



Green Plains
PARTNERS LP

Fueling a sustainable future

2020 ANNUAL REPORT





Green Plains
PARTNERS LP

Fueling a sustainable future

Green Plains Partners (NASDAQ:GPP) is a fee-based Delaware limited partnership formed by Green Plains Inc. to provide fuel storage and transportation services by owning, operating, developing and acquiring ethanol and fuel storage terminals, transportation assets and other related businesses. For more information about Green Plains Partners, visit www.greenplainspartners.com.

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 December 31, 2020

or

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

For the transition period from ___ to ___

Commission File Number 001-37469

GREEN PLAINS PARTNERS LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-3822258

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

1811 Aksarben Drive, Omaha, NE 68106

(Address of principal executive offices, including zip code)

(402) 884-8700

(Registrant's telephone number, including area code)

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| Common Units, Representing Limited Partner Interests | GPP | The Nasdaq Stock Market LLC |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's common units held by non-affiliates of the registrant as of June 30, 2020, based upon the last sale price of the common units on such date, was approximately \$153.6 million. For purposes of this calculation, executive officers and directors are deemed to be affiliates of the registrant.

As of February 11, 2021, the registrant had 23,208,171 common units outstanding.

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Commonly Used Defined Terms

The abbreviations, acronyms and industry terminology used in this annual report are defined as follows:

Green Plains Partners LP, Subsidiaries, and Partners:

| | |
|--|---|
| BlendStar | BlendStar LLC and its subsidiaries, the partnership's predecessor for accounting purposes |
| Green Plains Operating Company | Green Plains Operating Company LLC |
| Green Plains Partners; the partnership MLP predecessor | Green Plains Partners LP and its subsidiaries BlendStar LLC and its subsidiaries, and the assets, liabilities and results of operations of the ethanol storage and leased railcar assets contributed by Green Plains |
| NLR | NLR Energy Logistics LLC |

Green Plains Inc. and Subsidiaries:

| | |
|--|--|
| Green Plains; the parent | Green Plains Inc. and its subsidiaries |
| Green Plains Holdings; the general partner | Green Plains Holdings LLC |
| Green Plains Trade | Green Plains Trade Group LLC |

Other Defined Terms:

| | |
|-----------------|--|
| ARO | Asset retirement obligation |
| ASC | Accounting Standards Codification |
| Bgy | Billion gallons per year |
| BNSF | BNSF Railway Company |
| CAFE | Corporate Average Fuel Economy |
| CARB | California Air Resources Board |
| CAMEX | Brazil Chamber of Foreign Trade |
| Clean Water Act | Water Pollution Control Act of 1972 |
| COVID-19 | Coronavirus Disease 2019 |
| CSX | CSX Transportation, Inc. |
| D.C. | District of Columbia |
| DOE | Department of Energy |
| DOT | U.S. Department of Transportation |
| E10 | Gasoline blended with up to 10% ethanol by volume |
| E15 | Gasoline blended with up to 15% ethanol by volume |
| E85 | Gasoline blended with up to 85% ethanol by volume |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| EIA | U.S. Energy Information Administration |
| EPA | U.S. Environmental Protection Agency |
| EVWR | Evansville Western Railway, Inc. |
| Exchange Act | Securities Exchange Act of 1934, as amended |
| GAAP | U.S. Generally Accepted Accounting Principles |
| IPO | Initial public offering of Green Plains Partners LP |
| IRA | Individual retirement account |
| IRS | Internal Revenue Service |
| JOBS Act | Jumpstart Our Business Startups Act of 2012 |
| KCS | Kansas City Southern Railway Company |
| LCFS | Low Carbon Fuel Standard |
| LIBOR | London Interbank Offered Rate |
| LTIP | Green Plains Partners LP 2015 Long-Term Incentive Plan |
| Mmg | Million gallons |
| Mmgy | Million gallons per year |
| MTBE | Methyl tertiary-butyl ether |
| Nasdaq | The Nasdaq Global Market |
| NEO | Named executive officer |

| | |
|-----------------------|--|
| NMTC | New Markets Tax Credits |
| OSHA | U.S. Occupational Safety and Health Administration |
| Partnership agreement | First Amended and Restated Agreement of Limited Partnership of Green Plains Partners LP, dated as of July 1, 2015, between Green Plains Holdings LLC and Green Plains Inc. |
| PCAOB | Public Company Accounting Oversight Board |
| RFS II | Renewable Fuels Standard II |
| RIN | Renewable identification number |
| RVO | Renewable volume obligation |
| Securities Act | Securities Act of 1933 |
| SEC | Securities and Exchange Commission |
| SRE | Small refinery exemption |
| U.S. | United States |
| USDA | U.S. Department of Agriculture |

Cautionary Statement Regarding Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so investors can better understand future prospects and make informed investment decisions. As such, forward-looking statements are included in this report or incorporated by reference to other documents filed with the SEC.

Forward-looking statements are made in accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations which involve a number of risks and uncertainties and do not relate strictly to historical or current facts, but rather to plans and objectives for future operations. These statements include words such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “outlook,” “plan,” “predict,” “may,” “could,” “should,” “will” and similar words and phrases as well as statements regarding future operating or financial performance or guidance, business strategy, environment, key trends and benefits of actual or planned acquisitions.

Factors that could cause actual results to differ from those expressed or implied are discussed in this report under *Item 1A – Risk Factors* or incorporated by reference. Specifically, we may experience fluctuations in future operating results due to disruption caused by health epidemics, such as the COVID-19 outbreak; changes in general economic, market or business conditions; foreign imports of ethanol; fluctuations in demand for ethanol and other fuels; risks of accidents or other unscheduled shutdowns affecting our assets, including mechanical breakdown of equipment or infrastructure; risks associated with changes to federal policy or regulation; ability to comply with changing government usage mandates and regulations affecting the ethanol industry; price, availability and acceptance of alternative fuels and alternative fuel vehicles, and laws mandating such fuels or vehicles; changes in operational costs at our facilities and for our railcars; failure to realize the benefits projected for capital projects; competition; inability to successfully implement growth strategies; the supply of corn and other feedstocks; unusual or severe weather conditions and natural disasters; ability and willingness of parties with whom we have material relationships, including Green Plains Trade, to fulfill their obligations; labor and material shortages; changes in the availability of unsecured credit and changes affecting the credit markets in general; and other risk factors detailed in our reports filed with the SEC.

We believe our expectations regarding future events are based on reasonable assumptions; however, these assumptions may not be accurate or account for all risks and uncertainties. Consequently, forward-looking statements are not guaranteed. Actual results may vary materially from those expressed or implied in our forward-looking statements. In addition, we are not obligated and do not intend to update our forward-looking statements as a result of new information unless it is required by applicable securities laws. We caution investors not to place undue reliance on forward-looking statements, which represent management’s views as of the date of this report or documents incorporated by reference.

PART I

Item 1. Business.

References to “we,” “our,” “us” or the “partnership” used in present tense for periods beginning on or after July 1, 2015, refer to Green Plains Partners LP and its subsidiaries. References to the “MLP predecessor” used in a historical context for periods ended on or before June 30, 2015, refer to BlendStar LLC and its subsidiaries, the partnership’s predecessor for accounting purposes, and the assets, liabilities and results of operations of the ethanol storage and leased railcar assets contributed by Green Plains in connection with the IPO on July 1, 2015.

Partnership History

We are a master limited partnership formed by our parent on March 2, 2015. On July 1, 2015, we completed our IPO of 11,500,000 common units representing limited partner interests. Our common units are traded under the symbol “GPP” on Nasdaq.

After completing the IPO, in addition to the interests of BlendStar, we obtained the ethanol storage and leased railcar assets and liabilities previously owned and operated by our parent, in a transfer between entities under common control.

On January 1, 2016, we acquired the ethanol storage and leased railcar assets of the Hereford, Texas and Hopewell, Virginia ethanol production facilities from our parent in a transfer between entities under common control. The assets were recognized at historical cost and reflected retroactively along with related expenses for periods prior to the effective date of the acquisition, subsequent to the initial dates the assets were acquired by our parent, on October 23, 2015, and November 12, 2015, for Hopewell and Hereford, respectively.

On September 23, 2016, we acquired the ethanol storage assets located in Madison, Illinois, Mount Vernon, Indiana and York, Nebraska related to three ethanol plants, which occurred concurrently with the acquisition of these facilities by Green Plains from subsidiaries of Abengoa S.A. The transaction was accounted for as a transfer between entities under common control and the assets were recognized at the preliminary value recorded in Green Plains’ purchase accounting. No retroactive adjustments were required.

On August 13, 2018, the requirements under the partnership agreement for the conversion of all of the outstanding subordinated units into common units were satisfied. Accordingly, all of the 15,889,642 outstanding subordinated units were converted into common units on a one-for-one basis.

On November 15, 2018, our parent closed on the sale of three of its ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan to Valero Renewable Fuels Company, LLC (“Valero”). Correspondingly, the storage assets located adjacent to such plants were sold to our parent for \$120.9 million. As consideration, we received from our parent 8.7 million Green Plains units and a portion of the general partner interest equating to 0.2 million equivalent limited partner units to maintain the general partner’s 2% interest. These units were retired upon receipt. In addition, we also received cash consideration of \$2.7 million from Valero for the assignment of certain railcar operating leases.

On November 15, 2018, our parent announced the permanent closure of its ethanol plant located in Hopewell, Virginia. The closure did not affect our quarterly storage and throughput minimum volume commitment with Green Plains Trade.

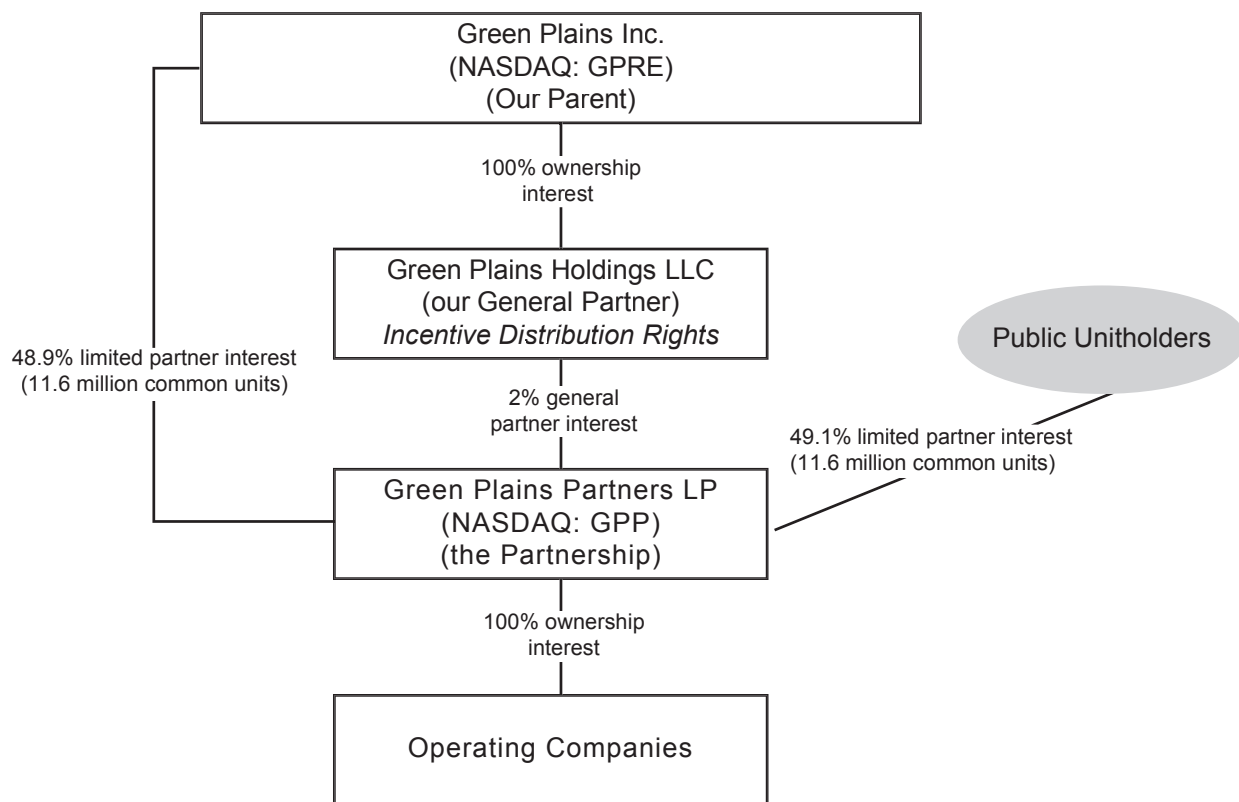
On December 28, 2020, our parent closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the storage assets located adjacent to the Hereford plant were sold to our parent for \$10.0 million, along with the transfer of associated railcar operating leases.

Overview

Green Plains Partners provides fuel storage and transportation services by owning, operating, developing and acquiring ethanol and fuel storage facilities, terminals, transportation assets and other related assets and businesses. We were formed by Green Plains, a vertically integrated ethanol producer, to support its marketing and distribution activities as its primary downstream logistics provider.

We generate a substantial portion of our revenues under fee-based commercial agreements with Green Plains Trade for receiving, storing, transferring and transporting ethanol and other fuels, which are supported by minimum volume or take-or-pay capacity commitments. We do not take ownership or receive any payments based on the value of ethanol or other fuels we handle. As a result, we do not have direct price exposure to fluctuating commodity prices.

As of December 31, 2020, our parent owns a 48.9% limited partner interest in us, consisting of 11,586,548 common units, a 2.0% general partner interest and all of our incentive distribution rights. The public owns the remaining 49.1% limited partner interest. The following diagram depicts our simplified organizational structure at December 31, 2020:



Our Assets and Operations

Ethanol Storage. Our ethanol storage assets are the principal method of storing ethanol produced at our parent’s ethanol production plants. Most of our parent’s ethanol production plants are located near major rail lines. Ethanol can be distributed from our storage facilities to bulk terminals via truck, railcar or barge.

We currently own or lease 31 ethanol storage facilities and approximately 44 acres of land. Our storage tanks are located at or near our parent’s 12 operational ethanol production plants in Illinois, Indiana, Iowa, Minnesota, Nebraska, and Tennessee, as well as our parent’s non-operational ethanol production plant in Virginia.

Our ethanol storage tanks have combined storage capacity of 27.5 mmg and aggregate throughput capacity sufficient to support our parent's annual production capacity of 1,023 mmgy. For the year ended December 31, 2020, our parent operated its ethanol production facilities at an average utilization rate of approximately 71%. The following table presents additional ethanol production plant details by location:

| Plant Location | Initial Operation or Acquisition Date | Major Rail Line Access | Plant Production Capacity (mmgy) | On-Site Ethanol Storage Capacity (thousands of gallons) |
|-----------------------------------|--|-------------------------------|---|--|
| Atkinson, Nebraska | June 2013 | BNSF | 55 | 2,074 |
| Central City, Nebraska | July 2009 | Union Pacific | 116 | 2,250 |
| Fairmont, Minnesota | Nov. 2013 | Union Pacific | 119 | 3,124 |
| Hopewell, Virginia ⁽¹⁾ | Oct. 2015 | Norfolk Southern | - | 761 |
| Madison, Illinois | Sept. 2016 | Port Harbor | 90 | 2,855 |
| Mount Vernon, Indiana | Sept. 2016 | EVWR | 90 | 2,855 |
| Obion, Tennessee | Nov. 2008 | Canadian National | 120 | 3,000 |
| Ord, Nebraska | July 2009 | Union Pacific | 65 | 1,550 |
| Otter Tail, Minnesota | Mar. 2011 | BNSF | 55 | 2,000 |
| Shenandoah, Iowa | Aug. 2007 | BNSF | 82 | 1,524 |
| Superior, Iowa | July 2008 | Union Pacific | 60 | 1,238 |
| Wood River, Nebraska | Nov. 2013 | Union Pacific | 121 | 3,124 |
| York, Nebraska | Sept. 2016 | BNSF | 50 | 1,100 |
| Total | | | 1,023 | 27,455 |

(1) Production at the Hopewell, Virginia facility ceased during the fourth quarter of 2018, however the storage and terminal assets remain in operating condition.

Terminal and Distribution Services. We own and operate six fuel terminals in Alabama, Louisiana, Mississippi, Kentucky and Oklahoma with combined total storage capacity of approximately 7.2 mmg and access to major rail lines. We also own approximately five acres of land and lease approximately 17 acres of land where our fuel terminals are located. Ethanol and other products are transported to our terminals primarily by rail, and shipped from our terminals by truck to third parties, including refiners, blenders and other obligated and non-obligated parties. For the year ended December 31, 2020, the aggregate throughput at these facilities was approximately 206.5 mmg.

The following table presents additional fuel terminal details by location:

| Fuel Terminal Facility Location | Major Rail Line Access | On-Site Storage Capacity (thousands of gallons) | Throughput Capacity (mmgy) |
|---|-------------------------------|--|-----------------------------------|
| Birmingham, Alabama - Unit Train Terminal | BNSF | 6,542 | 300 |
| Other Fuel Terminal Facilities | ⁽¹⁾ | 690 | 426 |
| | | 7,232 | 726 |

(1) Access to our five other fuel terminal facilities is available from BNSF, KCS, Canadian National, Union Pacific, Norfolk Southern and CSX.

Transportation and Delivery. Ethanol deliveries to distant markets are shipped using major U.S. rail carriers that can switch cars to other major railroads or barge delivery to national or international ports. Our railcar volumetric capacity is used to transport product primarily from our ethanol storage facilities and third-party production facilities to other fuel terminals, including our own, international export terminals and refineries located throughout the United States. As of December 31, 2020, our leased railcar fleet consisted of approximately 2,480 railcars with an aggregate capacity of 74.4 mmg. We expect our railcar volumetric capacity to fluctuate over the normal course of business as our existing railcar leases expire and we enter into or acquire new railcar leases.

We also own and operate a fleet of 19 trucks and tankers that transport ethanol and other products.

Segments

Our operations consist of one reportable segment and are conducted solely in the U.S. See *Item 8 - Financial Statements and Supplementary Data* for financial information about our operations and assets.

Our Relationship with Green Plains

Green Plains is one of the largest ethanol producers in North America with 12 operating dry mill plants, with the capacity to produce approximately 1.0 billion gallons of ethanol per year. Our parent is transitioning from a commodity-processing business to a value-add agricultural technology company focused on creating additional diverse, non-cyclical, higher margin feed ingredients, specialty alcohols and renewable feedstocks for the emerging renewable diesel industry.

We benefit significantly from our relationship with our parent. Our assets are the principal method of storing and delivering the ethanol our parent produces. Our commercial agreements with Green Plains Trade account for a substantial portion of our revenues.

Our parent has a majority interest in us through the ownership of our general partner and a 48.9% limited partner interest, as well as all of our incentive distribution rights. We believe our parent will continue to support the successful execution of our business strategies given its significant ownership in us and the importance of our assets to Green Plains' operations.

We have entered into several agreements with our parent, which were established in conjunction with the IPO, including: an omnibus agreement; a contribution, conveyance and assumption agreement; an operational services and secondment agreement; and various commercial agreements described below. For all material agreements and subsequent amendments required to be filed, please refer to *Item 15 – Exhibits, Financial Statement Schedules*.

Commercial Agreements with Affiliate

A substantial portion of our revenues and cash flows are derived from our commercial agreements with Green Plains Trade, our primary customer, including a (1) fee-based storage and throughput agreement, (2) Birmingham terminal services agreement, (3) fee-based rail transportation services agreement and (4) various other transportation and terminal services agreements.

Minimum Volume Commitments. Our storage and throughput agreement and certain terminal services agreements with Green Plains Trade are supported by minimum volume commitments. Our rail transportation services agreement is supported by minimum take-or-pay capacity commitments. Green Plains Trade is required to pay us fees for these minimum commitments regardless of actual throughput volume, capacity used, or the amount of product tendered for transport, which is intended to provide some assurance that we will receive a certain amount of revenue during the terms of these agreements. These arrangements are intended to provide stable and predictable cash flows over time.

Storage and Throughput Agreement. Under our storage and throughput agreement, as amended, Green Plains Trade is obligated to deliver a minimum volume of 232.5 mmg of product per calendar quarter at our storage facilities and pay \$0.05 per gallon on all volume it throughputs through June 30, 2020 and \$0.05312 per gallon subsequent to June 30, 2020. If Green Plains Trade fails to meet its minimum volume commitment during any quarter, we will charge Green Plains Trade a deficiency payment equal to the deficient volume multiplied by the applicable fee. The deficiency payment may be applied as a credit toward volumes delivered by Green Plains Trade in excess of the minimum volume commitment during the following four quarters, after which time any unused credits will expire.

On November 15, 2018, as part of the sale of ethanol storage assets associated with the ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan, the storage and throughput agreement was amended to reduce the minimum volume commitment from 296.6 mmg of product per calendar quarter to 235.7 mmg. In addition, we agreed with our parent to extend the storage and throughput agreement with Green Plains Trade an additional three years to June 30, 2028.

