzene content by July 1, 2012. It is necessary for us to purchase credits to fully comply with these content requirements for the Tyler refinery. Although credits have been acquired that we believe will be sufficient to cover our obligations through at least 2016, there can be no assurance that such credits will be available in the future or that we

will be able to purchase available credits at reasonable prices. Additional benzene reduction projects may be implemented to reduce or eliminate our need to purchase benzene credits depending on the availability and cost of such credits.

Various legislative and regulatory measures to address climate change and greenhouse gas ("GHG") emissions (including carbon dioxide, methane and nitrous oxides) have been discussed or implemented. They include proposed and enacted federal regulation and state actions to develop statewide, regional or nationwide programs designed to control and reduce GHG emissions from fixed sources, such as our refineries, as well as mobile transportation sources and fuels. We are not aware of any state or regional initiatives for controlling existing GHG emissions that would affect our refineries. Although it is not possible to predict the requirements of any GHG legislation that may be enacted, any laws or regulations that may be adopted to restrict or reduce GHG emissions will likely require us to incur increased operating and capital costs. The EPA also has indicated that it intends to regulate refinery GHG emissions from new and existing sources through a New Source Performance Standard ("NSPS"), although there is no firm proposal or date for such regulation.

Since the 2010 calendar year, EPA rules require us to report GHG emissions from our refinery operations and consumer use of fuel products produced at our refineries on an annual basis. While the cost of compliance with the reporting rule is not material, data gathered under the rule may be used in the future to support additional regulation of GHG. Effective January 2011, the EPA began regulating GHG emissions from refineries and other major sources through the Prevention of Significant Deterioration ("PSD") and Federal Operating Permit ("Title V") programs. In June 2014, the United States Supreme Court ruled that the EPA may not require PSD and Title V permits solely because of GHG emissions, but may require Best Available Control Technology (“BACT”) for GHG emissions above a certain threshold if emissions of other pollutants would otherwise require PSD permitting. While this decision does not impose any limits or controls on GHG emissions from current operations, GHG emission increases from future projects or operational changes, such as capacity increases, may be impacted and required to meet emission limits or technological requirements such as BACT. We do not believe this decision will materially affect our operations.

In mid-2012, the EPA announced an industry-wide enforcement initiative directed at flaring operations and performance at refineries and petrochemical plants. In September 2012, the EPA finalized revisions to the NSPS for Petroleum Refineries ("NSPS Subpart Ja") that primarily affects flares and process heaters. We believe our existing process heaters meet the applicable requirements and our refineries have not received any associated inquiries or requests for information, nor are they a party to any associated enforcement action at this time. The NSPS will impact the way some flares at our Tyler and El Dorado refineries are designed and/or operated. Affected flares have three years to comply with the new standard and we have capital projects at our refineries related to flare compliance that will be implemented between 2014 and 2016.

In June 2014, the EPA proposed rules to further regulate refinery air emissions through additional NSPS and Maximum Achievable Control Technology requirements. The proposed rules would require capital expenditures for additional controls on the Tyler refinery’s coker and for the relief systems, flares, tanks and other sources at both refineries, as well as requiring changes to the way we operate or start up some process units. The proposed rule would also require that we monitor property line benzene concentrations and provide the results to the EPA, which will make the results available to the public. The EPA anticipates finalizing the proposed rules in June 2015 with approximately three years to comply with most of the requirements. If the proposed rules are finalized, we do not anticipate that any required capital and operating costs will be material and do not believe compliance will affect our production capacities or have a material adverse effect upon our business, financial condition or results of operations.