On December 28, 2020, as part of the sale of ethanol storage assets associated with the ethanol plant located in Hereford, Texas, the storage and throughput agreement was amended to reduce the minimum volume commitment from 235.7 mmg of product per calendar quarter to 232.5 mmg.

The storage and throughput agreement, effective through June 30, 2028, will automatically renew for successive one-year terms unless either party provides written notice of its intent to terminate the agreement at least 360 days prior to the end of the remaining primary or renewal term.

Terminal Services Agreement. Under our terminal services agreement for the Birmingham facility, effective through December 31, 2022, Green Plains Trade is obligated to throughput a minimum volume commitment of approximately 8.3 mmg per month of ethanol and other fuels and pay associated throughput fees, as well as fees for ancillary services. The agreement will automatically renew for successive one-year renewal terms unless either party provides written notice of its intent to terminate the agreement at least 90 days prior to the end of the remaining primary or renewal term. Several of our other terminal services agreements with Green Plains Trade also contain minimum volume commitments with various remaining terms.

Rail Transportation Service Agreement. Under our rail transportation services agreement, Green Plains Trade is obligated to use the partnership to transport ethanol and other fuels from receipt points identified by Green Plains Trade, to nominated delivery points, and pay an average monthly fee of approximately \$0.0286 per gallon for all railcar volumetric capacity provided over the remaining life of the agreement. The minimum railcar capacity commitment we provide to Green Plains Trade for our leased railcar fleet is currently 74.4 mmg and the weighted average remaining term of all railcar lease agreements is 3.8 years. At December 31, 2020, the remaining term of our rail transportation services agreement was 4.5 years. The rail transportation services agreement will automatically renew for successive one-year renewal terms unless either party provides written notice of its intent to terminate the agreement at least 360 days prior to the end of the remaining primary or renewal term.

Green Plains Trade is also obligated to use the partnership for logistical operations management and other services related to railcar volumetric capacity provided by Green Plains Trade and pay a monthly fee of approximately \$0.0013 per gallon for these services. In addition, Green Plains Trade reimburses us for costs related to: (1) railcar switching and unloading fees; (2) increased costs related to changes in law or governmental regulation related to the specification, operation or maintenance of railcars; (3) demurrage charges, except when the charges are due to our gross negligence or willful misconduct; and (4) fees related to rail transportation services under transportation contracts with third-party common carriers. Green Plains Trade frequently contracts with us for additional railcar volumetric capacity during the normal course of business at comparable margins.

We lease our railcars from third parties under multiple operating lease agreements with various terms. The minimum take-or-pay capacity commitment under the rail transportation services agreement is closely aligned with our existing railcar lease agreements. As a result, when current railcar lease agreements expire, the volumetric capacity provided under the rail transportation services agreement declines accordingly. We enter new lease agreements to replace scheduled capacity reductions under the rail transportation services agreement or provide incremental capacity as requested by Green Plains Trade. We do not speculate on capacity by leasing additional railcars that are not covered by the rail transportation services agreement.

Trucking Transportation Agreement. Under our trucking transportation agreement, Green Plains Trade pays us to transport ethanol and other fuels by truck from identified receipt points to various delivery points. Green Plains Trade is obligated to pay a monthly trucking transportation services fee equal to the aggregate amount of product volume transported in a calendar month multiplied by the applicable rate for each truck lane, which is defined as a specific route between point of origin and point of destination. Rates for each truck lane are negotiated based on product, location, mileage and other factors, including competitive factors. At December 31, 2020, the remaining term of our trucking transportation agreement was five months. The trucking transportation agreement will automatically renew for successive one-year renewal terms unless either party provides written notice of its intent to terminate the agreement at least 30 days prior to the end of the remaining primary or renewal term.

Competitive Strengths

We believe that the following competitive strengths position us to successfully execute our business strategies:

Stable and Predictable Cash Flows. A substantial portion of our revenues and cash flows are derived from long-term, fee-based commercial agreements with Green Plains Trade, including a storage and throughput agreement, rail transportation services agreement, terminal services agreement and other transportation agreements. Our storage and throughput agreement and certain terminal services agreements are supported by minimum volume commitments, and our rail transportation services agreement is supported by minimum take-or-pay capacity commitments. Green Plains Trade is obligated to pay us fees for these minimum commitments regardless of actual throughput or volume, capacity used or the amount of product tendered for transport.

Advantageous Relationship with Our Parent. Our assets are the principal method of storing and delivering the ethanol our parent produces, and the related agreements with Green Plains Trade include minimum volume or take-or-pay capacity commitments. Furthermore, as owner of a 48.9% limited partner interest in us and our general partner interest, as well as all of our incentive distribution rights, our parent directly benefits from our growth, which provides an incentive to pursue projects that directly or indirectly enhance the value of our business and assets. This can be accomplished through organic expansion, accretive acquisitions or the development of downstream distribution services.

Quality Assets. Our ethanol storage and fuel terminal assets are strategically located in twelve states near major rail lines and barge service, which minimizes our exposure to weather-related downtime and transportation congestion and enables access to markets across the United States. Given the nature of our assets, we expect to incur only modest maintenance-related expenses and capital expenditures in the near future.

Proven Management Team. Each member of our senior management team is an employee of our parent who also devotes time to manage our business affairs. We believe the commercial, operational and financial expertise of our senior management team, which averages approximately 30 years of industry experience, allows us to successfully execute our business strategies.

Business Strategy

We believe ethanol could become an increasingly larger portion of the global fuel supply driven by volatile oil prices, heightened environmental concerns, energy independence and national security concerns. We intend to further develop and strengthen our business by pursuing the following growth strategies, as capital and opportunities permit:

Generate Stable, Fee-Based Cash Flows. A substantial portion of our revenues and cash flows are derived from our commercial agreements with Green Plains Trade. Under these agreements, we do not have direct exposure to fluctuating commodity prices. We intend to continue to establish fee-based contracts with our parent and third parties that generate stable and predictable cash flows where available.

Grow Organically. We intend to collaborate with our parent and other potential third parties to identify opportunities to develop and construct assets that provide us long-term returns on our investments.

Acquire Strategic Assets. While not recently acquisitive, our parent has a proven history of identifying, acquiring and integrating assets that are accretive to its business, and to the extent we can, we intend to work with our parent on such opportunities that are eligible for our business model. Subject to capital constraints, we intend to monitor the marketplace for opportunities that complement or diversify our existing operations, including fuel storage and terminal assets in close proximity to our existing asset base.

Development of Downstream Distribution Services. We intend to continue to use our logistical capabilities and expertise to further develop downstream ethanol distribution services that leverage the strategic locations of our ethanol storage and fuel terminal facilities.

Conduct Safe, Reliable and Efficient Operations. We are committed to maintaining safe, reliable and environmentally compliant operations and conduct routine inspections of our assets in accordance with applicable laws and regulations. We seek to improve our operating performance through preventive maintenance, employee training, and safety and development programs.

Recent Developments

The following is a summary of our significant developments. Additional information about these items can be found elsewhere in this report or in previous reports filed with the SEC.

Fourth Amendment to Credit Agreement

On June 4, 2020, our credit facility was amended decreasing the total amount available from \$200.0 million to \$135.0 million. The amended credit facility includes a \$130.0 million term loan and a \$5.0 million revolving credit facility maturing on December 31, 2021.

Hereford Disposition

On December 28, 2020, our parent closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the storage assets located adjacent to the Hereford plant were sold to our parent for \$10.0 million, along with the transfer of associated railcar operating leases.

As part of this transaction, we amended the storage and throughput agreement with Green Plains Trade to reduce the quarterly minimum volume commitment from 235.7 mmg of product per calendar quarter to 232.5 mmg. This transaction was reviewed and approved by the conflicts committee.

Impact of COVID-19 and Decline in Gasoline Demand

We continue to closely monitor the impact of COVID-19 on all aspects of our business, including how it will impact our employees, customers, vendors, and business partners. Although we did not incur significant disruptions from COVID-19 during the year ended December 31, 2020, the COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty, and turmoil in the energy industry. The situation surrounding COVID-19 continues to evolve rapidly and the ultimate duration and impact of the outbreak as well as the continued decline in gasoline demand remains highly uncertain and subject to change. There was significant reduction of gasoline demand in certain market areas, particularly during the early months of the pandemic, which resulted in a reduction in ethanol demand. The return to prior levels of gasoline demand continues to be uncertain.

There has been no material adverse effect on our ability to maintain operations, including our financial reporting systems, our internal controls over financial reporting or our disclosure controls and procedures. In addition, to date we have not incurred any material COVID-19 related contingencies. We are unable to predict the impact that COVID-19 will have on our future financial position and operating results due to numerous uncertainties.

For further discussion regarding the impact of COVID-19 and the decline in gasoline demand on the partnership, please see *Item 1A - Risk Factors* in this report.

Ord Disposition

On January 25, 2021, our parent entered into an Asset Purchase Agreement to sell its ethanol plant located in Ord, Nebraska to GreenAmerica Biofuels Ord LLC. Correspondingly, we entered into an Asset Purchase Agreement to sell the storage assets located adjacent to the Ord plant to our parent for \$27.0 million, along with the transfer of associated railcar operating leases. As part of this transaction, upon closing, the quarterly storage and throughput minimum volume commitment with Green Plains Trade will be reduced to 217.7 mmg per quarter, and the storage and throughput agreement with Green Plains Trade will be extended an additional year to June 30, 2029.

The transaction is anticipated to close within 45 days in conjunction with the completion of our parent's Ord ethanol asset sale, subject to customary closing conditions. The terms of this transaction were approved by both the board of directors of the general partner and the board of directors' conflicts committee, which consists entirely of independent directors.

Our Competition

Our contractual relationship with Green Plains Trade and the integrated nature of our storage tanks with our parent's production facilities minimizes potential competition for storage and distribution services provided under our commercial agreements from other third-party operators.

We compete with independent fuel terminal operators and major fuel producers for terminal services based on terminal location, services provided, safety and cost. While there are numerous fuel producers and distributors that own terminal operations similar to ours, they often are not focused on providing services to third parties. Independent operators are often located near key distribution points with cost advantages that provide more efficient services and distribution capabilities into strategic markets with a variety of transportation options. Companies often rely on independent operators when their own storage facilities cannot manage their volumes or throughput adequately due to lack of expertise, market congestion, size constraints, optionality or the nature of the materials being stored.

We believe we are well-positioned to compete effectively in a growing market due to our expertise managing third-party terminal services and logistics. We are a low-cost operator, focused on safety and efficiency, and capable of managing the needs of multiple constituencies across geographical markets. While the competitiveness of our services may be impacted by competition from new entrants, transportation constraints, industry production levels and related storage needs, we believe there are significant barriers to entry that partially mitigate these risks, including significant capital costs, execution risk, complex permitting requirements, development cycle, financial and working capital constraints, expertise and experience, and ability to effectively capture strategic assets or locations.

Seasonality

Our business is directly affected by the supply and demand for ethanol and other fuels in the markets served by our assets. However, the effects of seasonality on our revenues are substantially mitigated through our fee-based commercial agreements with Green Plains Trade, which include minimum volume or take-or-pay capacity commitments.

Major Customer

We are highly dependent on Green Plains Trade and anticipate deriving a substantial portion of our revenues from them in the foreseeable future. Revenues from Green Plains Trade totaled approximately \$78.5 million, or 94.2%, \$75.5 million, or 91.7%, and \$94.3 million, or 93.6% of our total revenues, during the years ended December 31, 2020, 2019 and 2018, respectively. Accordingly, we are indirectly subject to the business risks of Green Plains Trade and any development that materially and adversely affects its operations, financial condition or market reputation. For additional information, please refer to *Item 1A - Risk Factors—Risks Related to Our Business and Industry and Risks Related to an Investment in Us*.

Regulatory Matters

Government Ethanol Programs and Policies

We are sensitive to government programs and policies that affect the supply and demand for ethanol and other fuels, which in turn may impact the volume of ethanol and other fuels we handle. In the United States, the federal government mandates the use of renewable fuels under the RFS II. The EPA assigns individual refiners, blenders and importers the volume of renewable fuels they are obligated to blend into the fuel supply each year based on their percentage of total fuel sales. The EPA has the authority to waive the mandates in whole or in part if there is inadequate domestic renewable fuel supply, if the requirement severely harms the environment, or harms the economy of the nation or a state. The RFS II sets a floor for ethanol usage in the United States. When the RFS II was established in 2010, the required volume of "conventional" or corn-based ethanol to be blended with gasoline was to increase each year until it reached 15.0 billion gallons in 2015, which left the EPA to address existing limitations in both supply and demand. The EPA has not yet released a draft RVO rule for the 2021 volumes, despite the fact they typically release a draft mid-year and finalize the rule by November 30 each year. It is unclear when they will release the RVO for 2021.

According to the RFS II, if mandatory renewable fuel volumes are reduced by at least 20% for two consecutive years, the EPA is required to modify, or reset, statutory volumes through 2022 – the year through which the statutorily prescribed volumes run. While conventional ethanol maintained 15 billion gallons, 2019 was the second consecutive year that the total proposed RVO was more than 20% below the statutory volumes levels. Thus, the EPA was expected to initiate a reset rulemaking, and modify statutory volumes through 2022, and do so based on the same factors they are to use in setting the RVOs post-2022. These factors include environmental impact, domestic energy security, expected production, infrastructure

impact, consumer costs, job creation, price of agricultural commodities, food prices, and rural economic development. In late 2019, the EPA announced it would not be moving forward with a reset rulemaking in 2020, however it is currently unclear if or when they will propose a reset rulemaking.

Under the RFS, RINs and SREs are important tools impacting supply and demand. The EPA assigns individual refiners, blenders, and importers the volume of renewable fuels they are obligated to use based on their percentage of total domestic transportation fuel sales. Obligated parties use RINs to show compliance with the RFS II mandated volumes. Ethanol producers assign RINs to renewable fuels and the RINs are detached when the renewable fuel is blended with transportation fuel domestically. Market participants can trade the detached RINs in the open market. The market price of detached RINs affects the price of ethanol in certain markets and can influence purchasing decisions by obligated parties. As it relates to SREs, a small refinery is defined as one that processes fewer than 75,000 barrels of petroleum per day. Small refineries can petition the EPA for a SRE which, if approved, waives their portion of the annual RVO requirements. The EPA, through consultation with the DOE and the USDA can grant a full or partial waiver, or deny it outright within 90 days of submittal. The EPA granted significantly more of these waivers for the 2016, 2017 and 2018 reporting years than they had in prior years, totaling 790 mmg of waived requirements for the 2016 compliance year, 1.82 billion gallons for 2017 and 1.43 billion gallons for 2018. In doing so, the EPA effectively reduced the RFS II mandated volumes for those compliance years by those amounts respectively, and as a result, RIN values declined significantly.

Biofuels groups have filed a lawsuit in the Court of Appeals for the D.C. Circuit, challenging the 2019 RVO rule over the EPA's failure to address small refinery exemptions in the rulemaking. This was the first RFS II rulemaking since the expanded use of the exemptions came to light; however, the EPA had declined to cap the number of waivers it grants, and until late 2019, had declined to alter how it accounts for the retroactive waivers in its annual volume calculations. The EPA has a statutory mandate to ensure the volume requirements are met, which are achieved by setting the percentage standards for obligated parties. We believe the EPA's recent approach accomplished the opposite in that even if all the obligated parties complied with their respective percentage obligations for 2019, the nation's overall supply of renewable fuel would not meet the total volume requirements set by the EPA. This undermines Congressional intent to increase the consumption of renewable fuels in the domestic transportation fuel supply. Biofuels groups have argued the EPA must therefore adjust its percentage standard calculations to make up for past retroactive waivers and adjust the standards to account for any waivers it reasonably expects to grant in the future.

In 2019, in a supplemental rulemaking to the 2020 RVO rule, the EPA changed their approach, and for the first time accounted for the gallons that they anticipate will be waived from the blending requirements due to small refinery exemptions. To accomplish this, they added in the trailing three year average of gallons the DOE recommended be waived, in effect raising the blending volumes across the board in anticipation of waiving the obligations in whole or in part for certain refineries that qualify for the exemptions. Though the EPA has often disregarded the recommendations of the DOE in years past, they stated in the rule their intent to adhere to these recommendations going forward, including granting partial waivers rather than an all or nothing approach. The EPA will be adjudicating the 2020 compliance year small refinery exemption applications in early 2021, and have indicated they will also adhere to the DOE recommendations for the 2019 compliance year applications.

In January 2020, the U.S. Court of Appeals for the 10th Circuit ruled on *RFA et. al. vs. EPA* in favor of biofuels interests, overturning EPA's granting of refinery exemptions to three refineries on two separate grounds. The Court agreed that, under the Clean Air Act, refineries are eligible for SREs for a given RVO year only if such exemptions are extensions of exemptions granted in previous RVO years. In this case, the three refineries at issue did not qualify for SREs in the year prior to the year that EPA granted them. They were thus ineligible for additional SRE relief because there were no immediately prior SREs to extend. In addition, the Court agreed that the disproportionate economic hardship prong of SRE eligibility should be determined solely by reference to whether compliance with the RFS II creates such hardship, not whether compliance plus other issues create disproportionate economic hardship. The Court thus vacated EPA's grant of SREs for certain years and remanded the grants back to EPA. The refiners appealed for a rehearing which was denied. Two of the refiners appealed the decision to the U.S. Supreme Court and in January 2021, the Supreme Court announced they would hear the case. If the decision against the EPA is upheld by the Supreme Court, it is uncertain how the EPA will propose to remedy the situation.

In light of the 10th Circuit ruling, a number of refineries have applied for "gap year" SREs in an effort to establish a continuous string of relief and to ensure they are able to qualify for SREs going forward. A total of 64 gap year requests were filed with the EPA and reviewed by the DOE. In September 2020 the EPA announced that they were denying 54 of the gap year requests that had been scored and returned by DOE, regardless of how they had been scored. Without a string of continuous SRE approvals, almost no small refinery would be eligible to apply for hardship relief in this manner, unless the Supreme Court overturns the 10th Circuit ruling, which we believe is unlikely.

To respond to the COVID-19 health crisis and attempt to offset the subsequent economic damage, Congress passed multiple relief measures, most notably the CARES Act in March 2020, which created and funded multiple programs that have impacted our industry. The USDA was given additional resources for the Commodity Credit Corporation (CCC) and they are using those funds to provide direct payments to farmers, including corn farmers from whom our parent purchases most of its feedstock for ethanol production. Similar to the trade aid payments made by the USDA over the past two years, this cash injection for farmers could cause them to delay marketing decisions and increase the price our parent pays to purchase corn. The CARES Act also allowed for certain net operating loss carrybacks, which has allowed our parent to receive certain tax refunds. In December 2020, Congress passed and President Trump signed into law an annual spending package coupled with another COVID relief bill which included additional funds for the Secretary of Agriculture to distribute to those impacted by the pandemic. The language of the bill specifically includes biofuels producers as eligible for some of this aid.

The CARES Act provided a tax exclusion on the shipment of un-denatured ethanol for use in manufacturing hand sanitizer, a key ingredient of which is undenatured ethanol of specific grades. The FDA has also provided expanded guidance to allow for more denaturants to be used in ethanol intended for hand sanitizer production, and has expanded the grades of ethanol allowed for the duration of the public health crisis.

See further discussion in *Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations*.

Environmental and Other Regulation

Under the omnibus agreement, our parent is required to indemnify us from all known and certain unknown environmental liabilities associated with owning and operating our assets that existed on or before the closing of the IPO. In turn, we agree to indemnify our parent from future environmental liabilities associated with the activities of the partnership. Construction or maintenance of our terminal facilities and storage facilities may impact wetlands, which are regulated by the EPA and the U.S. Army Corps of Engineers under the Clean Water Act.

Our parent’s ethanol production plants emit carbon dioxide as a by-product of the ethanol production process. In 2007, the U.S. Supreme Court classified carbon dioxide as an air pollutant under the Clean Air Act in a case seeking to require the EPA to regulate carbon dioxide in vehicle emissions, which the EPA later addressed in RFS II. While some of our parent’s plants operate as grandfathered at their current authorized capacity under the RFS II mandate, expansion above these capacities at grandfathered plants will require a 20% reduction in greenhouse gas emissions from a 2005 baseline measurement.

In addition, various states and countries are adopting regulatory schemes similar to what California has adopted. Specifically, CARB adopted LCFS requiring a 10% reduction in average carbon intensity of gasoline and diesel transportation fuels in California from 2010 to 2020. After a series of rulings that temporarily prevented CARB from enforcing these regulations, the State of California Office of Administrative Law approved the LCFS in November 2012, and revised LCFS regulations took effect in January 2013.

See further discussion in *Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations*.

Employees

We do not have any direct employees. We are managed and operated by the executive officers of our general partner, who are also officers of our parent, and our general partner’s board of directors. Our general partner and its affiliates have approximately 40 full-time equivalent employees under its direct management and supervision supporting our operations.