The Energy Independence and Security Act of 2007 ("EISA") increased the amounts of renewable fuel required to be blended into domestic transportation fuel supplies by the Energy Policy Act of 2005 to 32 billion gallons by 2022. The Renewable Fuel Standard - 2 (RFS-2) rule finalized by the EPA in 2010 to implement EISA, requires that most refiners blend increasing amounts of biofuels with refined products, equal to approximately 9.2% of combined gasoline and diesel volume in 2012, increasing to 10% and 11% in 2014 and 2015, respectively, and escalating annually to approximately 18% by 2022. Because the mandate requires specified volumes of biofuels, if the demand for motor fuels decreases in future years, even higher percentages of biofuels may be required. Alternatively, credits called Renewable Identification Numbers ("RINs") can be used instead of physically blending biofuels. The Tyler refinery began supplying a 10% ethanol gasoline blend (E-10) in January 2008 and 5% biodiesel blends in June 2011. The El Dorado refinery completed projects at its truck loading rack in June 2011 to make E-10 available and in July 2012 to make biodiesel blends available. In 2013, we internally generated, through our logistics, retail and refining segments, most of the RINs required to meet the obligations of our refineries, including a carryover of 2012 RINs, with a net surplus of biodiesel RINs that were available to be sold to purchase RINs in other categories.

The EPA has proposed slightly lower overall renewable fuel obligations for 2014 in recognition of blending issues associated with exceeding the 10% "blendwall" in gasoline; however, the EPA is not expected to finalize the required volumes until sometime in the second quarter of 2015. The EPA could require increased volumes compared with the proposed volumes. If the volumes in the proposed rule are finalized, it is likely we will obtain most of the RINs required for 2014 compliance through internal operations of our refineries and other business units. If the final rule requires higher volumes than proposed, it will be necessary for our refineries to purchase additional RINs in the market, but it is not possible at this time to predict what those volumes may be.

In March 2013, the EPA proposed Tier 3 gasoline rules, which were finalized in March 2014. The final Tier 3 rule requires a reduction in annual average gasoline sulfur content from 30 ppm to 10 ppm and retains the current maximum per-gallon sulfur content of 80 ppm. Larger refineries must comply with the 10 ppm sulfur standard by January 1, 2017 but the final rule provides a three-year waiver period, to January 1, 2020, for small volume refineries that processed less than 75,000 bpd in 2011 or 2012. Both of our refineries meet this waiver provision and will have until January 1, 2020 to comply. We anticipate that the Tyler refinery will meet these new limits when they become effective with only minor operational changes and that a minor capital project may be required for additional sulfur removal capacity at the El Dorado refinery.

Following the November 2008 explosion and fire at the Tyler refinery, the EPA conducted an investigation under Section 114 of the Clean Air Act pertaining to our compliance with the chemical accident prevention standards. In late 2011, the EPA referred an enforcement action to the DOJ and in the fourth quarter of 2014, we settled this matter by entering into a Consent Decree with the government. The Consent Decree requires Delek to pay a penalty of $0.5 million and make a minor change to its written inspection procedures. The Consent Decree has no effect on production at the refinery and no cost implications other than the penalty amount.

We have detected several crude oil releases from pipelines owned by our logistics segment, including a release at Magnolia Station in March 2013, a release near Macedonia, Arkansas in October 2013 and a release in Haynesville, Louisiana in April 2014. Based on current information available to us, we do not believe the total costs associated with these events, whether alone or in the aggregate, including any fines or penalties and net of partial insurance reimbursement, will have a material adverse effect upon our business, financial condition or results of operations.

Vendor Commitments

Our retail segment maintains an agreement with a significant vendor that requires the purchase of certain general merchandise exclusively from this vendor over a specified period of time. Additionally, we maintain agreements with certain fuel suppliers that contain terms which generally require the purchase of predetermined quantities of third-party branded fuel for a specified period of time. In certain fuel vendor contracts, penalty provisions exist if minimum quantities are not met.

Letters of Credit

As of December 31, 2014, Delek had in place letters of credit totaling approximately $102.7 million with various financial institutions primarily securing obligations with respect to its workers' compensation and general liability self-insurance programs, crude oil purchases for the refining segment, and gasoline and diesel purchases for the logistics segment. No amounts were drawn by beneficiaries of these letters of credit at December 31, 2014.

Operating Leases

Delek leases land, buildings, retail store locations, equipment and corporate office space under agreements expiring at various dates through 2037 after considering available renewal options. Many of these leases contain renewal options and require Delek to pay executory costs (such as property taxes, maintenance, and insurance). Lease expense for all operating leases for the years ended December 31, 2014, 2013 and 2012 totaled $24.7 million, $19 million, and $17.1 million, respectively.

The following is an estimate of our future minimum lease payments for operating leases having remaining noncancelable terms in excess of one year as of December 31, 2014 (in millions):

2015	$20.8
2016	19.8
2017	17.7
2018	15.9
2019	13.2
Thereafter	64.6

Total future minimum rentals	$152.0

17. Employees

Workforce

A portion of our workforce in the refining segment is represented by the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local 202. As of December 31, 2014, 161 operations and maintenance hourly employees and 40 truck drivers at the Tyler refinery were represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union and its Local 202. The Tyler operations and maintenance hourly employees are currently covered by a collective bargaining agreement that expired January 31, 2015. National-level negotiations are currently ongoing between the International Union and a third party. While these negotiations are in process, we are operating under rolling, 24-hour extensions to this agreement. The Tyler truck drivers are currently covered by a collective bargaining agreement that expires March 1, 2015. Renewal negotiations for this agreement are in process but not yet finalized. In the event that the union strikes, Delek has a plan in place for continued operation of the Tyler refinery utilizing company employees and/or third party contractors. We do not anticipate these negotiations will prevent the continuous operation of the Tyler refinery. As of December 31, 2014, 167 operations and maintenance hourly employees at the El Dorado refinery were represented by the International Union of Operating Engineers and its Local 381. These employees are covered by a collective bargaining agreement which expires on August 1, 2017. None of our employees in our marketing or retail segments or in our corporate office are represented by a union. We consider our relations with our employees to be satisfactory.

401(k) Plan

We sponsor a voluntary 401(k) Employee Retirement Savings Plan for eligible employees administered by Wells Fargo Bank, N.A. Employees must be at least 21 years of age and have 45 days of service to be eligible to participate in the plan. Employee contributions are matched on a fully-vested basis by us up to a maximum of 6% of eligible compensation. Eligibility for the company matching contribution begins on the first of the month following one year of employment. For the years ended December 31, 2014, 2013 and 2012, the 401(k) expense recognized was $4.2 million, $3.9 million, and $3.4 million, respectively.

18. Related Party Transactions

From the time of our initial public offering in May 2006 through March 20, 2013, Delek Group Ltd. ("Delek Group") controlled more than 50% of our voting power. As a result, Delek Group and its controlling stockholder Mr. Itshak Sharon (Tshuva), could, without the consent of our other stockholders, control the election of our directors, influence our corporate and management policies and determine the outcome of any matter or corporate transaction submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. On March 20, 2013 (the "2013 Offering") and May 20, 2014, Delek Group completed the sale of 9,000,000 and 10,580,000 shares of our outstanding common stock, respectively, in separate secondary offerings. Concurrently with the 2013 Offering, we repurchased 1,000,000 shares of our outstanding common stock from Delek Group in a privately negotiated transaction. Additionally, from 2012 through 2014, Delek Group engaged in several block trade sales of our common stock, further reducing their holdings of our outstanding common stock. As of December 31, 2014, no representative of Delek Group served on our Board of Directors, but, based on information filed in a Schedule 13G/A with the SEC on February 17, 2015, Delek Group beneficially owned approximately 5.2% of our outstanding shares of common stock on that date.

19. Selected Quarterly Financial Data (Unaudited)

Quarterly financial information for the years ended December 31, 2014 and 2013 is summarized below. The quarterly financial information summarized below has been prepared by Delek's management and is unaudited (in millions, except per share data).

	For the Three Month Periods Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Net sales	$1,865.7	$2,374.7	$2,322.2	$1,761.7
Operating income	$67.7	$106.0	$120.9	$71.9
Net income	$39.3	$63.2	$78.2	$45.3
Net income attributable to Delek	$33.7	$54.9	$72.5	$37.5
Basic earnings per share	$0.57	$0.93	$1.23	$0.65
Diluted earnings per share	$0.56	$0.92	$1.22	$0.64

	For the Three Month Periods Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Net sales	$2,259.9	$2,187.4	$2,321.8	$1,937.7
Operating income	$134.4	$77.8	$12.9	$12.6
Net income	$82.1	$51.0	$3.0	$(0.4)
Net income (loss) attributable to Delek	$77.5	$46.6	$(1.7)	$(4.7)
Basic earnings (loss) per share	$1.30	$0.79	$(0.03)	$(0.08)
Diluted earnings (loss) per share	$1.28	$0.78	$(0.03)	$(0.08)

20. Subsequent Events

Dividend Declaration

On February 23, 2015, Delek's Board of Directors voted to declare a quarterly cash dividend of $0.15 per share, payable on March 24, 2015, to stockholders of record on March 10, 2015.