In addition, we have entered into service agreements with unaffiliated third-parties to provide railcar unloading and terminal services for several of our terminal facilities. Under these service agreements, the third parties are responsible for providing the personnel necessary to perform various railcar unloading and terminal services. The third parties are considered independent contractors and none of their employees or contractors are considered employees, representatives or agents of the partnership.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website at www.greenplainspartners.com shortly after we file or furnish the information with the SEC. You can also find the charter of our audit committee, as well as our code of ethics in the corporate governance section of our website. The information found on our website is not part of this or any other report we file or furnish with the SEC. For more information on our parent, please visit www.gpreinc.com. Alternatively, investors may visit the SEC website at www.sec.gov to access our reports and information statements filed with the SEC.

Item 1A. Risk Factors.

Investing in our common units involves a high degree of risk. You should carefully consider the risks described below together with the other information set forth in this report before making an investment decision. Any of the following risks and uncertainties could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. If that occurs, we may not be able to pay distributions on our common units, the trading price of our common units could decline materially, and you could lose all or part of your investment. Although many of our business risks are comparable to those faced by a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation and involve additional risks described below. We may experience additional risks and uncertainties not currently known to us or as a result of developments occurring in the future. Conditions that we currently deem to be immaterial may also materially and adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Risks Related to Our Business and Industry

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

We may not generate sufficient cash flows each quarter to enable us to pay quarterly distributions. We do not have a legal obligation to pay any distribution except to the extent we have available cash as defined in our partnership agreement. The amount of cash we can distribute on our units depends on the amount of cash we generate from our operations, which fluctuates from quarter to quarter based on (1) the volume of ethanol and other fuels we handle; (2) the fees associated with the volumes and capacity we handle; (3) payments associated with the minimum commitments under our commercial agreements with Green Plains Trade, (4) timely payments by Green Plains Trade and other third parties; and (5) prevailing economic conditions. The cash we have available for distribution also depends on other factors, some of which are beyond our control, including: (1) the amount of our operating expenses and general and administrative expenses, including reimbursements to our general partner in respect of those expenses; (2) our capital expenditures; (3) the cost of acquisitions and organic growth projects; (4) our debt service requirements and other liabilities; (5) fluctuations in our working capital needs; (6) our ability to borrow funds and access capital markets; (7) restrictions contained in our credit facility and other debt service requirements; (8) the cash reserves established by our general partner; and (9) other business risks affecting our cash levels.

Our credit facility includes restrictions that may limit our ability to finance future operations, meet our capital needs or expand our business. In addition, our credit facility matures on December 31, 2021 and we may not be able to renew, extend or replace the expiring facility. If we fail to comply with covenants in our credit facility or if the facility is terminated, we may be required to repay our indebtedness thereunder, which may have an adverse effect on our liquidity.

We are dependent upon the earnings and cash flow generated by our operations in order to meet our debt service obligations and to allow us to pay cash distributions to our unitholders. The operating and financial restrictions and covenants in our credit facility or in any future financing agreements could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities, which may, in turn, limit our ability to pay cash distributions to our unitholders. For example, our credit facility restricts our ability to, among other things, make certain cash distributions, incur certain indebtedness, create certain liens, make certain investments, merge or sell certain of our assets, and expand the nature of our business. Furthermore, our credit facility contains covenants requiring us to maintain certain financial ratios. A failure to comply with the provisions of our credit facility could result in an event of default that could enable our lenders, subject to the terms and conditions of our credit facility, to declare the outstanding principal of that debt, together with accrued interest, to be immediately due and payable and/or to proceed against the collateral granted to them to secure such debt. If there is a default or event of default under our debt the payment of our debt is accelerated, defaults under our other debt instruments, if any, may be triggered, and our assets may be insufficient to repay such debt in full. Therefore, the holders of our units could experience a partial or total loss of their investment.

The credit facility matures on December 31, 2021. We currently intend to renew and extend the credit facility prior to its maturity. However, we may not be able to renew the credit facility with the same or similar terms, which could have a material and adverse impact on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Our financial performance is substantially dependent on our parent's ethanol production plants.

We believe that a substantial portion of our revenues for the foreseeable future will be derived from operations supporting our parent's ethanol production plants. Any event that renders these ethanol production plants temporarily or permanently unavailable or that temporarily or permanently reduces production rates at any of these ethanol production plants could adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

The services we provide under commercial agreements with Green Plains Trade account for a substantial portion of our revenues, which subject us to the business risks of Green Plains Trade and, as a result of its direct ownership by our parent, to the business risks of our parent.

The services we provide under commercial agreements with Green Plains Trade account for a substantial portion of our revenues for the foreseeable future. Therefore, we are subject to risk of nonpayment or nonperformance by Green Plains Trade and our parent under the commercial agreements. Any event, whether related to our operations or otherwise, that materially and adversely affects Green Plains Trade's or our parent's financial condition, results of operations or cash flows may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of our parent and its subsidiaries.

Green Plains Trade may suspend, reduce or terminate its obligations under the commercial agreements with us in certain circumstances.

All of our commercial agreements with Green Plains Trade include provisions that permit Green Plains Trade to suspend, reduce or terminate its obligations under the agreements if certain events occur. Under all of our commercial agreements, these events include a material breach of such agreements by us, the occurrence of certain force majeure events that would prevent Green Plains Trade or us from performing our respective obligations under the applicable commercial agreement and the minimum commitment, if any, not being available to Green Plains Trade for reasons outside of its control. Accordingly, under the commercial agreements, there are a broad range of events that could result in our no longer being required to store, throughput or transport Green Plains Trade's minimum commitments and Green Plains Trade no longer being required to pay the full amount of fees that would have been associated with its minimum commitments. Neither our parent nor Green Plains Trade is required to pursue a business strategy that favors us or utilizes our assets. They could elect to decrease ethanol production or shutdown or reconfigure an ethanol production plant. Furthermore, a single event or business decision relating to one of our parent's ethanol production plants could have an impact on the commercial agreements with us. These actions, as well the other activities described above, could result in a reduction or suspension of Green Plains Trade's obligations under the commercial agreements. Any such reduction or suspension would have a material adverse effect on our financial condition, results of operations, cash flows, and ability to make distributions to our unitholders.

Ethanol production and marketing is a highly competitive business subject to changing market demands and regulatory environments. Change in our parent's business or financial strategy to meet such demands or requirements may negatively impact our parent's financial condition, results of operations or cash flows and, in turn, may adversely affect our financial condition, results of operations, cash flows and ability to make distributions to our unitholders.

Ethanol production, storage, transportation and marketing is highly competitive. In the United States, our parent competes with farmer cooperatives, corn processors and refiners. If our parent's competitors consolidate or otherwise grow, our parent's business may be significantly and adversely affected. There is also risk of foreign competition that may be able to produce ethanol at lower input costs than our parent. As part of its total transformation, our parent is changing its focus of its operations by developing new types of facilities, suspending or reducing certain operations, modifying or closing facilities and/or terminating operations. Changes may be considered to meet market demands, to satisfy regulatory requirements or environmental and safety objectives, to improve operational efficiency or for other reasons. Our parent actively manages its assets and operations, and, therefore, changes of some nature, possibly material to its business relationship with us, are likely to occur at some point in the future. No such changes will be subject to our consent. Moreover, our parent and Green Plains Trade, which we have no control over, may elect to pursue a business strategy that does not favor us or our business. A change in our parent's business or financial strategy, contractual obligations or risk profile may negatively impact its financial condition, results of operations, cash flows or creditworthiness. In turn, our cash flows from our commercial

agreements with Green Plains Trade and, therefore, our ability to sustain or increase cash distributions to our unitholders may be materially and adversely affected. Moreover, our creditworthiness may be adversely affected by a decline in our parent's creditworthiness, increasing our borrowing costs or hindering our ability to access the capital markets.

Neither our parent nor Green Plains Trade is obligated to use our services with respect to volumes or volumetric capacity of ethanol or other fuels in excess of the applicable minimum commitment under the respective commercial agreements. Furthermore, we may be unable to renew or extend our commercial agreements with Green Plains Trade or renew them on favorable terms.

Our ability to distribute a quarterly distribution to our unitholders will be adversely affected if we do not receive, store, transfer, transport or deliver additional volumes or use volumetric capacity for Green Plains Trade or other third parties at our ethanol storage facilities, at our fuel terminal facilities or on our railcars. In addition, the remaining term of Green Plains Trade's obligations under each agreement extends for approximately 7.5 years in the case of the storage and throughput agreement, 4.5 years in the case of the rail transportation services agreement, 2.0 years in the case of the terminal services agreements that provide for minimum commitments, and five months in the case of the trucking transportation agreement. If, at the end of the remaining primary term, our parent and Green Plains Trade elect not to extend these agreements and, as a result, fail to use our assets and we are unable to generate additional revenues from third parties, our ability to pay cash distributions to our unitholders will be reduced. Furthermore, any renewal of the commercial agreements with Green Plains Trade may not be on favorable commercial terms. To the extent we are unable to renew the commercial agreements with Green Plains Trade on terms that are favorable to us, our revenue and cash flows could decline and our ability to pay cash distributions to our unitholders could be materially and adversely affected.

Green Plains Trade's minimum take-or-pay capacity commitment under the rail transportation services agreement will be reduced proportionately as our railcar leases expire if we do not enter into new rail transportation services agreements.

We lease our fleet of railcars from several lessors pursuant to lease agreements with remaining terms ranging from less than one year to approximately five years with a weighted average remaining term of 3.8 years. As our railcar lease agreements expire, the respective volumetric capacity of those expired leases will no longer be subject to the rail transportation services agreement, and Green Plains Trade's minimum take-or-pay capacity commitment will be reduced proportionately. Of our current leased railcar fleet, 16.3%, 21.2%, 32.5% and 13.1% of the railcar volumetric capacity have terms that expire in the years ended December 31, 2021, 2022, 2023 and 2024, respectively, or approximately 83.1% of our total current railcar volumetric capacity during that time frame. If at the end of the terms under the lease agreements, we do not enter into new commercial arrangements with respect to rail transportation services, our revenues and cash flows could decline and our ability to pay cash distributions to our unitholders could be materially and adversely affected.

Railcars used to transport ethanol and other fuels will need to be retrofitted or replaced to meet new rail safety standards.

The U.S. ethanol industry has long relied on railroads to deliver its product to market. In 2015, the DOT announced final rules which call for enhanced tank car standards known as the DOT specification 117, or DOT-117 tank car, and establishes a schedule for retrofitting or replacing older tank cars carrying crude oil and ethanol. The rule also establishes new braking standards that are intended to reduce the severity of accidents. These regulations will result in upgrades or replacements of our railcars, and may have an adverse effect on our operations as lease costs for railcars may increase over the long term. The deadline for compliance with DOT specification 117 is May 1, 2023. As of December 31, 2020, approximately 50% of our 2,480 railcars were DOT 117 compliant. Our railcars are also subject to federally-mandated tank car requalification, which requires inspection, repairs and upgrades to our current railcar fleet every ten years. Due to these regulatory standards, as well as any potential modifications that may be issued in the future, existing railcars could be out of service for a period of time while such upgrades are made, tightening supply in an industry that is highly dependent on such railcars to transport its product. Since we cannot charge our customers for railcars that are out of service, a significant increase in out of service railcars could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions.

Rail logistical problems may delay the delivery of our customers' products.

Weather related incidents, particularly snow and flooding, can cause increased transit times and result in rail congestion at destinations. In the past, rail delays have caused some ethanol plants to slow or suspend production. If railroad performance is inadequate, we may face delays in shipping railcars to and from our parent's ethanol production plants, which may affect our ability to transport product. Rail logistical problems due to circumstances outside of the control of us or our customers could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions.

If the United States were to withdraw from or materially modify certain international trade agreements, our business, financial condition and results of operations could be materially adversely affected.

Ethanol and other products that our parent produces are exported to Canada, Mexico, Brazil, China and other countries. The past administration has expressed antipathy towards many existing international trade agreements, and has significantly increased tariffs on goods imported into the United States from many countries, which in turn has led to retaliatory actions on US exports. The current trade situation, the outcome of trade negotiations or lack thereof, has had and may continue to have a material effect on our parent's, and consequently our, business, financial condition and results of operations.

Our future growth could be limited if we are unable to make acquisitions on economically acceptable terms, or if the acquisitions we make reduce, rather than increase, our cash flows.

A portion of our strategy to grow our business and increase distributions to our unitholders is dependent on our ability to acquire businesses or assets that increase our cash flows. The acquisition component of our growth strategy has been based, in large part, on our expectation of ongoing divestitures of complementary assets by industry participants, including in conjunction with acquisitions by our parent. A material decrease in such divestitures would limit our opportunities for future acquisitions and could adversely affect our ability to grow our operations and increase cash distributions to our unitholders. If we are unable to make acquisitions from third parties because we are unable to identify attractive acquisition candidates, negotiate acceptable purchase contracts, obtain financing for these acquisitions on economically acceptable terms or we are outbid by competitors, our future growth and ability to increase distributions will be limited. Furthermore, even if we do consummate acquisitions that we believe will be accretive, they may in fact result in a decrease in cash flows.

Future events could result in impairment of long-lived assets, goodwill, or equity method investments, which may result in charges that adversely affect our results of operations.

Long-lived assets, including property and equipment and operating lease right-of-use assets, as well as goodwill and equity method investments, are evaluated for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Our impairment evaluations are sensitive to changes in key assumptions used in our analysis and may require use of financial estimates of future cash flows. Application of alternative assumptions could produce significantly different results. We may be required to recognize impairments based on future economic factors such as unfavorable changes in estimated future undiscounted cash flows.

Any inability to maintain required regulatory permits may impede or completely prohibit our parent's and our operations. Additionally, any change in environmental and safety regulations, including those related to climate change, or violations of existing regulations, may impede our parent's and our ability to operate our respective businesses successfully.

Our and our parent's operations are subject to extensive air, water and other environmental regulation. Our parent has had to obtain a number of environmental permits to construct and operate its ethanol production plants. Ethanol production involves the emission of various airborne pollutants, including particulate, carbon dioxide, oxides of nitrogen, hazardous air pollutants and volatile organic compounds. In addition, the governing state agencies could impose conditions or other restrictions in the permits that are detrimental to our parent and us or which increase our parent's costs above those required for profitable operations. Any such event could have a material adverse effect on our operations, cash flows and financial position.

The interest rates under our credit facility may be impacted by the phase-out of LIBOR and we have exposure to increases in interest rates.

LIBOR is the basic rate of interest widely used as a reference for setting the interest rates on loans globally. We use LIBOR as a reference rate for our credit facility. In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if LIBOR will cease to exist at that time or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index, the Secured Overnight Financing Rate ("SOFR"), calculated using short-term repurchase agreements backed by Treasury securities. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, however, we are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition to SOFR may be on our business, financial condition, and results of operations.

We have a credit facility consisting of a \$130.0 million term loan and a \$5.0 million revolving credit facility maturing on December 31, 2021. The term loan balance, and any advances on the revolver, are subject to a floating interest rate based on LIBOR. Our financial condition, results of operations, cash flows and ability to make distributions to our unitholders could be materially adversely affected by significant increases in interest rates.

Debt we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities.

Our future level of debt could have important consequences to us, including, but not limited to (1) our ability to obtain additional financing, if necessary, for working capital, capital expenditures or other purposes may be impaired, or such financing may not be available on favorable terms; (2) our funds available for operations, future business opportunities and distributions to our unitholders will be reduced by that portion of our cash flow required to service our debt; (3) we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and (4) our flexibility in responding to changing business and economic conditions may be limited.

Our parent is required to comply with a number of covenants under its existing loan agreements that could hinder our ability to grow our business, pay cash distributions and maintain our credit profile. Our ability to obtain credit in the future may also be affected by our parent's financial condition, our own credit profile and the environment for access to capital for master limited partnerships.

Our parent must devote a portion of its cash flows from operating activities to service its indebtedness. A higher level of indebtedness at our parent in the future increases the risk that its subsidiary, Green Plains Trade, may default on its obligations under the commercial agreements with us. Our parent and its subsidiaries may incur additional debt in the future, including secured debt. Our parent's existing and future debt arrangements, as applicable, may limit its ability to, among other things, incur additional indebtedness, make capital expenditures above certain limits, pay dividends or distributions, merge or consolidate, or dispose of substantially all of its assets, and may directly or indirectly impact our operations in a similar manner. Our parent's subsidiaries are also required to maintain specified financial ratios, including minimum cash flow coverage, minimum working capital and minimum net worth. If any of its subsidiaries default, and if such default is not cured or waived, our parent's lenders could, among other things, accelerate their debt and declare that debt immediately due and payable. If this occurs, our parent may not be able to repay such debt or borrow sufficient funds to refinance. No assurance can be given that the future operating results of our parent's subsidiaries will be sufficient to achieve compliance with such covenants and requirements, or in the event of a default, to remedy such default. In the event that our parent were to default under certain of its debt obligations, there is a risk that our parent's creditors would assert claims against us with respect to our contracts with Green Plains Trade, our parent's assets, and Green Plains Trade's ethanol and other product we throughput and handle during the litigation of their claims. The defense of any such claims could be costly and could materially impact our financial condition, even absent any adverse determination. In the event these claims were successful, Green Plains Trade's ability to meet its obligations under our commercial agreements and our ability to make distributions and finance our operations could be materially adversely affected.

Our assets and operations are subject to federal, state, and local laws and regulations relating to environmental protection and safety that may require substantial expenditures.

Our assets and operations involve the receipt, storage, transfer, transportation and delivery of ethanol and other fuels, which is subject to increasingly stringent federal, state and local laws and regulations governing operational safety and the discharge of materials into the environment. Our business involves the risk that ethanol and other fuels may gradually or suddenly be released into the environment. To the extent not covered by insurance or an indemnity, responding to the release of regulated substances, including releases caused by third parties, into the environment may cause us to incur potentially material expenditures related to response actions, government penalties, natural resources damages, personal injury or property damage claims from third parties and business interruption.

Our operations are also subject to increasingly strict federal, state and local laws and regulations related to protection of the environment that require us to comply with various safety requirements regarding the design, installation, testing, construction and operational management of our assets. Compliance with such laws and regulations may cause us to incur potentially material capital expenditures associated with the construction, maintenance and upgrading of equipment and facilities. Our failure to comply with any environmental or safety-related regulations could result in the assessment of administrative, civil or criminal penalties, the imposition of investigatory and remedial liabilities and the issuance of injunctions that may subject us to additional operational constraints. Any such penalties or liabilities could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions.

Replacement technologies could make corn-based ethanol or our process technology obsolete.

Ethanol is primarily an additive and oxygenate for blended gasoline. Although use of oxygenates is currently mandated, there is always the possibility that a preferred alternative product could emerge and impact the current market and prove to be environmentally or economically superior to ethanol. New ethanol process technologies may emerge that require less energy per gallon produced. The development of such process technologies would result in lower ethanol production costs. Our parent's process technologies may become outdated and obsolete, placing it at a competitive disadvantage against competitors in the industry. The development of replacement technologies may have a material adverse effect on our parent's, and consequently our, operations, cash flows and financial position.

Future demand for ethanol is uncertain and changes in federal mandates, public perception, consumer acceptance and overall consumer demand for transportation fuel could affect demand.

There are limited markets for fuel ethanol beyond the federal mandates and further consumer acceptance of E15 and E85 fuels may be necessary before ethanol can achieve significant market share growth. Discretionary and E85 blending are important secondary markets. Discretionary blending is often determined by the price of ethanol relative to gasoline, and availability to consumers. When discretionary blending is financially unattractive, the demand for ethanol may be reduced. Demand for ethanol is also affected by overall demand for transportation fuel. Global events, such as COVID-19, have greatly decreased miles traveled and in turn, the demand for ethanol. Consumer demand for gasoline may be impacted by emerging transportation trends, such as electric vehicles or ride sharing. Additionally, factors such as over-supply of ethanol, which has been the case for some time, could continue to negatively impact our parent's business. Reduced demand for ethanol may depress the value of our parent's products, erode its margins, and reduce our parent's, and consequently our, ability to generate revenue or operate profitably.

We could be adversely affected by cyber-attacks or failure of our or our parent's internal computer network and applications to operate as designed.

We and our parent rely on network infrastructure and enterprise applications, and internal technology systems for operational, marketing support and sales, and product development activities. The hardware and software systems related to such activities are subject to damage from earthquakes, floods, lightning, tornados, fire, power loss, telecommunication failures, cyber-attacks and other similar events. They are also subject to acts such as computer viruses, physical or electronic vandalism or other similar disruptions that could cause system interruptions and loss of critical data, and could prevent us or our parent from fulfilling customers' orders. Cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to information technology networks and systems to more sophisticated and targeted measures, known as advanced persistent threats, directed at a company, its products, its customers and/or its third-party service providers. Despite the implementation of cybersecurity measures, our information technology systems may still be vulnerable to cybersecurity threats and other electronic security breaches. While we believe we have taken reasonable efforts to protect ourselves, we cannot assure our unitholders that any of our or our parent's backup systems would be sufficient. Any event that causes failures or interruption in such hardware or software systems could result in disruption of our or our parent's business operations, have a negative impact on our parent's and our operating results, and damage each of our reputations, which could negatively affect our financial condition, results of operation, cash flows and ability to make distributions to our unitholders.

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 are insured under the property, liability and business interruption policies of our parent, subject to the deductibles and limits under those policies. Our parent has acquired insurance that we and our parent believe to be adequate to prevent loss from material foreseeable risks. However, events may occur for which no insurance is available or for which insurance is not available on terms that are acceptable to our parent. Loss from an event may not be insured and may have a material adverse effect on our and our parent's operations, cash flows and financial position. Additionally, certain of our parent's ethanol production plants and our related storage tanks, as well as certain of our fuel terminal facilities are located within recognized seismic and flood zones. We believe that the design of these facilities have been modified to fortify them to meet structural requirements for those regions of the country. Our parent has also obtained additional insurance coverage specific to earthquake and flood risks for the applicable plants and fuel terminals. However, there is no assurance that any such facility would remain in operation if a seismic or flood event were to occur. If we experience insurable events, our annual premiums could increase further or insurance may not be available at all. If significant changes in the number or financial solvency of insurance underwriters for the ethanol industry occur, we may be unable to obtain and maintain adequate insurance at a reasonable cost. We cannot assure our unitholders that we will be able to 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.

We could be adversely affected by terrorist attacks, threats of war or actual war.

Terrorist attacks in the United States, as well as events occurring in response to or in connection with them, including threats of war or actual war, may adversely affect our and our parent's financial condition, results of operations, cash flows, and ability to make distributions to our unitholders. A direct attack on our assets or assets used by us could have a material adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our unitholders. In addition, any terrorist attack could have an adverse impact on ethanol prices, including prices for our parent's ethanol.

Environmental, social and corporate governance matters and uncertainty regarding regulation of such matters may increase our operating costs, impact our capital markets, and potentially reduce the value of our assets.

The issue of global climate change continues to attract considerable public and scientific attention with widespread concern about the impacts of human activity, especially the emissions of greenhouse gases such as carbon dioxide and methane. Several states have already adopted measures requiring reduction of greenhouse gases within state boundaries. Other states have elected to participate in voluntary regional cap-and-trade programs. Any significant legislative changes at the international, national, state or local levels could increase the cost of production for our parent and could materially reduce the value of our assets. Apart from governmental regulation, some investment banks based both domestically and internationally have announced that they have adopted environmental, social and corporate governance guidelines (ESG). The impact of such efforts may adversely affect the demand for and price of securities issued by us, and impact our access to the capital and financial markets.

Our business continues to be adversely impacted by the COVID-19 outbreak.

The outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and continues to impact worldwide economic activity. COVID-19 poses a risk on all aspects of our business, including how it will impact our employees, customers, vendors, and business partners. We are unable to predict the impact that COVID-19 will have on our future financial position and operating results, or that of our parent from which we obtain a significant portion of our revenues, due to numerous uncertainties. These uncertainties include (1) the severity of the virus; (2) the duration of the outbreak; (3) federal, state or local governmental regulations or other actions which could include limitations on our operations; (4) the effect on customer demand resulting in a decline in the demand for our parent's products; (5) impacts on our supply chain and potential limitations of supply of our parent's feedstocks; (6) interruptions of our distribution systems and delays in the delivery of product; (7) the health of our workforce, and our ability to meet staffing needs which is vital to our operations; and (8) volatility in the credit and financial markets.

We continue to actively manage our response in collaboration with customers, government officials, team members and business partners and assessing potential impacts to our future financial position and operating results, as well as adverse developments in our business. It is not possible for us to predict whether there will be additional government-mandated shelter-in-place and similar government orders that could affect our business, how long the existing orders will remain in place, and how these measures will impact our operations or those of our parent. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty, and turmoil in the energy industry. We are unable to predict the overall impact these events will have on our future financial position and operations, including those of our parent.

Risks Related to an Investment in Us

As of December 31, 2020, we were no longer an "emerging growth company" and are therefore required to comply with increased disclosure and governance requirements.

As five fiscal years have passed since the June 2015 listing of our common units on Nasdaq, we ceased to be an "emerging growth company" as defined in the JOBS Act as of December 31, 2020. As such, we are subject to certain requirements that apply to other public companies but did not previously apply to us. These requirements include: (1) the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting; and (2) the requirement to provide detailed compensation discussion and analysis in proxy statements and reports filed under the Exchange Act.

Therefore, this Annual Report is subject to Section 404(b) of the Sarbanes-Oxley Act, which requires that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. Compliance with Section 404 is expensive for our unitholders and time consuming for management and could result in the detection of internal control deficiencies of which we are currently unaware. The loss of “emerging growth company” status and compliance with the additional requirements may substantially increase our legal and financial compliance costs and make some activities more time consuming and costly.

Our parent owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. Our general partner and its affiliates, including our parent and Green Plains Trade, have conflicts of interest with us and limited duties to us and our unitholders, and they may favor their own interests to our detriment and that of our unitholders.

Our parent owns and controls our general partner and appoints all of the directors of our general partner. Some of the directors and all of the executive officers of our general partner are also directors or officers of our parent. Although our general partner has a duty to manage us in a manner it believes to be in our best interests, the directors and officers of our general partner also have a duty to manage our general partner in a manner that is in the best interests of its owner, our parent. Conflicts of interest may arise between our general partner and its affiliates, including our parent and Green Plains Trade, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates, including our parent and Green Plains Trade, over the interests of our unitholders, which could have an adverse impact on your investment in us.

Except as provided in our omnibus agreement, affiliates of our general partner, including our parent and Green Plains Trade, may compete with us, and neither our general partner nor its affiliates have any obligations to present business opportunities to us.

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

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

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

Ongoing cost reimbursements and fees due to our general partner and its affiliates for services provided, which are determined by our general partner in its sole discretion, are substantial and reduce the amount of cash that we have available for distribution to our unitholders.

Prior to making distributions on our common units, we reimburse our general partner and its affiliates for all expenses they incur on our behalf. These expenses include all costs incurred by our general partner and its affiliates in managing and operating us, including costs for rendering certain management, maintenance and operational services to us, reimbursable pursuant to the operational services and secondment agreement. Our partnership agreement provides that our general partner determines the expenses that are allocable to us in good faith. Under the omnibus agreement, we have agreed to reimburse our parent for certain direct or allocated costs and expenses incurred by our parent in providing general and administrative services in support of our business. In addition, under Delaware partnership law, our general partner has unlimited liability for our obligations, such as our debts and environmental liabilities, except for our contractual obligations that are expressly made without recourse to our general partner. To the extent our general partner incurs obligations on our behalf, we are

obligated to reimburse or indemnify it. If we are unable or unwilling to reimburse or indemnify our general partner, our general partner may take actions to cause us to make payments of these obligations and liabilities. Payments to our general partner and its affiliates, including our parent, are substantial and reduce the amount of cash otherwise available for distribution to our unitholders.

Our partnership agreement requires that we distribute all of our available cash, which could limit our ability to grow and make acquisitions.

Our partnership agreement requires that we distribute all of our available cash to our unitholders. As a result, we rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our expansion capital expenditures and acquisitions. Therefore, to the extent that we are unable to finance growth externally, our cash distribution policy significantly impairs our ability to grow. In addition, because we distribute all of our available cash, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional partnership interests in connection with any acquisitions or expansion capital expenditures or as in-kind distributions, our current unitholders will experience dilution and the payment of distributions on those additional partnership interests may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement, and we do not anticipate that there will be limitations in our credit facility, on our ability to issue additional partnership securities, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy would result in increased debt service costs which, in turn, may impact the available cash that we have to distribute to our unitholders.

Our partnership agreement replaces our general partner's fiduciary duties to holders of our common units with contractual standards governing its duties and restricts remedies available to holders.

As permitted by Delaware law, our partnership agreement contains provisions that eliminate the fiduciary standards that our general partner would otherwise be held to by state fiduciary duty law and replaces those duties with several different contractual standards. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, or otherwise, free of any duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners.

Our partnership agreement contains provisions that restrict the remedies available to our unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement provides that whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner is required to make such determination, or take or decline to take such other action, in good faith, and is not subject to any higher standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity; our general partner does not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith; our general partner and its officers and directors are not liable for monetary damages to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was unlawful; and our general partner is not in breach of its obligations under the partnership agreement or its duties to us or our limited partners if a transaction with an affiliate or the resolution of a conflict of interest is approved by the conflicts committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval; approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates; or otherwise meets the standards set forth in our partnership agreement.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, our partnership agreement provides that any determination by our general partner must be made in good faith, and that our conflicts committee and the board of directors of our general partner are entitled to a presumption that they acted in good faith. In any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Our partnership agreement designates the Court of Chancery of the State of Delaware as the exclusive forum for certain types of actions and proceedings that may be initiated by our unitholders, which limits our unitholders' ability to choose the judicial forum for disputes with us or our general partner's directors, officers or other employees.

Our partnership agreement provides that, with certain limited exceptions, the Court of Chancery of the State of Delaware will be the exclusive forum for any claims, suits, actions or proceedings (1) arising out of or relating in any way to our partnership agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of our partnership agreement or the duties, obligations or liabilities among limited partners or of limited partners to us, or the rights or powers of, or restrictions on, the limited partners or us); (2) brought in a derivative manner on our behalf; (3) asserting a claim of breach of a duty owed by any director, officer or other employee of us or our general partner, or owed by our general partner, to us or the limited partners; (4) asserting a claim arising pursuant to any provision of the Delaware Revised Uniform Limited Partnership Act, or the Delaware Act; or (5) asserting a claim against us governed by the internal affairs doctrine, each referred to as a unitholder action. By purchasing a common unit, a limited partner is irrevocably consenting to these limitations and provisions regarding unitholder actions and submitting to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (or such other court) in connection with any such unitholder actions. These provisions may have the effect of discouraging lawsuits against us and our general partner's directors and officers that may otherwise benefit us and our unitholders.

Our partnership agreement provides that any unitholder bringing certain unsuccessful unitholder actions is obligated to reimburse us for any costs we have incurred in connection with such unsuccessful unitholder action.

If any unitholder brings any unitholder action and such person does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then such person shall be obligated to reimburse us and our affiliates for all fees, costs and expenses of every kind and description, including but not limited to all reasonable attorneys' fees and other litigation expenses, that the parties may incur in connection with such unitholder action. For purposes of these provisions, "our affiliates" means any person that directly or indirectly controls, is controlled by or is under common control with us, and "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person. A limited partner or any person holding a beneficial interest in us (whether through a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing or otherwise) is subject to these provisions. By purchasing a common unit, a limited partner is irrevocably consenting to these potential reimbursement obligations regarding unitholder actions. These provisions may have the effect of discouraging lawsuits against us and our general partner's directors and officers that might otherwise benefit us and our unitholders.

The reimbursement provision in our partnership agreement is not limited to specific types of unitholder action but is rather potentially applicable to the fullest extent permitted by law. Such reimbursement provisions are relatively new and untested. The case law and potential legislative action on these types of reimbursement provisions are evolving and there exists considerable uncertainty regarding the validity of, and potential judicial and legislative responses to, such provisions. For example, it is unclear whether our ability to invoke such reimbursement in connection with unitholder actions under federal securities laws would be pre-empted by federal law. Similarly, it is unclear how courts might apply the standard that a claiming party must obtain a judgment that substantially achieves, in substance and amount, the full remedy sought. The application of our reimbursement provision in connection with such unitholder actions, if any, depends in part on future developments of the law. This uncertainty may have the effect of discouraging lawsuits against us and our general partner's directors and officers that might otherwise benefit us and our unitholders. In addition, given the unsettled state of the law related to reimbursement provisions, such as ours, we may incur significant additional costs associated with resolving disputes with respect to such provision, which could adversely affect our business and financial condition.

Our general partner, or any transferee holding incentive distribution rights, may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to its incentive distribution rights, without the approval of the conflicts committee or the holders of our common units, which could result in lower distributions to holders of our common units.

Our general partner has the right, as the initial holder of our incentive distribution rights, at any time when our general partner has received incentive distributions at the highest level to which it is entitled (48%, in addition to distributions paid on its 2% general partner interest) for each of the prior four consecutive fiscal quarters and the amount of each such distribution did not exceed the adjusted operating surplus for such quarter, to reset the initial target distribution levels at higher levels based on our distributions at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution.

If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of common units. The number of common units to be issued to our general partner will equal the number of common units that would have entitled the holder to an aggregate quarterly cash distribution in the quarter prior to the reset election equal to the distribution to our general partner on the incentive distribution rights in the quarter prior to the reset election. Our general partner will also be issued the number of general partner interests necessary to maintain our general partner's interest in us at the level that existed immediately prior to the reset election. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such reset. It is possible, however, that our general partner could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its incentive distribution rights and may, therefore, desire to be issued common units rather than retain the right to receive incentive distributions based on the initial target distribution levels. This risk could be elevated if our incentive distribution rights have been transferred to a third party. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that our common unitholders would have otherwise received had we not issued new common units and general partner interests to our general partner in connection with resetting the target distribution levels.

Our general partner has a limited call right that may require our unitholders to sell their common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of our then-outstanding common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price equal to the greater of (1) the average of the daily closing price of the common units over the 20 trading days preceding the date three business days before notice of exercise of the call right is first mailed and (2) the highest per-unit price paid by our general partner or any of its affiliates for common units during the 90-day period preceding the date such notice is first mailed. As a result, our unitholders may be required to sell their common units at an undesirable time or price and may not receive any return, or may receive a negative return, on their investment. Our unitholders may also incur a tax liability upon a sale of their common units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our general partner from issuing additional common units and exercising its call right. Our parent owns an aggregate of approximately 50.4% of our outstanding common units (excluding any common units owned by directors, director nominees and executive officers of our general partner or of Green Plains) and therefore is currently unable to exercise the call right.

Our unitholders have limited voting rights and are not entitled to elect our general partner or the board of directors of our general partner, which could reduce the price at which our common units trade.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. For example, unlike holders of stock in a public corporation, unitholders do not have "say-on-pay" advisory voting rights. Our unitholders did not elect our general partner or the board of directors of our general partner, and have no right to elect our general partner or the board of directors of our general partner on an annual or other continuing basis. The board of directors of our general partner, including its independent directors, is chosen by the member of our general partner. Furthermore, if our unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. Our partnership agreement also contains provisions limiting the ability of our unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting our unitholders' ability to influence the manner or direction of management. As a result of these limitations, the price at which our common units trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Even if our unitholders are dissatisfied, they cannot initially remove our general partner without its consent.

Our unitholders are unable to remove our general partner without its consent because our general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 2/3% of all outstanding common units is required to remove the general partner. Our parent owns approximately 50.4% of our total outstanding and equivalent common units on an aggregate basis (excluding any common units owned by directors, director nominees and executive officers of our general partner or of Green Plains).

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

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

Our general partner's interest in us or the control of our general partner or the incentive distribution rights held by our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, our partnership agreement does not restrict the ability of our parent from transferring all or a portion of its ownership interest in our general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of our general partner with its own choices and thereby exert significant control over the decisions made by the board of directors and officers. This effectively permits a "change of control" without the vote or consent of our unitholders. Our general partner may transfer all or a portion of its incentive distribution rights to a third party at any time without the consent of our unitholders, and such transferee shall have the same rights as the general partner relative to resetting target distributions if our general partner concurs that the test for resetting target distributions have been fulfilled. If our general partner transfers the incentive distribution rights to a third party, it may not have the same incentive to grow our partnership and increase quarterly distributions to our unitholders over time as it would if it had retained ownership of the incentive distribution rights. For example, a transfer of incentive distribution rights by our general partner could reduce the likelihood of our parent accepting offers made by us relating to assets owned by it and our parent would have less of an economic incentive to grow our business, which in turn would impact our ability to grow our asset base.

We may issue additional partnership interests, including units that are senior to the common units, without unitholder approval, which would dilute our unitholders' existing ownership interests.

Our partnership agreement does not limit the number of additional limited partner interests or general partner interests that we may issue at any time without the approval of our unitholders. The issuance by us of additional common units, general partner interests or other equity securities of equal or senior rank to our common units as to distributions or in liquidation or that have special voting rights or other rights, have the following effects: (1) each unitholder's proportionate ownership interest in us will decrease; (2) the amount of distributable cash flow on each unit may decrease; (3) because the amount payable to holders of incentive distribution rights is based on a percentage of the total distributable cash flow, the distributions to holders of incentive distribution rights will increase even if the per unit distribution on common units remains the same; (4) the ratio of taxable income to distributions may increase; (5) the relative voting strength of each previously outstanding unit may be diminished; (6) the claims of the common unitholders to our assets in the event of our liquidation may be subordinated; and (7) the market price of the common units may decline. The issuance by us of additional general partner interests may have the following effects, among others, if such general partner interests are issued to a person that is not an affiliate of our parent: (1) management of our business may no longer reside solely with our current general partner; and (2) affiliates of the newly admitted general partner may compete with us, and neither that general partner nor such affiliates will have any obligation to send business opportunities to us.

Our general partner's discretion in establishing cash reserves may reduce the amount of distributable cash flow to our unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus the cash reserves that it determines are necessary to fund our future operating expenditures. In addition, our partnership agreement permits the general partner to reduce available cash by establishing cash reserves for the proper conduct of our business, to comply with applicable law or agreements that we are a party to, or to provide funds for future distributions to partners. These cash reserves affect the amount of distributable cash flow to our unitholders.

If we distribute available cash from capital surplus, which is analogous to a return of capital, our minimum quarterly distribution will be proportionately reduced, and the target distribution relating to our general partner's incentive distributions will be proportionately decreased.

Our distributions of available cash are characterized as derived from either operating surplus or capital surplus. Operating surplus as defined in our partnership agreement generally means amounts we have received from operations or "earned," less operating expenditures and cash reserves to provide funds for our future operations. Capital surplus is defined in our partnership agreement as any distribution of available cash in excess of our cumulative operating surplus, and generally would result from cash received from non-operating sources such as sales of other dispositions of assets and issuances of debt and equity securities. Our partnership agreement treats a distribution of capital surplus as the repayment of the IPO initial unit price, which is analogous to a return of capital. Each time a distribution of capital surplus is made, the minimum quarterly distribution and the target distribution levels will be proportionately reduced. Because distributions of capital surplus will reduce the minimum quarterly distribution after any of these distributions are made, the effects of distributions of capital surplus may make it easier for our general partner to receive incentive distributions.

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

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we own assets and conduct business throughout much of the United States. Our unitholders could be liable for any and all of our obligations as if they were a general partner if (1) a court or government agency determines that we were conducting business in a state but had not complied with that particular state's partnership statute; or (2) unitholder rights to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

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

Under certain circumstances, our unitholders may have to repay amounts wrongfully distributed to them. Under Section 17-607 of the Delaware Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the substituted limited partner at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are nonrecourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

The price of our common units may fluctuate significantly, which could cause our unitholders to lose all or part of their investment.

As of December 31, 2020, there are 11,621,623 publicly traded common units. In addition, our parent owns 11,586,548 common units, representing an aggregate 48.9% limited partner interest in us. Our unitholders may not be able to resell their common units at or above their purchase price. Additionally, the lack of liquidity may result in wide bid-ask spreads, contribute to significant fluctuations in the market price of the common units and limit the number of investors who are able to buy the common units. The market price of our common units may decline below current levels. The market price of our common units may also be influenced by many factors, some of which are beyond our control. As a result, investors in our common units may not be able to resell their common units at or above the current trading price. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our common units, regardless of our operating performance.

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

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

Tax Risks to Our Unitholders

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes. If the Internal Revenue Service were to treat us as a corporation for U.S. federal income tax purposes, which would subject us to entity-level taxation, or if we were otherwise subjected to a material amount of additional entity-level taxation, then our distributable cash flow to our unitholders would be substantially reduced.

The anticipated after-tax benefit of an investment in our units depends largely on our being treated as a partnership for U.S. federal income tax purposes. Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for U.S. federal income tax purposes. A change in our business or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate, and would likely pay state and local income tax at varying rates. Distributions to our unitholders would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions, or credits would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, our distributable cash flow would be substantially reduced. In addition, changes in current state law may subject us to additional entity-level taxation by individual states. Imposition of any such taxes may substantially reduce the distributable cash flow to our unitholders. Therefore, if we were treated as a corporation for U.S. federal income tax purposes or otherwise subjected to a material amount of entity-level taxation, there would be material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our units. Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for U.S. federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution levels may be adjusted to reflect the impact of that law on us.

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

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes. We are unable to predict whether any of these changes or any other proposals will ultimately be enacted or adopted. However, it is possible that a change in law could affect us, and any such changes could negatively impact the value of an investment in our common units.