Share Repurchase Authorization

In 2015, our Board of Directors approved a new share repurchase authorization for $125.0 million that will expire on December 31, 2015. Shares under the program may be repurchased from time to time in the open market or through privately negotiated transactions, subject to market conditions and other factors.

SCHEDULE I

Delek US Holdings, Inc.
Parent Company Only
Condensed Balance Sheets

	December 31, 2014	2013
	(In millions, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$186.9	$184.3
Accounts receivable	0.9	0.8
Interest receivable from subsidiaries	2.1	—
Income tax receivable from subsidiaries	14.0	44.7
Other current assets	70.9	16.5
Total current assets	274.8	246.3
Property, plant and equipment:		
Property, plant and equipment	28.4	23.5
Less: accumulated depreciation	(9.6)	(4.7)
Property, plant and equipment, net	18.8	18.8
Notes receivable from related parties	74.4	72.7
Investment in subsidiaries	865.5	799.3
Deferred tax asset	—	0.2
Other non-current assets	2.3	0.5
Total assets	$1,235.8	$1,137.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$3.1	$6.4
Accounts payable to subsidiaries	74.6	64.7
Current portion of long-term debt and capital lease obligations	—	18.3
Accrued expenses and other current liabilities	24.5	7.9
Total current liabilities	102.2	97.3
Non-current liabilities:		
Long-term debt and capital lease obligations, net of current portion	17.0	—
Notes payable to subsidiaries	102.0	105.5
Deferred tax liabilities	7.3	—
Other non-current liabilities	5.6	—
Total non-current liabilities	131.9	105.5
Shareholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 110,000,000 shares authorized, 60,637,525 shares and 60,229,107 shares issued at December 31, 2014 and 2013, respectively	0.6	0.6
Additional paid-in capital	395.1	384.5
Accumulated other comprehensive loss	(12.6)	(4.0)
Treasury stock, 3,365,561 and 1,000,000 shares, at cost, as of December 31, 2014 and 2013, respectively.	(112.6)	(37.9)

Retained earnings	731.2	591.8
Total shareholders’ equity	1,001.7	935.0
Total liabilities and shareholders’ equity	$1,235.8	$1,137.8

The "Notes to Consolidated Financial Statements" of Delek US Holdings, Inc., beginning on page F-12 of this Form 10-K are an integral part of these condensed financial statements.

Delek US Holdings, Inc.
Parent Company Only
Condensed Statements of Income

	Year Ended December 31,		
	2014	2013	2012
	(In millions)		
Net sales	$—	$—	$—
Operating costs and expenses:			
Cost of goods sold	(81.1)	8.8	(2.1)
General and administrative expenses	50.9	40.8	31.1
Depreciation and amortization	4.9	3.4	0.9
Total operating costs and expenses	(25.3)	53.0	29.9
Operating income (loss)	25.3	(53.0)	(29.9)
Interest expense	0.6	1.8	5.1
Interest income	(0.2)	—	—
Net interest expense from related parties	1.8	2.8	2.8
Earnings from investment in subsidiaries	(181.1)	(156.5)	(289.6)
Total non-operating income, net	(178.9)	(151.9)	(281.7)
Income before income taxes	204.2	98.9	251.8
Income tax expense (benefit)	5.6	(18.8)	(21.0)
Net income	$198.6	$117.7	$272.8

The "Notes to Consolidated Financial Statements" of Delek US Holdings, Inc., beginning on page F-12 of this Form 10-K are an integral part of these condensed financial statements.