If the IRS were to contest the U.S. federal income tax positions we take, it may adversely impact the market for our common units, and the costs of any such contest would reduce distributable cash flow to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for U.S. federal income tax purposes. The IRS may adopt positions that differ from the positions we take, even if taken with the advice of counsel, and the IRS's positions may ultimately be sustained. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the prices at which they trade. Moreover, the costs of any contest between us and the IRS will result in a reduction in distributable cash flow to our unitholders and thus will be borne indirectly by our unitholders. Legislation was passed in 2015 requiring large partnerships to pay federal tax deficiencies. A tax assessment paid by the partnership would reduce distributable cash flow available to unitholders, potentially for tax assessments related to years in which they did not own partnership units.

Even if our unitholders do not receive any cash distributions from us, our unitholders are required to pay taxes on their share of our taxable income.

Because our unitholders are treated as partners to whom we allocate taxable income that could be different in amount than the cash we distribute, our unitholders' allocable share of our taxable income is taxable to our unitholders, which may require the payment of U.S. federal income taxes and, in some cases, state and local income taxes, on our unitholders' share of our taxable income even if our unitholders receive no cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

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

If our unitholders sell common units, they will recognize gain or loss equal to the difference between the amount realized and their tax basis in those common units. Because distributions in excess of their allocable share of our net taxable income decrease their tax basis in their common units, the amount, if any, of such prior excess distributions with respect to the common units they sell will, in effect, become taxable income to them if they sell such common units at a price greater than the tax basis therein, even if the price they receive is less than their original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income to such unitholder due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if our unitholders sell common units, they may incur a tax liability in excess of the amount of cash they receive from the sale.

Tax-exempt entities and non-U.S. persons owning our common units face unique tax issues that may result in adverse tax consequences to them.

Investment in our common units by tax-exempt entities, such as IRAs, and non-U.S. persons, raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file U.S. federal income tax returns and pay tax on their share of our taxable income. Tax exempt entities and non-U.S. persons should consult a tax advisor before investing in our common units.

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

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

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

We prorate our items of income, gain, loss, and deduction for U.S. federal income tax purposes between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. Although simplifying conventions are contemplated by the Internal Revenue Code and most publicly traded partnerships use similar simplifying conventions, the use of this proration method may not be permitted under existing Treasury Regulations. The U.S. Treasury recently adopted final Treasury Regulations allowing similar monthly simplifying conventions. However, the final Treasury Regulations do not specifically authorize the use of the proration method that we have adopted and, accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss, and deduction among our unitholders.

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

Because a unitholder whose common units are loaned to a “short seller” to effect a short sale of common units may be considered as having disposed of the loaned common units, he may no longer be treated for U.S. federal income tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan to the short seller, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from loaning their common units.

We will adopt certain valuation methodologies that may result in a shift of income, gain, loss, and deduction between our unitholders. The IRS may challenge this treatment, which could adversely affect the value of the common units.

When we issue additional common units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss, and deduction between certain of our unitholders and our general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss, and deduction between our general partner and certain of our unitholders. A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of taxable gain from our unitholders’ sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders’ tax returns without the benefit of additional deductions.

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

In addition to U.S. federal income taxes, our unitholders may be subject to other taxes, including foreign, state, and local taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or control property now or in the future, even if our unitholders do not live in any of those jurisdictions. Our unitholders may be required to file foreign, state, and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements. We expect to conduct business in multiple states, many of which impose a personal income tax on individuals as well as corporations and other entities. It is the responsibility of our unitholders to file all U.S. federal, foreign, state, and local tax returns.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

See *Item 1 – Business, Our Assets and Operations* for a description of our properties and their utilization. We believe our properties and facilities are adequate for our operations and properly maintained.

Item 3. Legal Proceedings.

We may be involved in litigation that arises during the ordinary course of business. We are not, however, involved in any material litigation at this time.

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.

On June 26, 2015, our common units began trading under the symbol “GPP” on Nasdaq. On July 1, 2015, we completed our IPO of 11,500,000 common units, representing limited partner interests, for \$15.00 per common unit. The requirements under the partnership agreement for the conversion of all of the outstanding subordinated units into common units were satisfied upon the payment of the distribution with respect to the quarter ended June 30, 2018. Accordingly, the subordination period ended on August 13, 2018, the first business day after the date of the distribution payment, and all of the 15,889,642 outstanding subordinated units were converted into common units on a one-for-one basis. Our parent currently owns 11,586,548 common units, constituting a 48.9% limited partner ownership interest in us.

Holder of Record

We had six holders of record of our common units as of February 11, 2021, one of which holds 11,533,570 of the outstanding common units held by the public, including those held in street name.

Cash Distribution Policy

Quarterly distributions are made from available cash within 45 days after the end of each calendar quarter, assuming the partnership has available cash, up to an aggregate amount not to exceed \$0.12 per outstanding unit, subject to the terms of the credit agreement which matures December 31, 2021. Available cash generally means all cash and cash equivalents on hand at the end of that quarter less cash reserves established by our general partner plus all or any portion of the cash on hand resulting from working capital borrowings made subsequent to the end of that quarter. For additional information on our cash distribution policy, please refer to *Note 11 – Partners’ Deficit* to the consolidated financial statements in this report.

Issuer Purchases of Equity Securities

None.

Recent Sales of Unregistered Securities

None.

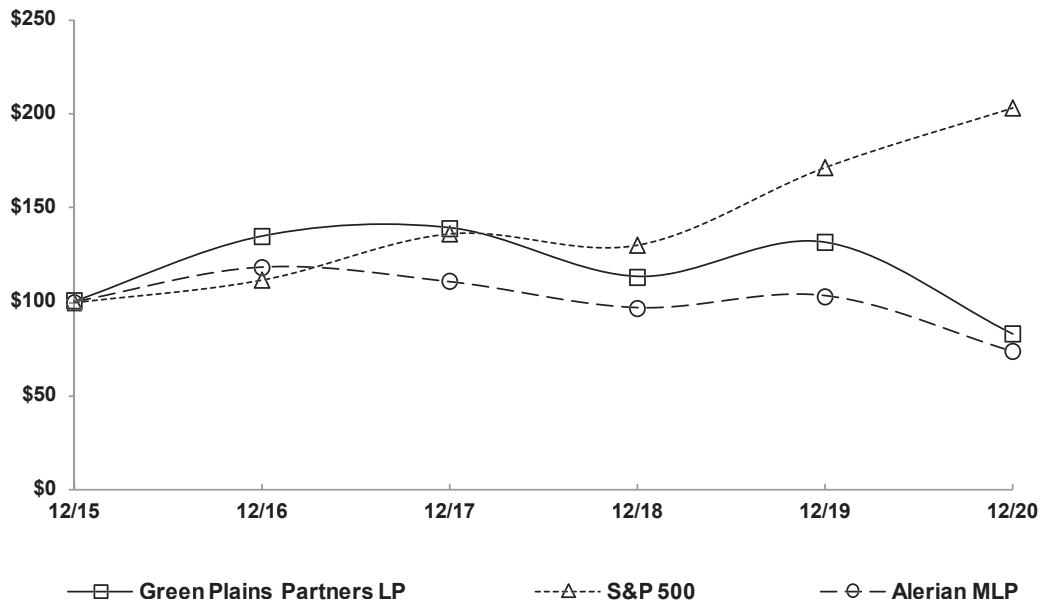
Equity Compensation Plans

Refer to *Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* for information regarding units authorized for issuance under equity compensation plans in this report.

Performance Graph

The following graph compares our cumulative total return on our common units to the cumulative total return of the S&P 500 Index and the Alerian MLP Index for each of the five years ended December 31, 2020. The graph assumes \$100 was invested in each option at December 31, 2015, and that all dividends were reinvested. The Alerian MLP Index is a composite of the 50 most prominent master limited partnerships and is calculated using a float-adjusted, capitalization weighted methodology.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Green Plains Partners LP, the S&P 500 Index
and the Alerian MLP Index



*\$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

The information in the graph is not considered solicitation material, nor will it be filed with the SEC or incorporated by reference into any future filing under the Securities Act or Exchange Act unless we specifically incorporate it by reference into our filing.

Item 6. Selected Financial Data.

The statement of operations data for the years ended December 31, 2020, 2019 and 2018, and the balance sheet data as of December 31, 2020 and 2019, are derived from our audited consolidated financial statements and should be read together with the accompanying notes included elsewhere in this report.

The statement of operations data for the years ended December 31, 2017 and 2016, and the balance sheet data year ended December 31, 2018, 2017 and 2016, are derived from our audited consolidated financial statements that are not included in this report, which describe a number of matters that materially affect the comparability of the periods presented.

On September 23, 2016, we acquired the ethanol storage assets located in Madison, Illinois; Mount Vernon, Indiana and York, Nebraska related to three ethanol plants, which occurred concurrently with the acquisition of these facilities by Green Plains from subsidiaries of Abengoa S.A. The transaction was accounted for as a transfer between entities under common control and the assets were recognized at the preliminary value recorded in Green Plains' purchase accounting. No retroactive adjustments were required.

On November 15, 2018, our parent closed on the sale of three of its ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan to Valero. Correspondingly, the storage assets located adjacent to such plants were sold to our parent for \$120.9 million. As consideration, we received from our parent 8.7 million Green Plains units and a portion of the general partner interest equating to 0.2 million equivalent limited partner units to maintain the general partner's 2% interest. These units were retired upon receipt. In addition, we also received cash consideration of \$2.7 million from Valero for the assignment of certain railcar operating leases.

On November 15, 2018, our parent announced the permanent closure of its ethanol plant located in Hopewell, Virginia. The closure did not affect our quarterly storage and throughput minimum volume commitment with Green Plains Trade.

On December 28, 2020, our parent closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the storage assets located adjacent to the Hereford plant were sold to our parent for \$10.0 million, along with the transfer of associated railcar operating leases.

The following selected financial data should be read together with *Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Adjusted EBITDA and Distributable Cash Flow* of this report. The financial information below is not necessarily indicative of our expected results for any future period, which could differ materially from historical results due to numerous factors, including those discussed in *Item 1A – Risk Factors* of this report.

| | Year Ended December 31, | | | | |
|--|--------------------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Statement of Operations Data: | | | | | |
| (in thousands, except per unit information) | | | | | |
| Revenues | \$ 83,345 | \$ 82,387 | \$ 100,748 | \$ 106,993 | \$ 103,772 |
| Operating expenses ⁽¹⁾ | 34,137 | 33,154 | 37,845 | 42,835 | 44,281 |
| Operating income | 49,208 | 49,233 | 62,903 | 64,158 | 59,491 |
| Other expense | (8,513) | (8,215) | (7,107) | (5,171) | (2,462) |
| Net income | 41,147 | 41,479 | 55,681 | 58,867 | 56,805 |
| Earnings per limited partner unit (basic and diluted): | | | | | |
| Common units | \$ 1.74 | \$ 1.76 | \$ 1.81 | \$ 1.81 | \$ 1.75 |
| Subordinated units | \$ - | \$ - | \$ 1.71 | \$ 1.81 | \$ 1.75 |
| Weighted average limited partner units outstanding (basic and diluted): | | | | | |
| Common units | 23,149 | 23,129 | 20,950 | 15,916 | 15,904 |
| Subordinated units | - | - | 9,752 | 15,890 | 15,890 |
| Distribution declared per unit | \$ 0.4800 | \$ 1.9000 | \$ 1.9000 | \$ 1.8200 | \$ 1.6650 |

(1) Includes consideration received of \$2.7 million for the assignment of railcar operating leases to Valero in the fourth quarter of 2018.

| | December 31, | | | | |
|---|---------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Balance Sheet Data (in thousands): | | | | | |
| Cash and cash equivalents | \$ 2,478 | \$ 261 | \$ 569 | \$ 502 | \$ 622 |
| Current assets | 17,994 | 17,429 | 16,616 | 21,634 | 22,275 |
| Total assets | 105,320 | 105,653 | 81,144 | 92,268 | 93,776 |
| Current liabilities | 119,082 | 155,812 | 8,188 | 16,058 | 17,303 |
| Long-term debt | - | - | 142,025 | 134,875 | 136,927 |
| Total liabilities | 151,782 | 181,400 | 153,598 | 155,114 | 157,942 |
| Partners' deficit | (46,462) | (75,747) | (72,454) | (62,846) | (64,166) |

Adjusted EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization, plus adjustments for transaction costs related to acquisitions or financing transactions, unit-based compensation expense, net gains or losses on asset sales and our proportional share of EBITDA adjustments of our equity method investee. Distributable cash flow is defined as adjusted EBITDA less interest paid or payable, income taxes paid or payable, maintenance capital expenditures and our proportional share of distributable cash flow adjustments of our equity method investee.

Adjusted EBITDA and distributable cash flow presentations are not made in accordance with GAAP and therefore should not be considered in isolation or as alternatives to net income, operating income or any other measure of financial performance presented in accordance with GAAP to analyze our results. Refer to *Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations* for additional information.

The following table presents a reconciliation of net income to adjusted EBITDA for each of the periods presented and a reconciliation of net income to distributable cash flow (dollars in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| Reconciliations to Non-GAAP Financial Measures: | | | |
| Net income | \$ 41,147 | \$ 41,479 | \$ 55,681 |
| Interest expense | 8,513 | 8,310 | 7,307 |
| Income tax expense | 212 | 220 | 101 |
| Depreciation and amortization | 3,806 | 3,441 | 4,442 |
| Transaction costs | 25 | - | 805 |
| Unit-based compensation expense | 320 | 319 | 277 |
| Gain on the disposal of assets | - | (14) | - |
| Proportional share of EBITDA adjustments of equity method investee ⁽¹⁾ | 181 | 196 | 80 |
| Gain on assignment of operating leases ⁽²⁾ | - | - | (2,721) |
| Adjusted EBITDA | <u>54,204</u> | <u>53,951</u> | <u>65,972</u> |
| Interest paid or payable | (8,513) | (8,310) | (7,307) |
| Income taxes paid or payable | (137) | (238) | (101) |
| Maintenance capital expenditures | (181) | (94) | (50) |
| Distributable cash flow ⁽³⁾ | <u>\$ 45,373</u> | <u>\$ 45,309</u> | <u>\$ 58,514</u> |
| Distributions declared ⁽⁴⁾ | <u>\$ 11,361</u> | <u>\$ 45,109</u> | <u>\$ 57,767</u> |
| Coverage ratio | 3.99x | 1.00x | 1.01x |

(1) Represents our proportional share of depreciation and amortization of our equity method investee.

(2) Represents consideration received related to the assignment of railcar operating leases to Valero.

(3) Distributable cash flow does not include adjustments for the principal payments on the term loan of \$30.0 million for the year ended December 31, 2020.

(4) Distributions declared for the applicable period and paid in the subsequent quarter.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

General

The following discussion and analysis includes information management believes is relevant to understand and assess our financial condition and results of operations. This section should be read together with our consolidated financial statements, accompanying notes and risk factors contained in this report.

Overview

We are a master limited partnership formed by our parent to be its principle provider of fuel storage and transportation services. On July 1, 2015, we completed our IPO, and, in addition to the interests of BlendStar, obtained the assets and liabilities of the ethanol storage and leased railcar assets contributed by our parent in a transfer between entities under common control. We also entered into long-term, fee-based commercial agreements for storage and transportation services with Green Plains Trade, which are supported by minimum volume or take-or-pay capacity commitments.

Our profitability is dependent on the volume of ethanol and other fuels handled at our facilities and the amount of railcar volumetric capacity we are able to provide. Our long-term, fee-based commercial agreements generate stable, predictable cash flows supported by minimum volume or take-or-pay capacity commitments.

Information about our business, properties and strategy can be found under *Item 1 – Business* and a description of our risk factors can be found under *Item 1A – Risk Factors*.

Industry Factors Affecting our Results of Operations

U.S. Ethanol Supply and Demand

According to the EIA, domestic ethanol production averaged 0.91 million barrels per day in 2020, which was 12% lower than the 1.03 million barrels per day in 2019. Refiner and blender input volume decreased 13% to 798 thousand barrels per day for 2020, compared with 921 thousand barrels per day in 2019. Gasoline demand decreased 1.2 million barrels per day, or 13% in 2020. U.S. domestic ethanol ending stocks increased by approximately 2.5 million barrels, or 12%, year over year to 23.5 million barrels. As of December 31, 2020, according to Prime the Pump, there were approximately 2,300 retail stations selling E15 in 30 states, up from 2,080 at the beginning of the year, as well as 203 pipeline terminal locations now offering E15 to wholesale customers.

Global Ethanol Supply and Demand

According to the USDA Foreign Agriculture Service, domestic ethanol exports through November 30, 2020 were approximately 1.22 bgy, down 7.6% from 1.32 bgy for the same period of 2019. Canada was the largest export destination for U.S. ethanol accounting for 25% of domestic ethanol export volume. Brazil, India, and South Korea accounted for 16%, 15%, and 8%, respectively, of U.S. ethanol exports. We currently estimate that net ethanol exports will range from 1.3 to 1.5 billion gallons in 2021, excluding any significant exports to China, based on historical demand from a variety of countries and certain countries who seek to improve their air quality and eliminate MTBE from their own fuel supplies.

On April 1, 2018, China announced it would add an additional 15% tariff to the existing 30% tariff it had earlier imposed on ethanol imports from the United States and Brazil. China later raised the tariff further to 70% as the trade war escalated. In January 2020, China and the United States struck a “Phase I” trade agreement, which included commitments on agricultural commodity purchases. Ethanol, corn and distillers grains were included as potential purchases in the agreement. China has been purchasing large quantities of corn, which has raised domestic prices of this feedstock for our ethanol production process. In addition, in October 2020 it was announced that China had purchased a shipment of U.S. ethanol for the first time since March 2018.

Legislation and Regulation

We are sensitive to government programs and policies that affect the supply and demand for ethanol and other fuels, which in turn may impact the volume of ethanol and other fuels we handle. Over the past few years, various bills and amendments have been proposed in the House and Senate which would eliminate the RFS II entirely, eliminate the corn based ethanol portion of the mandate, and make it more difficult to sell fuel blends with higher levels of ethanol. We believe it is unlikely that any of these bills will become law in the current Congress. In addition, the manner in which the EPA administers the RFS II and related regulations can have a significant impact on the actual amount of ethanol blended into the domestic fuel supply.

Federal mandates and state-level clean fuel programs supporting the use of renewable fuels are a significant driver of ethanol demand in the U.S. Ethanol policies are influenced by concerns for the environment, diversifying our fuel supply, and reducing the country’s dependence on foreign oil. Consumer acceptance of flex-fuel vehicles and higher ethanol blends of ethanol in non-flex-fuel vehicles may be necessary before ethanol can achieve further growth in U.S. market share. In addition, expansion of clean fuel programs in other states, or a national low carbon fuel standard could increase the demand for ethanol, depending on how it is structured.

Congress first enacted CAFE in 1975 to reduce energy consumption by increasing the fuel economy of cars and light trucks. Flexible-fuel vehicles (FFVs), which are designed to run on a mixture of fuels, including higher blends of ethanol such as E85, receive preferential treatment in the form of CAFE credits. There are approximately 21 million FFVs on the road in the U.S. today, 16 million of which are light duty trucks. FFV credits have been decreasing since 2014 and were completely phased out in 2020. Absent CAFE preferences, auto manufacturers may not be willing to build flexible-fuel vehicles, which has the potential to slow the growth of E85 markets. However, California's Low Carbon Fuel Standard program (LCFS) has driven growth in E85 usage, and other state/regional LCFS programs have the potential to do the same.

The RFS II sets a floor for ethanol usage in the United States. When the RFS II was established in 2010, the required volume of "conventional" or corn-based ethanol to be blended with gasoline was to increase each year until it reached 15.0 billion gallons in 2015, which left the EPA to address existing limitations in both supply and demand. The EPA has not yet released a draft RVO rule for the 2021 volumes, despite the fact they typically release a draft mid-year and finalize the rule by November 30 each year. It is unclear when they will release the RVO for 2021.

According to the RFS II, if mandatory renewable fuel volumes are reduced by at least 20% for two consecutive years, the EPA is required to modify, or reset, statutory volumes through 2022 – the year through which the statutorily prescribed volumes run. While conventional ethanol maintained 15 billion gallons, 2019 was the second consecutive year that the total proposed RVO was more than 20% below the statutory volumes levels. Thus, the EPA was expected to initiate a reset rulemaking, and modify statutory volumes through 2022, and do so based on the same factors they are to use in setting the RVOs post-2022. These factors include environmental impact, domestic energy security, expected production, infrastructure impact, consumer costs, job creation, price of agricultural commodities, food prices, and rural economic development. However, in late 2019, the EPA announced it would not be moving forward with a reset rulemaking in 2020. It is unclear when or if they will propose a reset rulemaking.

Under the RFS, RINs and SREs are important tools impacting supply and demand. The EPA assigns individual refiners, blenders, and importers the volume of renewable fuels they are obligated to use based on their percentage of total domestic transportation fuel sales. Obligated parties use RINs to show compliance with the RFS II mandated volumes. Ethanol producers assign RINs to renewable fuels and the RINs are detached when the renewable fuel is blended with transportation fuel domestically. Market participants can trade the detached RINs in the open market. The market price of detached RINs affects the price of ethanol in certain markets and can influence purchasing decisions by obligated parties. As it relates to SREs, a small refinery is defined as one that processes fewer than 75,000 barrels of petroleum per day. Small refineries can petition the EPA for a SRE which, if approved, waives their portion of the annual RVO requirements. The EPA, through consultation with the DOE and the USDA can grant them a full or partial waiver, or deny it outright within 90 days of submittal. The EPA granted significantly more of these waivers for 2016, 2017 and 2018 than they had in the past, totaling 790 mmg of waived requirements for the 2016 compliance year, 1.82 billion gallons for 2017 and 1.43 billion gallons for 2018. In doing so, the EPA effectively reduced the RFS II mandated volumes for those compliance years by those amounts respectively, and as a result, RIN values declined significantly.

The One-Pound Waiver that was extended in May 2019 to allow E15 to be sold year-round to all vehicles model year 2001 and newer is being challenged in an action filed in Federal District Court for the D.C. Circuit. However, the One-Pound Waiver remains in effect, and E15 is sold year-round in approximately 30 states.

Biofuels groups have filed a lawsuit in the Court of Appeals for the D.C. Circuit, challenging the 2019 RVO rule over the EPA's failure to address small refinery exemptions in the rulemaking. This was the first RFS II rulemaking since the expanded use of the exemptions came to light; however, the EPA had declined to cap the number of waivers it grants, and until late 2019, had declined to alter how it accounts for the retroactive waivers in its annual volume calculations. The EPA has a statutory mandate to ensure the volume requirements are met, which are achieved by setting the percentage standards for obligated parties. The EPA's recent approach accomplished the opposite. Even if all the obligated parties complied with their respective percentage obligations for 2019, the nation's overall supply of renewable fuel would not meet the total volume requirements set by the EPA. This undermines Congressional intent to increase the consumption of renewable fuels in the domestic transportation fuel supply. Biofuels groups have argued the EPA must therefore adjust its percentage standard calculations to make up for past retroactive waivers and adjust the standards to account for any waivers it reasonably expects to grant in the future.

In 2017, the D.C. Circuit ruled in favor of biofuel groups against the EPA related to its decision to lower the 2016 volume requirements by 500 mmg. As a result, the Court remanded to the EPA to make up for the 500 mmg. Despite this, in the proposed 2020 RVO rulemaking released in July 2019, the EPA stated it does not intend to make up the 500 mmg as the court directed, citing potential burden on obligated parties. The EPA had indicated that it plans to address this court ordered remand in conjunction with the 2021 RVO rulemaking, however that rulemaking has been delayed indefinitely for political reasons.

In 2019, in a supplemental rulemaking to the 2020 RVO rule, the EPA changed their approach, and for the first time accounted for the gallons that they anticipate they will be waiving from the blending requirements due to small refinery exemptions. To accomplish this, they added in the trailing three year average of gallons the DOE recommended be waived, in effect raising the blending volumes across the board in anticipation of waiving the obligations in whole or in part for certain refineries that qualify for the exemptions. Though the EPA has often disregarded the recommendations of the DOE in years past, they stated in the rule their intent to adhere to these recommendations going forward, including granting partial waivers rather than an all or nothing approach. The EPA will be adjudicating the 2020 compliance year small refinery exemption applications in early 2021, but have indicated they will adhere to the DOE recommendations for the 2019 compliance year applications as well.

In January 2020, the U.S. Court of Appeals for the 10th Circuit ruled on RFA et. al. vs. EPA in favor of biofuels interests, overturning EPA's granting of refinery exemptions to three refineries on two separate grounds. The Court agreed that, under the Clean Air Act, refineries are eligible for SREs for a given RVO year only if such exemptions are extensions of exemptions granted in previous RVO years. In this case, the three refineries at issue did not qualify for SREs in the year prior to the year that EPA granted them. They were thus ineligible for additional SRE relief because there were no immediately prior SREs to extend. In addition, the Court agreed that the disproportionate economic hardship prong of SRE eligibility should be determined solely by reference to whether compliance with the RFS II creates such hardship, not whether compliance plus other issues create disproportionate economic hardship. The Court thus vacated EPA's grant of SREs for certain years and remanded the grants back to EPA. The refiners appealed for a rehearing which was denied. Two of the refiners appealed the decision to the U.S. Supreme Court and in January 2021, the Supreme Court announced they would hear the case. If the decision against the EPA is upheld by the Supreme Court, it is uncertain how the EPA will propose to remedy the situation.

In light of the 10th Circuit ruling, a number of refineries have applied for "gap year" SREs in an effort to establish a continuous string of relief and to ensure they are able to qualify for SREs going forward. A total of 64 gap year requests were filed with the EPA and reviewed by the DOE. In September 2020 the EPA announced that they were denying 54 of the gap year requests that had been scored and returned by DOE, regardless of how they had been scored. The EPA will be adjudicating the 2020 compliance year SRE applications in early 2021 and has indicated they will adhere to the DOE recommendations of the 2019 compliance year applications as well. Without a string of continuous SRE approvals, almost no small refinery would be eligible to apply for hardship relief in this manner, unless the Supreme Court overturns the 10th Circuit ruling, which we believe is unlikely.

In October 2019, the White House directed the USDA and EPA to move forward with rulemaking to expand access to higher blends of biofuels. This includes funding for infrastructure, labeling changes and allowing E15 to be sold through E10 infrastructure. The USDA rolled out the Higher Blend Infrastructure Incentive Program in the summer of 2020, providing competitive grants to fuel terminals and retailers for installing equipment for dispensing higher blends of ethanol and biodiesel. The EPA had indicated it would move forward with notice of proposed rulemaking on E15 labeling reforms, but they have not as of this filing. In 2020, five Governors and 15 Republican Senators sent letters to the EPA requesting a general waiver from the RFS due to the drop in demand caused by COVID-19 travel restrictions. As of this filing the EPA had indicated only that they are watching the situation closely and reviewing the letters.

To respond to the COVID-19 health crisis and attempt to offset the subsequent economic damage, Congress passed multiple relief measures, most notably the CARES Act in March 2020, which created and funded multiple programs that have impacted our industry. The USDA was given additional resources for the Commodity Credit Corporation (CCC) and they are using those funds to provide direct payments to farmers, including corn farmers from whom our parent purchases most of its feedstock for ethanol production. Similar to the trade aid payments made by the USDA over the past two years, this cash injection for farmers could cause them to delay marketing decisions and increase the price our parent pays to purchase corn. The CARES Act also allowed for certain net operating loss carrybacks, which has allowed our parent to receive certain tax refunds. In December 2020, Congress passed and the former President signed into law an annual spending package coupled with another COVID relief bill which included additional funds for the Secretary of Agriculture to distribute to those impacted by the pandemic. The language of the bill specifically includes biofuels producers as eligible for some of this aid.

The CARES Act provided a tax exclusion on the shipment of undenatured ethanol for use in manufacturing hand sanitizer, a key ingredient of which is undenatured ethanol of specific grades. The FDA has also provided expanded guidance to allow for more denaturants to be used in ethanol intended for hand sanitizer production, and has expanded the grades of ethanol allowed for the duration of the public health crisis.

Government actions abroad can significantly impact the demand for U.S. ethanol. In September 2017, China's National Development and Reform Commission, the National Energy Agency and 15 other state departments issued a joint plan to expand the use and production of biofuels containing up to 10% ethanol by 2020. China, the number three importer of U.S. ethanol in 2016, imported negligible volumes during 2018 and 2019 due to a 30% tariff on U.S. ethanol, which increased to 70% in early 2018. There is no assurance that China's joint plan to expand blending to 10% will be carried to fruition, nor that it will lead to increased imports of U.S. ethanol in the near term. Ethanol is included as an agricultural commodity under the "Phase I" agreement with China, wherein they are to purchase upwards of \$40 billion in agricultural commodities from the U.S. in both 2020 and 2021. In 2020, there were few meaningful purchases of U.S. ethanol by China.

In Brazil, the Secretary of Foreign Trade had issued a tariff rate quota which expired in December of 2020. Exports to Brazil were on pace for 120 mmg in 2020. All U.S. ethanol gallons now face a 20% tariff into Brazil. Our parent's exports also face tariffs, rate quotas, countervailing duties, and other hurdles in the European Union, India, Peru, Columbia and elsewhere, which limits the ability to compete in some markets. We believe some countries are using the COVID-19 crisis as justification for raising duties on imports of U.S. ethanol, or blocking imports entirely.

In June 2017, the Energy Regulatory Commission of Mexico (CRE) approved the use of 10% ethanol blends, which was challenged by multiple lawsuits, of which several were dismissed. The remaining four cases follow one of two tracks: 1) to determine the constitutionality of the CRE regulation, or 2) to determine the benefits, or lack thereof, of introducing E10 to Mexico. An injunction was granted in October 2017, preventing the blending and selling of E10, but was overturned by a higher court in June 2018 making it legal to blend and sell E10 by PEMEX throughout Mexico except for its three largest metropolitan areas. On January 15, 2020, the Mexican Supreme Court ruled that the expedited process for the CRE regulation was unconstitutional, and that after a 180 day period the maximum ethanol blend allowed in the country would revert to 5.8%. There is an effort underway to go through the full regulatory process to allow for 10% blends countrywide, including in the three major metropolitan areas. The 180 day window was extended due to COVID-19, and the new deadline is March 20, 2021.

In January 2020, the updated North American Free Trade Agreement, known as the United States Mexico Canada Agreement or USMCA was signed. The USMCA went into effect on July 1, 2020, and maintains the duty free access of U.S. agricultural commodities, including ethanol, into Canada and Mexico. According to the Department of Commerce, exports to Canada were 303.5 mmg and exports to Mexico were 61.5 mmg through November 30, 2020.

Environmental and Other Regulation

Our operations are subject to environmental regulations, including those that govern the handling and release of ethanol, crude oil and other liquid hydrocarbon materials. Compliance with existing and anticipated environmental laws and regulations may increase our overall cost of doing business, including capital costs to construct, maintain, operate, and upgrade equipment and facilities. Our business may also be impacted by government policies, such as tariffs, duties, subsidies, import and export restrictions and outright embargos. Our parent employs maintenance and operations personnel at each of its facilities, which are regulated by the Occupational Safety and Health Administration.

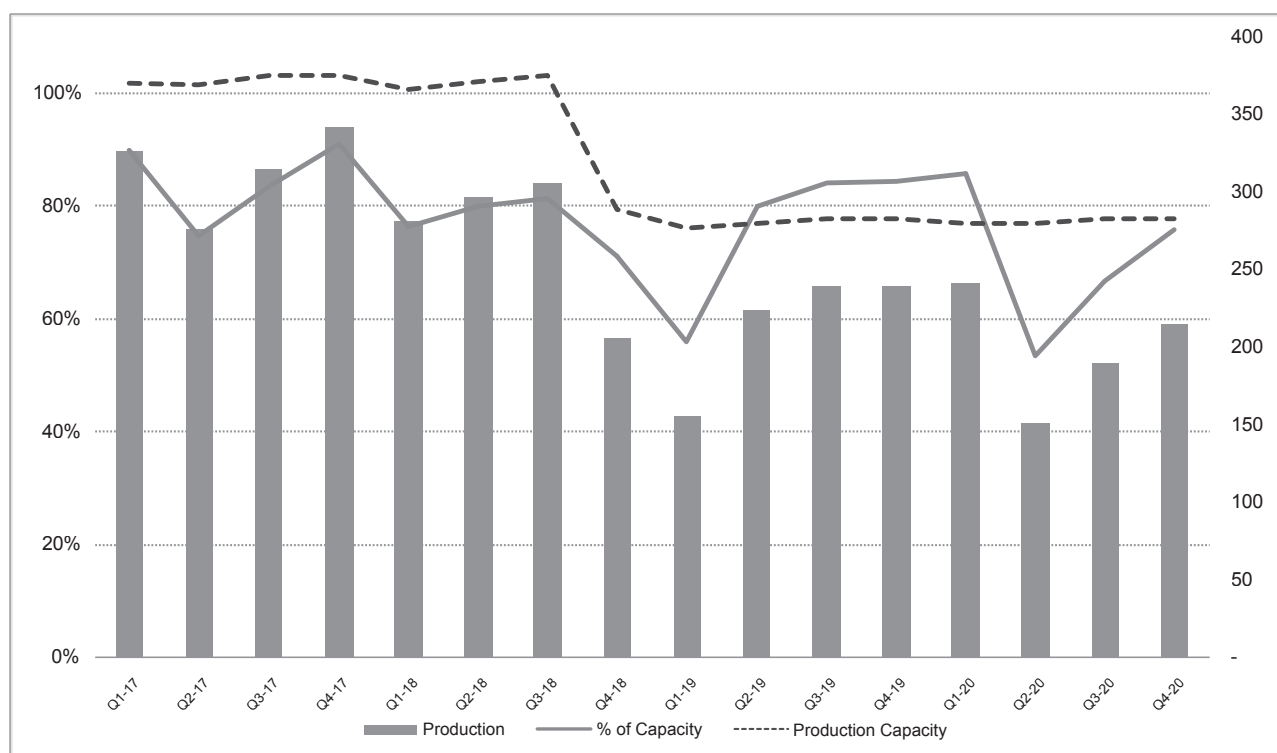
The U.S. ethanol industry relies heavily on tank cars to deliver its product to market. In 2015, the DOT finalized the Enhanced Tank Car Standard and Operational Controls for High-Hazard and Flammable Trains, or DOT specification 117, which established a schedule to retrofit or replace older tank cars that carry crude oil and ethanol, braking standards intended to reduce the severity of accidents and new operational protocols. The deadline for compliance with DOT specification 117 is May 1, 2023. The rule may increase our lease costs for railcars over the long term, which will in turn result in an increase in the fees we charge for railcar capacity. Additionally, existing railcars may be out of service for a period of time while upgrades are made, tightening supply in an industry that is highly dependent on railcars to transport product. We intend to strategically manage our leased railcar fleet to comply with the new regulations and have commenced transition of our fleet to DOT 117 compliant railcars. As of December 31, 2020, approximately 50% of our railcar fleet was DOT 117 compliant. We anticipate that an additional 20% of our railcar fleet will be DOT 117 compliant by the end of 2021, and that our entire fleet will be fully compliant by 2023.

Our Parent's Production Levels

Our parent's operating margins are sensitive to commodity price fluctuations, particularly for corn, ethanol, corn oil, distillers grains and natural gas, which are impacted by factors that are outside of its control, including weather conditions, corn yield, changes in domestic and global ethanol supply and demand, government programs and policies and the price of crude oil, gasoline and substitute fuels. Our parent uses various financial instruments to manage and reduce its exposure to price variability.

Our parent's operating margins influence its production levels, which in turn affects the volume of ethanol we store, throughput and transport. During periods of commodity price variability or compressed margins, our parent may slow down or temporarily idle operations at certain ethanol plants. Slowing production increases the ethanol yield per bushel of corn, optimizing cash flow in lower margin environments. In 2020, our parent's ethanol facilities maintained an average utilization rate of approximately 71% of capacity, compared with 76% of capacity for the prior year. The reduction in the average utilization rate was primarily due to continued poor margins driven in part by a reduction in motor fuel demand as a result of the COVID-19 pandemic.

Our parent's quarterly actual production, daily average production capacity and utilization are highlighted in the following chart:



Financial Condition and Results of Operations of Our Parent

Our parent guarantees Green Plains Trade's obligations under our storage and throughput agreement and rail transportation service agreements, which account for a substantial portion of our revenues. Any change in our parent's business or financial strategy, or event that negatively impacts its financial condition, results of operations or cash flows may materially and adversely affect our financial condition, results of operations or cash flows. For additional information, please refer to *Item 1A - Risk Factors*.

Availability of Railcars

The long-term growth of our business depends on the availability of railcars, which we currently lease, to transport ethanol and other fuels on reasonable terms. Railcars may become unavailable due to increased demand, maintenance or other logistical constraints. Railcar shortages caused by increased demand for rail transportation or changes in regulatory standards that apply to railcars could negatively impact our business and our ability to grow.

How We Evaluate Our Operations

Our management uses a variety of GAAP and non-GAAP financial and operating metrics, including among others, throughput volume and capacity, operations and maintenance expense, adjusted EBITDA and distributable cash flow. Management views each of these metrics as important factors to evaluate our operating results and measure profitability.

Throughput Volume and Capacity

Our revenues are dependent on the volume of ethanol and other fuels we store, throughput, or transport at our ethanol storage and fuel terminal facilities, and the volumetric capacity that is used to transport ethanol and other fuels by railcars. These volumes are affected by our parent's operating margins at its ethanol production plants as well as the overall supply and demand for ethanol and other fuels in markets served directly or indirectly by our assets.

Green Plains Trade is obligated to meet minimum volume or take-or-pay capacity commitments under our commercial agreements. Our results of operations may be impacted by our parent's use of our assets in excess of its minimum volume commitments, and our ability to capture incremental volumes or capacity from Green Plains Trade or third parties, retain Green Plains Trade as a customer, enter into contracts with new customers and increase volume commitments.

Operations and Maintenance Expenses

Our management seeks to maximize the profitability of our operations by effectively managing operations and maintenance expenses. Our expenses are relatively stable across a broad range of storage, throughput and transportation volumes and usage, but can fluctuate from period to period depending on maintenance activities and growth. We manage our expenses by scheduling maintenance activities over time to avoid significant variability in our cash flows.

Adjusted EBITDA and Distributable Cash Flow

Adjusted EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization excluding the amortization of right-of-use assets and debt issuance costs, plus adjustments for transaction costs related to acquisitions or financing transactions, unit-based compensation expense, net gains or losses on asset sales, and our proportional share of EBITDA adjustments of our equity method investee.

Distributable cash flow is defined as adjusted EBITDA less interest paid or payable, income taxes paid or payable, maintenance capital expenditures, which are defined under our partnership agreement as cash expenditures (including expenditures for the construction or development of new capital assets or the replacement, improvement or expansion of existing capital assets) made to maintain our operating capacity or operating income, and our proportional share of distributable cash flow adjustments of our equity method investee.

We believe the presentation of adjusted EBITDA and distributable cash flow provides useful information to investors in assessing our financial condition and results of operations. Adjusted EBITDA and distributable cash flow are supplemental financial measures that we use to assess our financial performance. However, these presentations are not made in accordance with GAAP. The GAAP measure most directly comparable with adjusted EBITDA and distributable cash flow is net income. Since adjusted EBITDA and distributable cash flow may be defined differently by other companies in our industry, our definitions of adjusted EBITDA and distributable cash flow may not be comparable with similarly titled measures of other companies, diminishing its utility. Adjusted EBITDA and distributable cash flow should not be considered in isolation or as alternatives to net income or any other measure of financial performance presented in accordance with GAAP to analyze our results. Refer to *Item 6 – Selected Financial Data* for reconciliations of net income to adjusted EBITDA and distributable cash flow.

Components of Revenues and Expenses

Revenues. Our revenues consist primarily of fee-based commercial agreements for receiving, storing, transferring and transporting ethanol and other fuels.

For more information about these charges and the services covered by these agreements, please refer to *Note 15 – Related Party Transactions* to the consolidated financial statements in this report.

Operations and Maintenance Expenses. Our operations and maintenance expenses consist primarily of lease expenses related to our transportation assets, labor expenses, outside contractor expenses, insurance premiums, repairs and maintenance expenses and utility costs. These expenses also include fees for certain management, maintenance and operational services to support our facilities, trucks and leased railcar fleet allocated by our parent under our operational services and secondment agreement.

General and Administrative Expenses. Our general and administrative expenses consist primarily of allocated employee salaries, incentives and benefits, office expenses, professional fees for accounting, legal, and consulting services, and other costs allocated by our parent. Our general and administrative expenses include direct monthly charges for the management of our assets and certain expenses allocated by our parent under our omnibus agreement for general corporate services, such as treasury, accounting, human resources and legal services. These expenses are charged or allocated to us based on the nature of the expense and our proportionate share of employee time or capital expenditures.

For more information about fees we reimburse our parent for services received, please read *Note 15 – Related Party Transactions* to the consolidated financial statements in this report.

Other Income (Expense). Other income (expense) includes interest earned, interest expense and other non-operating items.

Income (Loss) from Equity Method Investee. Income (loss) from equity method investee consists of the income or loss associated with our 50% ownership in the NLR joint venture.

For the commercial agreements, operational services and secondment agreement and the omnibus agreement in their entirety and any subsequent amendments required to be filed, please refer to *Item 15 – Exhibits, Financial Statement Schedules*.