Delek US Holdings, Inc.
Parent Company Only
Condensed Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2014	2013	2012
	(In millions)		
Net income attributable to Delek	$198.6	$117.7	$272.8
Other comprehensive income:			
Net loss on derivative instruments, net of tax benefit of $4.0, $2.9, and $0.7 for years ended December 31, 2014, 2013 and 2012, respectively, and net of ineffectiveness of $6.3, $(2.5) and $(0.8) for the years ended December 31, 2014, 2013 and 2012, respectively.	(8.3)	(4.4)	(1.4)
Foreign currency translation	$(0.3)	$—	$—
Comprehensive income	$190.0	$113.3	$271.4

The "Notes to Consolidated Financial Statements" of Delek US Holdings, Inc., beginning on page F-12 of this Form 10-K are an integral part of these condensed financial statements.

Delek US Holdings, Inc.
Parent Company Only
Condensed Statements of Cash Flows

	Year Ended December 31,		
	2014	2013	2012
	(In millions)		
Cash flows from operating activities:			
Net income	$198.6	$117.7	$272.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4.9	3.4	0.9
Amortization of deferred financing costs	0.4	0.4	0.3
Deferred income taxes	12.8	12.1	4.9
Equity-based compensation expense	7.3	6.5	3.8
Income tax benefit of equity-based compensation	(0.8)	(4.7)	(8.2)
Income from subsidiaries	(181.1)	(156.5)	(289.6)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	(0.1)	(0.8)	0.5
Inventories and other current assets	5.6	(24.2)	(17.3)
Market value of derivatives	(47.7)	(5.3)	0.5
Receivables and payables from related parties	6.5	(8.6)	16.6
Accounts payable and other current liabilities	6.0	(6.7)	12.3
Non-current assets and liabilities, net	7.8	(6.4)	(0.1)
Net cash provided by (used in) operating activities	20.2	(73.1)	(2.6)
Cash flows from investing activities:			
Business combinations	—	(5.1)	—
Purchase of property, plant and equipment	(4.9)	(8.0)	(9.4)
Investment in subsidiaries	(24.3)	(46.4)	(23.5)
Dividends from subsidiaries	155.3	317.2	83.1
Distributions from subsidiaries	—	—	50.0
Net repayments of notes receivable from subsidiaries	(1.7)	(27.7)	—
Net cash provided by investing activities	124.4	230.0	100.2
Cash flows from financing activities:			
Proceeds from revolver	57.0	12.0	8.5
Payments on revolver	(50.0)	(6.0)	(4.5)
Repayment of note payable to related party	(11.8)	—	(66.5)
Proceeds from notes payable to subsidiaries	—	—	136.0
Repayment of note payable to subsidiaries	—	(23.1)	(21.0)
Repayments of other debt instruments	—	(29.1)	(30.4)
Proceeds from exercise of stock options	1.1	7.4	6.7
Taxes paid due to the net settlement of equity-based compensation	(5.2)	(5.0)	(8.2)
Income tax benefit of equity-based compensation	0.8	4.7	8.2
Repurchase of common stock	(74.7)	(37.9)	—
Dividends paid	(59.2)	(57.3)	(35.5)
Deferred financing costs paid	—	—	(0.4)
Net cash used in financing activities	(142.0)	(134.3)	(7.1)
Net increase in cash and cash equivalents	2.6	22.6	90.5
Cash and cash equivalents at the beginning of the period	184.3	161.7	71.2

Cash and cash equivalents at the end of the period	$186.9	$184.3	$161.7

The "Notes to Consolidated Financial Statements" of Delek US Holdings, Inc., beginning on page F-12 of this Form 10-K are an integral part of these condensed financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Delek US Holdings, Inc.

By: /s/ Assaf Ginzburg
Assaf Ginzburg
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by or on behalf of the following persons on behalf of the registrant and in the capacities indicated on February 26, 2015:

/s/ Ezra Uzi Yemin
Ezra Uzi Yemin
Director (Chairman), President and Chief Executive Officer
(Principal Executive Officer)

/s/ William J. Finnerty*
William J. Finnerty
Director

/s/ Carlos E. Jorda*
Carlos E. Jorda
Director

/s/ Charles H. Leonard*
Charles H. Leonard
Director

/s/ Shlomo Zhohar*
Shlomo Zhohar
Director

/s/ Assaf Ginzburg
Assaf Ginzburg
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