Results of Operations

Comparability of our Financial Results

The following summarizes certain events that affect the comparability of our operating results over the course of the past three years:

- On November 15, 2018, our parent closed on the sale of three of its ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan to Valero. Correspondingly, the storage assets located adjacent to such plants were sold to our parent for \$120.9 million. As consideration, we received from our parent 8.7 million Green Plains units and a portion of the general partner interest equating to 0.2 million equivalent limited partner units to maintain the general partner's 2% interest. These units were retired upon receipt. In addition, we also received cash consideration of \$2.7 million from Valero for the assignment of certain railcar operating leases.
- On November 15, 2018, our parent announced the permanent closure of its ethanol plant located in Hopewell, Virginia. The closure did not affect our quarterly storage and throughput minimum volume commitment with Green Plains Trade.
- On December 28, 2020, our parent closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the storage assets located adjacent to the Hereford plant were sold to our parent for \$10.0 million, along with the transfer of associated railcar operating leases. Since this transaction closed on December 28, 2020, the impact to the comparability of our operating results was not material.

A discussion regarding our financial condition and results of operations for the year ended December 31, 2019, compared to the year ended December 31, 2018, can be found under Item 7 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 20, 2020.

Selected Financial Information and Operating Data

The following table reflects selected financial information (in thousands):

| | Year Ended December 31, | | |
|--|--------------------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| Revenues | | | |
| Storage and throughput services | \$ 48,603 | \$ 47,140 | \$ 59,290 |
| Rail transportation services | 21,496 | 21,265 | 26,055 |
| Terminal services | 8,506 | 9,664 | 10,498 |
| Trucking and other | 4,740 | 4,318 | 4,905 |
| Total revenues | <u>83,345</u> | <u>82,387</u> | <u>100,748</u> |
| Operating expenses | | | |
| Operations and maintenance (excluding depreciation and amortization reflected below) | 26,125 | 25,658 | 30,866 |
| General and administrative | 4,206 | 4,055 | 5,258 |
| Depreciation and amortization | 3,806 | 3,441 | 4,442 |
| Gain on assignment of operating leases | - | - | (2,721) |
| Total operating expenses | <u>34,137</u> | <u>33,154</u> | <u>37,845</u> |
| Operating income | <u>\$ 49,208</u> | <u>\$ 49,233</u> | <u>\$ 62,903</u> |

The following table reflects selected operating data (in mmg, except railcar capacity billed):

| | Year Ended December 31, | | |
|--|--------------------------------|--------------|--------------|
| | 2020 | 2019 | 2018 |
| Product volumes | | | |
| Storage and throughput services | 796.4 | 859.8 | 1,134.7 |
| Terminal services: | | | |
| Affiliate | 102.9 | 114.9 | 133.7 |
| Non-affiliate | 103.6 | 106.0 | 116.2 |
| | <u>206.5</u> | <u>220.9</u> | <u>249.9</u> |
| Railcar capacity billed (daily avg. mmg) | 80.6 | 79.8 | 96.9 |

Year Ended December 31, 2020, Compared with the Year Ended December 31, 2019

Revenues

Consolidated revenues increased \$1.0 million for the year ended December 31, 2020, compared with the year ended December 31, 2019. Storage and throughput services revenue increased \$1.5 million due to an increase in the rate per gallon charged to Green Plains Trade beginning on July 1, 2020. Trucking and other revenue increased \$0.4 million primarily due to an increase in volumes transported for Green Plains Trade. Railcar transportation services revenue increased \$0.2 million primarily due to an increase in average volumetric capacity provided and the average capacity fee charged of \$0.7 million, offset by a decrease in railcar sublease revenue of \$0.5 million. Terminal services revenue decreased \$1.1 million as a result of a reduction in fees associated with minimum volume commitments.

Operations and Maintenance Expenses

Operations and maintenance expenses increased \$0.5 million in 2020 compared with 2019, primarily due to increases in railcar lease expense of \$0.3 million and repair and maintenance expense of \$0.2 million.

General and Administrative Expenses

General and administrative expenses increased \$0.2 million in 2020 compared with 2019, primarily due to an increase in insurance expense of \$0.3 million, partially offset by a reduction in expenses allocated by our parent under the secondment agreement of \$0.1 million.

Liquidity and Capital Resources

Our principal sources of liquidity include cash generated from operating activities and borrowings under our credit facility. We expect operating cash flows will be sufficient to meet our liquidity needs. We consider opportunities to repay or refinance our debt, depending on market conditions, as part of our normal course of doing business. Our ability to meet our debt service obligations and other capital requirements depends on our future operating performance, which is subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control. We plan to utilize a combination of operating cash, refinancing and other strategic actions, to repay debt obligations as they come due.

Recently, we announced the sale to our parent of the Ord, Nebraska ethanol storage assets, along with the transfer of associated railcar operating leases, for \$27.0 million. This transaction is anticipated to close within 45 days, and the proceeds will be used to repay our debt.

Subordinated Unit Conversion

The requirements under the partnership agreement for the conversion of all of the outstanding subordinated units into common units were satisfied upon the payment of the distribution with respect to the quarter ended June 30, 2018. Accordingly, the subordination period ended on August 13, 2018, the first business day after the date of the distribution payment, and all of the 15,889,642 outstanding subordinated units were converted into common units on a one-for-one basis. The conversion of the subordinated units did not impact the amount of cash distributions paid or the total number of units outstanding.

Retirement of Units

On November 15, 2018, the storage assets associated with the ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan were sold to our parent for \$120.9 million. As consideration, we received from our parent 8,692,736 Green Plains units and a portion of the general partner interest equating to 177,403 equivalent limited partner units to maintain the general partner's 2% interest.

Distributions to Unitholders

Quarterly distributions are made from available cash within 45 days after the end of each calendar quarter, assuming we have available cash, up to an aggregate amount not to exceed \$0.12 per outstanding unit, subject to the terms of the credit agreement which matures December 31, 2021. Available cash generally means all cash and cash equivalents on hand at the end of that quarter less cash reserves established by our general partner plus all or any portion of the cash on hand resulting from working capital borrowings made subsequent to the end of that quarter. For more information, see *Note 11 – Partners' Deficit* to the consolidated financial statements in this report.

The table below summarizes the quarterly cash distributions for the periods presented:

| Three Months Ended | Declaration Date | Record Date | Payment Date | Quarterly Distribution |
|--------------------|------------------|------------------|-------------------|------------------------|
| December 31, 2020 | January 21, 2021 | February 5, 2021 | February 12, 2021 | \$ 0.1200 |
| September 30, 2020 | October 15, 2020 | November 6, 2020 | November 13, 2020 | 0.1200 |
| June 30, 2020 | July 16, 2020 | July 31, 2020 | August 7, 2020 | 0.1200 |
| March 31, 2020 | April 16, 2020 | May 1, 2020 | May 8, 2020 | 0.1200 |
| December 31, 2019 | January 16, 2020 | January 31, 2020 | February 7, 2020 | 0.4750 |
| September 30, 2019 | October 17, 2019 | November 1, 2019 | November 8, 2019 | 0.4750 |
| June 30, 2019 | July 18, 2019 | August 2, 2019 | August 9, 2019 | 0.4750 |
| March 31, 2019 | April 18, 2019 | May 3, 2019 | May 10, 2019 | 0.4750 |
| December 31, 2018 | January 17, 2019 | February 1, 2019 | February 8, 2019 | 0.4750 |
| September 30, 2018 | October 18, 2018 | November 2, 2018 | November 9, 2018 | 0.4750 |
| June 30, 2018 | July 19, 2018 | August 3, 2018 | August 10, 2018 | 0.4750 |
| March 31, 2018 | April 19, 2018 | May 4, 2018 | May 11, 2018 | 0.4750 |

Cash Flows

On December 31, 2020, we had \$2.5 million of cash and cash equivalents and \$5.0 million available under the revolving portion of our credit facility.

Net cash provided by operating activities was \$47.8 million in 2020 compared with \$46.7 million in 2019. Increased cash flows from operating activities resulted primarily from the distribution received from NLR, partially offset by changes in net working capital. Net cash provided by investing activities increased \$9.8 million in 2020 compared with 2019, primarily as a result of the Hereford disposition in the fourth quarter of 2020. Net cash used in financing activities was \$55.4 million in 2020, compared with \$47.0 million in 2019. This increase was due to principal payments on our term loan and the payment of loan fees, partially offset by a decrease in our quarterly distributions paid.

Capital Resources

We incurred capital expenditures of \$0.2 million in 2020 for various maintenance projects at our storage facilities. We do not anticipate significant capital spending for 2021.

During the year ended December 31, 2020, we received a distribution of \$1.0 million from our NLR joint venture. We did not make any equity method investee contributions in 2020 and we do not anticipate making significant equity contributions to NLR in 2021. We expect to receive future distributions from NLR as excess cash becomes available.

Credit Facility

Green Plains Operating Company has a credit facility to fund working capital, capital expenditures and other general partnership purposes. The credit facility was amended on June 4, 2020, decreasing the size of the facility from \$200.0 million to \$135.0 million. The amended credit facility includes a \$130.0 million term loan and a \$5.0 million revolving credit facility, maturing on December 31, 2021. Payments of \$30.0 million were made on the term loan principal during the year ended December 31, 2020, including \$10.0 million related to the sale of the storage assets located adjacent to the Hereford, Texas ethanol plant. As of December 31, 2020, no additional prepayments on the term loan were required or paid. Monthly principal payments of \$2.5 million are required through April 15, 2021, with a step up to monthly payments of \$3.2 million beginning May 15, 2021 through maturity. As of December 31, 2020, the term loan had a balance of \$100.0 million and an interest rate of 6.00%, and there were no outstanding swing line loans.

In certain situations we are required to make prepayments on the outstanding principal balance on the credit facility. If at any time subsequent to July 15, 2020, our cash balance exceeds \$2.5 million for more than five consecutive business days, prepayments of outstanding principal are required in an amount equal to the excess cash. We are also required to prepay outstanding principal on the credit facility with 100% of net cash proceeds from any asset disposition or recovery event. Any prepayments on the term loan are applied to the remaining principal balance in inverse order of maturity, including the final payment.

The credit facility, which is supported by a group of financial institutions, will mature on December 31, 2021 unless extended by agreement of the lenders or replaced by another funding source. While we have not yet renegotiated the credit facility or secured additional funding necessary to repay the loan, we believe it is probable that we will source appropriate funding given our consistent and stable fee-based cash flows, ongoing profitability, low leverage and history of obtaining financing on reasonable commercial terms. In the unlikely scenario that we are unable to refinance the debt with the lenders prior to its maturity, we will consider other financing sources, including but not limited to, the restructuring or issuance of new debt with a different lending group, the issuance of additional common units, other strategic actions to extinguish the debt, or support from our parent.

We use LIBOR as a reference rate for our credit facility. LIBOR is set to be phased out at the end of 2021. It is unclear if LIBOR will cease to exist at that time or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. We may need to amend our credit facility to determine the interest rate to replace LIBOR with the new standard that is established. The potential effect of any such event on interest expense cannot yet be determined.

For more information related to our debt, see *Note 8 – Debt* to the consolidated financial statements in this report.

Contractual Obligations

Our contractual obligations as of December 31, 2020, were as follows (in thousands):

| Contractual Obligations | Payments Due By Period | | | | |
|--|------------------------|---------------------|------------------|------------------|----------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| Long-term debt obligations ⁽¹⁾ | \$ 100,000 | \$ 100,000 | \$ - | \$ - | \$ - |
| Interest and fees on debt obligations ⁽²⁾ | 5,276 | 5,276 | - | - | - |
| Operating leases ⁽³⁾ | 45,267 | 12,750 | 19,349 | 10,305 | 2,863 |
| Service agreements ⁽⁴⁾ | 962 | 805 | 157 | - | - |
| Other ⁽⁵⁾ | 5,440 | 1,188 | 1,836 | 1,191 | 1,225 |
| Total contractual obligations | <u>\$ 156,945</u> | <u>\$ 120,019</u> | <u>\$ 21,342</u> | <u>\$ 11,496</u> | <u>\$ 4,088</u> |

(1) Includes the current portion of long-term debt and excludes the effect of any debt discounts.

(2) Interest amounts are calculated over the terms of the loans using current interest rates, assuming scheduled principal and interest amounts are paid pursuant to the debt agreements. Includes administrative and/or commitment fees on debt obligations.

(3) Operating lease costs are primarily for property and railcar leases and exclude leases not yet commenced with undiscounted future lease payments of approximately \$6.5 million.

(4) Service agreements are related to minimum commitments on railcar unloading contracts at our fuel terminals.

(5) Includes asset retirement obligations to return property and equipment to its original condition at the termination of lease agreements.

Effects of Inflation

Inflation in the United States has been relatively low in recent years; therefore, we do not expect it to have a material impact on our future results of operations.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires that we use estimates that affect the reported assets, liabilities, revenues, expenses and related disclosures for contingent assets and liabilities. We base our estimates on experience and assumptions we believe are proper and reasonable. While we regularly evaluate the appropriateness of these estimates, actual results could differ materially from our estimates. The following accounting policies, in particular, may be impacted by judgments, assumptions and estimates used to prepare our consolidated financial statements.

Revenue Recognition

We recognize revenue when obligations under the terms of a contract with a customer are satisfied, which generally occurs with the completion of services or the transfer of control of products to the customer or another specified third party. For contracts with customers in which a take-or-pay commitment exists, any minimum volume deficiency charges are recognized as revenue in the period incurred and are not allowed to be credited towards excess volumes in future periods.

We generate a substantial portion of our revenues under fee-based commercial agreements with Green Plains Trade. Operating lease revenue related to minimum volume commitments is recognized on a straight-line basis over the term of the lease. Under the terms of the storage and throughput agreement with Green Plains Trade, to the extent shortfalls associated with minimum volume commitments in the previous four quarters continue to exist, volumes in excess of the minimum volume commitment are applied to those shortfalls. Remaining excess volumes generating operating lease revenue are recognized as incurred.

Please refer to *Note 3 - Revenue* to the consolidated financial statements for further details.

Impairment of Long-Lived Assets and Goodwill

Our long-lived assets consist of property and equipment and operating lease right-of-use assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. We measure recoverability by comparing the carrying amount of the asset with the estimated undiscounted future cash flows the asset is expected generate. If the carrying amount of the asset exceeds its estimated future cash flows, we record an impairment charge for the amount in excess of the fair value. No impairment charges were recorded for the periods presented.

Our goodwill consists of amounts related to our predecessor's acquisition of its fuel terminal and distribution business. We review goodwill at the reporting unit level for impairment at least annually, as of October 1, or more frequently when events or changes in circumstances indicate that impairment may have occurred.

We estimate the amount and timing of projected cash flows that will be generated by an asset over an extended period of time when we review our long-lived assets and goodwill. Circumstances that may indicate impairment include a decline in future projected cash flows, a decision to suspend plant operations for an extended period of time, sustained decline in our market capitalization or market prices for similar assets or businesses, or a significant adverse change in legal or regulatory matters or business climate. Significant management judgment is required to determine the fair value of our long-lived assets and goodwill and measure impairment, which includes projected cash flows. Fair value is determined by using various valuation techniques, including discounted cash flow models, sales of comparable properties and third-party independent appraisals. Changes in estimated fair value could result in an impairment of the asset.

During the first half of 2020, a decline in our stock price resulted in a decrease in our market capitalization. As such, we determined a triggering event had occurred that required an interim impairment assessment for the BlendStar reporting unit as of both March 31, 2020 and June 30, 2020. Significant assumptions inherent in the valuation methodologies for goodwill impairment testing were employed and include market capitalization, prospective financial information, growth rates, discount rates, inflationary factors, and cost of capital. Based on our quantitative evaluations, we determined that the fair value of the BlendStar reporting unit substantially exceeded its carrying value, and that the goodwill assigned to the BlendStar reporting unit was not impaired. During the three months ended September 30, 2020, we did not identify any triggering events, and as such, no impairment assessment was deemed necessary.

We performed the annual goodwill assessment as of October 1, 2020 using a qualitative assessment, which resulted in no goodwill impairment. Please refer to *Note 7 – Goodwill* to the consolidated financial statements for further details.

Leases

On January 1, 2019, we adopted the amended guidance in ASC 842, *Leases*, and all related amendments, and applied it to all leases using the optional transition method which requires the amended guidance to be applied at the date of adoption. The standard does not require the guidance to be applied to the earliest comparative period presented in the financial statements. As such, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

We lease certain facilities, parcels of land, and railcars. Our leases are accounted for as operating leases, with lease expense recognized on a straight-line basis over the lease term. The term of the lease may include options to extend or terminate the lease when it is reasonably certain that we will exercise one of those options. For leases with initial terms greater than 12 months, we record operating lease right-of-use assets and corresponding operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheet.

Operating lease right-of-use assets represent our right to control an underlying asset for the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. These assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on information available at commencement date to determine the present value of future payments.

We record operating lease revenue as part of our operating lease agreements for storage and throughput services, rail transportation services, and certain terminal services. In addition, we may sublease certain of our railcars to third parties on a short-term basis. These subleases are classified as operating leases, with the associated sublease revenue recognized on a straight-line basis over the lease term.

Please refer to *Note 14 – Commitments and Contingencies* to the consolidated financial statements for further details on operating lease expense and revenue. Please refer to *Note 3 - Revenue* to the consolidated financial statements for further details on the operating lease agreements in which we are a lessor.

Recent Accounting Pronouncements

For information related to recent accounting pronouncements, see *Note 2 – Summary of Significant Accounting Policies* to the consolidated financial statements in this report.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the risk of loss arising from adverse changes in market rates and prices, as described below. At this time, we conduct all of our business in U.S. dollars and are not exposed to foreign currency risk.

Interest Rate Risk

We are exposed to interest rate risk through our credit facility, which bears interest at a variable rate. At December 31, 2020, we had \$100.0 million outstanding under our credit facility. A 10% change in interest rates would affect our interest expense by approximately \$0.5 million per year, assuming no changes in the amount outstanding or other variables under our credit facility.

Other details about our outstanding debt are discussed in the notes to the consolidated financial statements included elsewhere in this report.

Commodity Price Risk

We do not have direct exposure to risks associated with fluctuating commodity prices because we do not own the ethanol or other fuels that are stored at our facilities or transported by our railcars.

Item 8. Financial Statements and Supplementary Data.

The required consolidated financial statements and accompanying notes are listed in Part IV, Item 15.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure information that must be disclosed 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 that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and participation of our chief executive officer and chief financial officer, management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act and concluded that our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Under the supervision of and participation of our chief executive officer and chief financial officer, management assessed the design and operating effectiveness of our internal control over financial reporting as of December 31, 2020, based on the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the partnership's internal control over financial reporting as of December 31, 2020, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with GAAP. We have not identified any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors of Green Plains Holdings LLC, the general partner of Green Plains Partners LP, and Unitholders Green Plains Partners LP:

Opinion on Internal Control Over Financial Reporting

We have audited Green Plains Partners LP and subsidiaries' (the Partnership) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Partnership as of December 31, 2020 and 2019, the related consolidated statements of operations, partners' deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 16, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Partnership'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 Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

Omaha, Nebraska
February 16, 2021

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Management of Green Plains Partners

We are managed by the directors and executive officers of our general partner, Green Plains Holdings. Our general partner is not elected by our unitholders and will not be subject to re-election by our unitholders in the future. Our parent owns all of the membership interests and appoints all members to the board of directors of our general partner. Our unitholders are not entitled to elect the directors or directly or indirectly to participate in our management or operations. Our general partner is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically nonrecourse to it. Whenever possible, we intend to incur indebtedness that is nonrecourse to our general partner.

Our general partner has the primary responsibility for providing the personnel necessary to conduct our operations, whether through directly hiring employees or by obtaining the services of personnel employed by our parent or others. In addition, pursuant to the operational services and secondment agreement, certain of our parent's employees (including our chief executive officer) will be seconded to our general partner to provide management, maintenance and operational services with respect to the ethanol and fuel storage assets, terminal and transportation assets. During their period of secondment to our general partner, the seconded personnel will be under the direct management and supervision of our general partner. All of the personnel who conduct our business are employed by or contracted by our general partner and its affiliates, including our parent and Green Plains Trade.

Director Independence

Although most companies listed on Nasdaq are required to have a majority of independent directors serving on the board of directors of the listed company, Nasdaq does not require a publicly traded limited partnership to have a majority of independent directors on the board of directors of our general partner or to establish a compensation or a nominating and corporate governance committee. We are, however, required to have an audit committee of at least three members, and all of our audit committee members are required to meet the independence and financial literacy tests established by Nasdaq and the Exchange Act. We currently have three independent directors serving on our audit committee, Mr. Clayton Killinger, Mr. Brett Riley and Mr. Martin Salinas.

Director Experience and Qualifications

The board of directors of the general partner as a whole is responsible for filling vacancies on the board of directors at any time during the year, and for selecting individuals to serve on the board of directors of our general partner. From time to time, the board of directors may utilize the services of search firms or consultants to assist in identifying and screening potential candidates.