*By: /s/ Assaf Ginzburg
Assaf Ginzburg
Individually and as Attorney-in-Fact

EXHIBIT INDEX

Exhibit No.		Description
2.1	^	Stock Purchase Agreement, dated March 17, 2011, by and among Ergon, Inc., Lion Oil Company and Delek US Holdings, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on May 4, 2011).
2.2	^	First Amendment, dated April 29, 2011, to Stock Purchase Agreement, dated March 17, 2011, by and among Ergon, Inc., Lion Oil Company and Delek US Holdings, Inc. (incorporated by reference to Exhibit 2.2 to the Company's Form 8-K filed on May 4, 2011).
2.3		Contribution, Conveyance and Assumption Agreement, dated November 7, 2012, by and among Delek Logistics Partners, LP, Delek Logistics GP, LLC, Delek Logistics Operating, LLC, Delek Crude Logistics, LLC, Delek US Holdings, Inc., Delek Marketing & Supply, LLC, Delek Marketing and Supply, LP, Lion Oil Company and Delek Logistics Services Company (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on November 14, 2012).
3.1		Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on August 8, 2013).
3.2		Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on August 7, 2014).
4.1		Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
4.2		Registration Rights Agreement, dated April 17, 2006, by and between Delek US Holdings, Inc. and Delek Group Ltd. (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.1	*	Employment Agreement, dated November 1, 2013, by and between Delek US Holdings, Inc. and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K filed on March 3, 2014).
10.1(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 9, 2013).
10.1(b)	*	Subscription Agreement, dated December 10, 2013, between Delek Logistics GP, LLC and Ezra Uzi Yemin (incorporated by reference to Exhibit 10.1(b) to the Company's Form 10-K filed on March 3, 2014).
10.2	*	Employment Agreement, dated August 7, 2012, by and between Delek US Holdings, Inc. and Donald N. Holmes (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 8, 2012).
10.3	*	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6	*	Delek US Holdings, Inc. 2006 Long-Term Incentive Plan (as amended through May 4, 2010) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 7, 2010).
10.6(a)	*	Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.13(a) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(b)	*	Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(b) to the Company's Registration Statement on Form S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(c)	*	Officer Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.13(c) to the Company's Registration Statement on Form

		S-1/A, filed on April 20, 2006, SEC File No. 333-131675).
10.6(d)	*	Director Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 6, 2010).
10.6(e)	*	Employee Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 6, 2010).
10.6(f)	*	Form of Delek US Holdings, Inc. 2006 Long-Term Incentive Plan Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 7, 2014).
10.7		Tyler Throughput and Tankage Agreement, dated July 26, 2013, between Delek Refining, Ltd. and Delek Marketing & Supply, LP (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2013).

10.8		Pipelines and Tankage Agreement, dated November 7, 2012, by and between Delek Refining, Ltd. and Delek Crude Logistics, LLC (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on November 14, 2012).
10.9		Pipelines and Storage Facilities Agreement, dated November 7, 2012, by and among Lion Oil Company, Delek Logistics Partners, LP, SALA Gathering Systems, LLC, El Dorado Pipeline Company, LLC, Magnolia Pipeline Company, LLC and J. Aron & Company (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed on November 14, 2012).
10.10	*	Employment Agreement, dated July 1, 2011, by and between Delek US Holdings, Inc. and Assaf Ginzburg (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 9, 2011).
10.10(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Assaf Ginzburg (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on May 9, 2013).
10.11	*	Employment Agreement, dated as of November 1, 2011, by and between Delek US Holdings, Inc. and Frederec Green (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K filed on March 14, 2012).
10.11(a)	*	Subscription Agreement, dated March 10, 2013, between Delek Logistics GP, LLC and Frederec Green (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 9, 2013).
10.12		Stock Repurchase Agreement, dated March 12, 2013, between Delek US Holdings, Inc. and Delek Hungary Holding Limited Liability Company (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 18, 2013).
10.13	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Mark B. Cox (incorporated by reference to Exhibit 10.16 to the Company's Form 10-K filed on March 14, 2012).
10.13(a)	*	Separation of Employment / General Release, dated January 18, 2013, by and between Delek US Holdings, Inc. and Mark B. Cox (incorporated by reference to Exhibit 10.15(a) to the Company's Form 10-K filed on March 12, 2013).
10.14	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Harry P. (Pete) Daily (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K filed on March 14, 2012).
10.15	*	Employment Agreement, dated November 1, 2011, by and between Delek US Holdings, Inc. and Kent B. Thomas (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K filed on March 14, 2012).
10.16	‡	Amended and Restated Master Supply and Offtake Agreement, dated December 23, 2013, by and among J. Aron & Company, Lion Oil Company, and Lion Oil Trading & Transportation, LLC (incorporated by reference to Exhibit 10.18 to the Company's Form 10-K/A filed on June 26, 2014).
10.17		Amended and Restated Financing Agreement, dated December 18, 2013, among Lion Oil Company as borrower, certain subsidiaries of Lion Oil Company named therein as guarantors, Bank Hapoalim B.M. as collateral agent and lender, and Israel Discount Bank of New York as lender (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 20, 2013).
10.17(a)		Amendment No. 1 to Amended and Restated Financing Agreement and Amendment No. 1 to Amended and Restated Parent Guaranty, dated June 23, 2014, among Lion Oil Company as borrower, certain subsidiaries of Lion Oil Company named therein as guarantors, Bank of Hapoalim B.M. as collateral agent and lender, Israel Discount Bank of New York as lender and Fifth Third Bank as lender (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q

	filed on August 7, 2014).
10.18	Amended and restated asset-backed revolving credit agreement dated January 16, 2014 by and between Delek Refining, Ltd. as borrower and a consortium of lenders including Wells Fargo Bank, National Association as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 8, 2014).
10.19	El Dorado Throughput and Tankage Agreement, executed as of February 10, 2014, between Lion Oil Company and Delek Logistics Operating LLC, and, for limited purposes, J. Aron & Company (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on February 14, 2014).
10.20	Second Amended and Restated Omnibus Agreement, dated as of February 10, 2014, among Delek US Holdings, Inc., Lion Oil Company, Delek Marketing & Supply, LP, Delek Refining, Ltd., Delek Logistics Partners, LP, Paline Pipeline Company, LLC, SALA Gathering Systems, LLC, Magnolia Pipeline Company, LLC, El Dorado Pipeline Company, LLC, Delek Crude Logistics, LLC, Delek Marketing-Big Sandy, LLC, Delek Logistics Operating, LLC and Delek Logistics GP, LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on February 14, 2014).
10.21	Third Amended and Restated Credit Agreement, dated May 6, 2014, between MAPCO Express, Inc. as borrower, Fifth Third Bank as arranger and administrative agent and a lender, Bank of America, N.A., as co-syndication Agent and a lender, BMO Capital Markets, as joint lead arranger and co-syndication agent, Regions Business Capital, as co-syndication agent and the lenders from time to time parties thereto (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on August 7, 2014).

10.22		Employment letter between Delek US Holdings, Inc. and Mark D. Smith dated April 22, 2014 (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by the Company on August 7, 2014).
10.23		Employment Agreement, dated November 6, 2012, by and between Delek US Holdings, Inc. and Dan L. Gordon (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on November 6, 2014).
10.24		Second Amended and Restated Credit Agreement, dated as of December 30, 2014, among Delek Logistics Partners, LP and each other borrower referenced therein, as borrowers, Fifth Third Bank, as administrative agent, and a syndicate of lenders (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on January 6, 2015).
21.1	§	Subsidiaries of the Registrant
23.1	§	Consent of Ernst & Young LLP
24.1	§	Power of Attorney
31.1	§	Certification of the Company's Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.
31.2	§	Certification of the Company's Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act.
32.1	§	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	§	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101		The following materials from Delek US Holdings, Inc.'s Annual Report on Form 10-K for the annual period ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and 2013, (ii) Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012 and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.

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* Management contract or compensatory plan or arrangement.

§ Filed herewith.

^ Certain schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to supplementally furnish a copy of any of the omitted schedules to the United States Securities and Exchange Commission upon request.

‡ Confidential treatment has been requested and granted with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted portions have been filed separately with the United States Securities and Exchange Commission.

¶ Confidential treatment has been requested with respect to certain portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Omitted portions have been filed separately with the United States Securities and Exchange Commission.

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