Committees of the Board of Directors

The board of directors of our general partner has an audit committee and a conflicts committee and may have such other committees as the board of directors shall determine appropriate from time to time. Each of the standing committees of the board of directors will have the composition and responsibilities described below.

Audit Committee

Our general partner has an audit committee currently comprised of three directors, Messrs. Killinger, Riley and Salinas, who meet the independence and experience standards established by Nasdaq and the Exchange Act, and qualify as audit committee financial experts. Mr. Killinger acts as chairman of the audit committee.

Our audit committee assists the board of directors in its oversight of the integrity of our financial statements and our compliance with legal and regulatory requirements and corporate policies and controls. Our audit committee has the sole authority to retain and terminate our independent registered public accounting firm, approve all auditing services and related fees and the terms thereof and pre-approve any non-audit services to be rendered by our independent registered public accounting firm. Our audit committee is responsible for confirming the independence and objectivity of our independent registered public accounting firm. Our independent registered public accounting firm is given unrestricted access to our audit committee.

Conflicts Committee

Messrs. Killinger, Riley and Salinas serve on our conflicts committee to review specific matters that may involve conflicts of interest in accordance with the terms of our partnership agreement. Mr. Riley acts as chairman of the conflicts committee. The board of directors of our general partner determine whether to refer a matter to the conflicts committee on a case-by-case basis. The members of our conflicts committee may not be officers or employees of our general partner or directors, officers, or employees of its affiliates and must meet the independence and experience standards established by Nasdaq and the Exchange Act to serve on an audit committee of a board of directors, along with other requirements set forth in our partnership agreement. If our general partner seeks approval from the conflicts committee, then it is presumed that, in making its decision, the conflicts committee acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Meetings of the Board of Directors

The board of directors held twelve meetings during 2020, while the audit committee held seven meetings. The conflicts committee, which meets on an ad-hoc basis, held nine meetings during 2020. Meetings were conducted via teleconference or in person. No director attended fewer than 83% of the aggregate of board meetings and committee meetings held on which the director served during this period.

Directors and Executive Officers of Green Plains Holdings LLC

Directors are elected by the sole member of our general partner and hold office until their successors have been elected or qualified or until their earlier death, resignation, removal or disqualification. Executive officers are appointed by, and serve at the discretion of, the board of directors of our general partner. Todd A. Becker and George P. (Patrich) Simpkins, who serve as directors, are also executive officers of our general partner and our parent. The following table shows information for the directors and executive officers of Green Plains Holdings as of February 11, 2021.

| <u>Name</u> | <u>Age</u> | <u>Positions with Green Plains Holdings LLC</u> |
|------------------------------|-------------------|---|
| Todd A. Becker | 55 | President and Chief Executive Officer (Chairman and Director) |
| George P. (Patrich) Simpkins | 59 | Chief Financial Officer (Director) |
| Walter S. Cronin | 58 | Chief Commercial Officer |
| Paul E. Kolomaya | 55 | Chief Accounting Officer |
| Michelle S. Mapes | 54 | Chief Legal and Administration Officer |
| Mark A. Hudak | 60 | Executive Vice President – Human Resources |
| Clayton E. Killinger | 60 | Director |
| Jerry L. Peters | 63 | Director |
| Brett C. Riley | 50 | Director |
| Martin Salinas, Jr. | 49 | Director |

Todd A. Becker. Todd Becker was appointed President and Chief Executive Officer and a member of the board of directors of our general partner in March 2015. He also currently serves as the chairman of the board of directors of our general partner. Mr. Becker has served as President and Chief Executive Officer of our parent since January 2009, and was appointed as a director of our parent in March 2009. Mr. Becker served as our parent’s President and Chief Operating Officer from October 2008 to December 2008. He served as Chief Executive Officer of VBV LLC from May 2007 to October 2008. Mr. Becker was Executive Vice President of Sales and Trading at Global Ethanol from May 2006 to May 2007. Prior to that, he worked for ten years with ConAgra Foods, Inc. in various management positions including Vice President of International Marketing for ConAgra Trade Group and President of ConAgra Grain Canada. Mr. Becker has approximately 31 years of related experience in various commodity processing businesses, risk management and supply chain management, along with extensive international trading experience in agricultural markets. Mr. Becker served on the board of directors, including its audit and compensation committees, for Hillshire Brands Company from 2012 to 2014. Mr. Becker has a master’s degree in

Finance from the Kelley School of Business at Indiana University and a Bachelor of Science degree in Business Administration with a Finance emphasis from the University of Kansas. Mr. Becker brings valuable expertise to the board of directors of our general partner because he provides an insider's perspective about the business and the strategic direction of the general partner to board discussions. His extensive commodity experience and leadership traits make him an essential member of the board of directors of our general partner.

George P. (Patrich) Simpkins. Patrich Simpkins was appointed Chief Financial Officer of our general partner and our parent in May 2019, and has served as a member of the board of directors of our general partner since June 2015. He has also served in a number of executive and senior leadership roles for our parent including: Chief Development Officer from October of 2014 to May of 2019, Chief Risk Officer from October of 2014 to August of 2016 and Executive Vice President-Finance and Treasurer from May of 2012 to August of 2016. Prior to joining our parent, Mr. Simpkins was Managing Partner of GPS Capital Partners, LLC, a capital advisory firm serving global energy and commodity clients. From February 2005 to June 2008, he served as Chief Operating Officer and Chief Financial Officer of SensorLogic, Inc., and as Executive Vice President and Global Chief Risk Officer of TXU Corporation from November 2001 to June 2004. Prior to that, he served in senior financial and commercial executive roles with Duke Energy Corporation, Louis Dreyfus Energy, MEAG Power Company and MCI Communications. Mr. Simpkins earned a Bachelor of Business Administration degree in Economics and Marketing from the University of Kentucky. Mr. Simpkins' experience in varied risk management matters, including as an executive officer and in financial and commercial executive roles, qualifies him to serve on the board of directors of our general partner.

Walter S. Cronin. Walter Cronin was appointed Chief Commercial Officer of our general partner and our parent in January 2020. Mr. Cronin previously served as Executive Vice President – Commercial Operations from August 2015 to January 2020. Prior to joining Green Plains Asset Management LLC, previously a wholly owned subsidiary of our parent, as Chief Investment Officer in November 2011, Mr. Cronin served as Executive Vice President and trading principal of County Cork Asset Management from April 2010 to November 2011. Prior to that, Mr. Cronin acted as a consultant to Bunge Limited from September 2004 through March 2010. Additionally, Mr. Cronin has over 30 years of commodity trading experience working at a number of firms, including RJ O'Brien and Continental Grain. Mr. Cronin received a Bachelor of Arts degree from the University of Santa Clara in 1985.

Paul E. Kolomaya. Paul Kolomaya was appointed Chief Accounting Officer of our general partner and our parent in May 2019. Mr. Kolomaya previously served as Executive Vice President—Commodity Finance of our parent from February 2012 to May 2019. Prior to joining our parent in August 2008 as its Vice President—Commodity Finance, Mr. Kolomaya was employed by ConAgra Foods, Inc. from March 1997 to August 2008 in a variety of senior finance and accounting capacities, both domestic and international. Prior to that, he was employed by Arthur Andersen & Co. in both the audit and business consulting practices. Mr. Kolomaya holds chartered accountant and certified public accountant certifications and has a Bachelor of Honors Commerce degree from the University of Manitoba.

Michelle S. Mapes. Michelle Mapes was appointed Chief Legal and Administration Officer of our general partner and our parent in January 2018. Ms. Mapes previously served as Executive Vice President—General Counsel and Corporate Secretary of our general partner from March 2015 to January 2018 and of our parent from November 2009 to January 2018. Prior to joining our parent in September 2009 as General Counsel, Ms. Mapes was a Partner at Husch Blackwell LLP, where for three years she focused her legal practice nearly exclusively in renewable energy. Prior to that, she was Chief Administrative Officer and General Counsel for HDM Corporation. Ms. Mapes served as Senior Vice President—Corporate Services and General Counsel to Farm Credit Services of America from April 2000 to June 2005. Ms. Mapes holds a Juris Doctorate, a Master of Business Administration and a Bachelor of Science degree in Accounting and Finance, all from the University of Nebraska—Lincoln.

Mark A. Hudak. Mark Hudak was appointed Executive Vice President—Human Resources of our general partner in March 2015. Mr. Hudak was named Executive Vice President—Human Resources of our parent in November 2013 after joining our parent in January 2013 as its Vice President—Human Resources. Mr. Hudak has extensive experience in human resource management, organizational development, employee relations, employee benefits and compensation management. He served as Senior Director, Global Human Resources for Bimbo Bakeries from November 2010 to January 2013. Prior to that, from September 2006 to November 2010, Mr. Hudak was Vice President, Global Human Resources / Compliance and Ethics Officer at United Malt Holdings. He held several senior level positions at ConAgra Foods, Inc. from December 2000 to September 2006. Mr. Hudak has a Bachelor of Science degree in Business Administration from Bellevue University.

Clayton E. Killinger. Clayton Killinger was appointed a member of the board of directors of our general partner in August 2015 and serves as chairman of the audit committee and as a member of the conflicts committee. Mr. Killinger served as Executive Vice President and Chief Financial Officer of CrossAmerica Partners LP and CST Brands, Inc. until June 2017 when CrossAmerica and CST were acquired by Alimentation Couche-Tard. He also served on the board of directors of the general partner of CrossAmerica during that time. Previous to these positions, Mr. Killinger spent eleven years at Valero Energy Corporation, most recently as the Senior Vice President and Controller. Prior to his employment at Valero, he was an audit partner at Arthur Andersen LLP. Mr. Killinger is a certified public accountant. He obtained his Bachelor of Business Administration in Accounting from the University of Texas at San Antonio, where he graduated Summa Cum Laude. Mr. Killinger is qualified to serve on our general partner's board of directors because of his financial and master limited partnership experience within the energy industry.

Jerry L. Peters. Jerry Peters retired as Chief Financial Officer of our general partner and our parent in September 2017, but remained a member of the board of directors of our general partner. Mr. Peters served as Chief Financial Officer of our general partner from March 2015 to September 2017 and of our parent from June 2007 to September 2017. He joined the board of directors of our general partner in June 2015. Mr. Peters served as Senior Vice President—Chief Accounting Officer for ONEOK Partners, L.P. from May 2006 to April 2007, as its Chief Financial Officer from July 1994 to May 2006, and in various senior management roles prior to that. Prior to joining ONEOK Partners in 1985, he was employed by KPMG LLP as a certified public accountant. Since September 2012, Mr. Peters serves on the board of directors, and as chairman of the audit committee of the general partner of Summit Midstream Partners, LP, a publicly traded partnership focused on midstream energy infrastructure assets. Mr. Peters received his Master of Business Administration from Creighton University with a Finance emphasis and a Bachelor of Science degree in Business Administration from the University of Nebraska—Lincoln. Mr. Peters' experience serving on the board of directors of publicly traded limited partnerships, including as chairman of the audit committees, and his financial expertise are key attributes, among others, that make him well qualified to serve on the board of directors of our general partner.

Brett C. Riley. Brett Riley was appointed a member of the board of directors of our general partner in April 2016 and serves as chairman of the conflicts committee and as a member of the audit committee. Mr. Riley is currently an independent energy consultant and private investor. Mr. Riley led the strategy and mergers and acquisitions activities for Magellan Midstream Partners, L.P., a publicly traded master limited partnership, from June 2003 until April 2016. From 2007 to April 2016, Mr. Riley served as Senior Vice President, Business Development for Magellan GP, LLC, the general partner of Magellan Midstream Partners. Prior to joining Magellan GP, Mr. Riley served as Director, Mergers and Acquisitions and Director, Financial Planning and Analysis for a subsidiary of The Williams Companies, Inc. Before that, he held various finance and business development positions with MAPCO Inc. and The Williams Companies, Inc. Mr. Riley received his Bachelor of Business Administration in Management from Pittsburg State University and his Master of Business Administration from the University of Tulsa. Mr. Riley is qualified to serve on our general partner's board of directors because of his financial and master limited partnership experience within a variety of industries.

Martin Salinas, Jr. Martin Salinas, Jr. was appointed a member of the board of directors of our general partner in July 2018 and serves as a member of both the audit committee and conflicts committee. Mr. Salinas most recently served as Chief Financial Officer of Energy Transfer Partners, LP, one of the largest publicly traded master limited partnerships, from 2008 to 2015. Prior to that, he was Controller and Vice President of Finance from 2004 to 2008. Mr. Salinas began his career at KPMG after earning a bachelor's degree in Business Administration in Accounting from the University of Texas in San Antonio. He is also a member of the Texas Society of CPAs and advisory council member of University of Texas, San Antonio School of Business. Mr. Salinas is a certified public accountant. Mr. Salinas is qualified to serve on our general partner's board of directors because of his financial and master limited partnership experience within the energy industry.

Board of Directors Leadership Structure

The board of directors of our general partner has no policy with respect to the separation of the offices of chairman of the board of directors and chief executive officer. Instead, that relationship is defined and governed by the limited liability company agreement of our general partner, which permits the same person to hold both offices. Directors of the board of directors of our general partner are designated or elected by our parent. Accordingly, unlike holders of common stock in a corporation, our unitholders have only limited voting rights on matters affecting our business or governance, subject in all cases to any specific unitholder rights contained in our partnership agreement.

Board of Directors Role in Risk Oversight

Our corporate governance guidelines state that the board of directors of our general partner is responsible for reviewing the process of assessing major risks facing us and the options for their mitigation. This responsibility is largely satisfied by our audit committee, which is responsible for reviewing and discussing with management and our registered public accounting firm the major risk exposures and the policies implemented by management to monitor such exposures. This includes our financial risk exposures and risk management policies.

Code of Ethics

The board of directors of our general partner has adopted a code of ethics which sets forth the partnership's policy with respect to business ethics and conflicts of interest. The code of ethics is intended to ensure that the employees, officers and directors of the partnership conduct business with the highest standards of integrity and in compliance with all applicable laws and regulations. It applies to any employees, officers and directors of the partnership, including its principal executive officer, principal financial officer and controller, or persons performing similar functions. The code of ethics also incorporates expectations of the senior financial officers that enable us to provide accurate and timely disclosure in our filings with the SEC and other public communications. The code of ethics is publicly available on our website under the "Corporate Governance" subsection of the Investors section at www.greenplainspartners.com and is also available free of charge on request to the Secretary at the Omaha office address given under the "Contact" section on our website.

Item 11. Executive Compensation.

Neither the partnership nor the general partner employ any of the persons responsible for managing our business. Our general partner does not have a compensation committee. Our general partner, under the direction of its board of directors, is responsible for managing our operations and for obtaining the services of the employees that operate our business.

The compensation payable to the officers of our general partner, who are employees of our parent, is paid by our parent. Our general partner and the operating subsidiaries entered into an operational services and secondment agreement with our parent and Green Plains Trade pursuant to which, among other matters:

- our parent has made available to our general partner the services of the employees who serve as the executive officers of our general partner; and
- our general partner is obligated to reimburse our parent for a specified portion of the costs that our parent incurs in providing compensation and benefits to such employees of our parent.

The executive officers of our general partner perform services unrelated to our business for our parent and its affiliates and will not receive any separate amounts of compensation for their services to us or our general partner. Each of the executive officers of our general partner devoted substantially less than a majority of his working time to matters relating to our ethanol and fuel storage assets, terminal and transportation assets. As a result, we do not believe the compensation the executive officers of our general partner receive in relation to the services they perform with respect to our ethanol storage assets, terminal and transportation assets would comprise a material amount of their total compensation.

The tabular and narrative information required by this Item 11 pursuant to Item 402 of Regulation S-K with respect to our Named Executive Officers is incorporated herein by reference from the disclosures which will be included in a subsequent amendment to this Annual Report on Form 10-K to be filed with the SEC within 120 days of our fiscal year end.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth the beneficial ownership of our units as of February 11, 2021, held by (i) beneficial owners of 5% or more of the units, (ii) each director and named executive officer of our general partner, and (iii) all director and executive officers of our general partner as a group.

The amounts and percentage of units beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. In computing the number of common units beneficially owned by a person and the percentage ownership of that person, common units subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of February 11, 2021, if any, are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all units shown as beneficially owned by them, subject to community property laws where applicable.

The percentage of units beneficially owned is based on a total of 23,208,171 common units outstanding as of February 11, 2021.

| Name of Beneficial Owner ⁽¹⁾ | Green Plains Partners LP | | Green Plains Inc. | |
|---|--|--|--|--|
| | Common Units Beneficially Owned | Percentage of Common Units Beneficially Owned | Common Stock Beneficially Owned | Percentage of Common Stock Beneficially Owned |
| Todd A. Becker | 57,556 | * | 544,595 | 1.5% |
| George P. (Patrich) Simpkins | 5,000 | * | 153,795 | * |
| Walter S. Cronin | - | * | 58,400 | * |
| Paul E. Kolomaya | 1,500 | * | 78,914 | * |
| Michelle S. Mapes | - | * | 46,391 | * |
| Clayton E. Killinger | 50,270 | * | - | |
| Jerry L. Peters | 40,276 | * | 10,858 | * |
| Brett C. Riley | 32,815 | * | - | |
| Martin Salinas, Jr. | 28,209 | * | - | |
| All Directors and Executive Officers as a group (10 persons) | 220,626 | | | |
| Other 5% or more unitholders: | | | | |
| Green Plains Inc. ⁽²⁾ | 11,586,548 | 49.9% | | |
| No Street GP LP ⁽³⁾ | 2,025,000 | 8.7% | | |

* Less than 1%

(1) Except where otherwise indicated, the address of the beneficial owner is deemed to be the same address as the partnership.

(2) Includes common units beneficially owned by our parent, which is publicly traded and managed by a separate ten-person board of directors.

(3) The address for this entity is 505 Montgomery Street, San Francisco, CA 94111. The share amount is based on the amount reported according to Nasdaq.com as of February 11, 2021. Shares are beneficially owned with sole voting and dispositive power.

Securities Authorized for Issuance Under Equity Compensation Plans

The board of directors of the general partner adopted our LTIP in connection with the IPO. Our LTIP reserves 2,500,000 common units for issuance in the form of options, restricted units, phantom units, distributable equivalent rights, substitute awards, unit appreciation rights, unit awards, profits interest units or other unit-based awards. The following table provides information as of December 31, 2020, with respect to the partnership's common units that may be issued under our LTIP.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in column |
|--|--|--|--|
| Equity compensation plans approved by security holders | 47,620 | \$ n/a | 2,378,377 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 47,620 | \$ - | 2,378,377 |

(1) Amount shown represents restricted common unit awards outstanding under the LTIP as of December 31, 2020. These awards vest on June 30, 2021 and are not subject to an exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

As of February 11, 2021, our parent owns 11,586,548 common units, representing a 48.9% limited partner interest in us. In addition, our general partner owns a 2% general partner interest in us and all of our incentive distribution rights.

Distributions and Payments to Our General Partner and Its Affiliates

The following summarizes the distributions and payments made or to be made by us to our general partner and its affiliates in connection with the ongoing operations and liquidation of Green Plains Partners LP. These distributions and payments were determined by and among affiliated entities and, consequently, are not the result of arm's-length negotiations.

Operational Stage

Distributions of available cash to our general partner and its affiliates. Quarterly distributions are made from available cash within 45 days after the end of each calendar quarter, assuming we have available cash, up to an aggregate amount not to exceed \$0.12 per outstanding unit, subject to the terms of the credit agreement which matures December 31, 2021. In addition, if distributions exceed the minimum quarterly distribution and target distribution levels, the incentive distribution rights held by our general partner will entitle our general partner to increasing percentages of the distributions, up to 48% (in addition to distributions paid on its 2% general partner interest) of the distributions above the highest target distribution level.

Payments to our general partner and its affiliates. Under our partnership agreement, we are required to reimburse our general partner and its affiliates for all costs and expenses that they incur on our behalf for managing and controlling our business and operations. Except to the extent specified in the operational services and secondment agreement and omnibus agreement, our general partner determines the amount of these expenses and such determinations must be made in good faith under the terms of our partnership agreement.

Under our operational services and secondment agreement, our general partner reimburses our parent for the secondment to our general partner of certain employees who serve management, maintenance and operational functions in support of our operations and reimburses Green Plains for the provision of those personnel, including with respect to routine and emergency maintenance and repair services, routine operational activities, routine administrative services and such other services as we and Green Plains may mutually agree upon from time to time. The costs and expenses for which we are required to reimburse our general partner and its affiliates are not subject to any caps or other limits.

Under our omnibus agreement, we reimburse our parent for all reasonable direct and indirect costs and expenses incurred by our parent and its affiliates in connection with the provision of certain general and administrative services, such as treasury, accounting and legal services. These services are consistent in nature and quality to the services of such type previously provided by our parent in connection with our assets.

Withdrawal or removal of our general partner. If our general partner withdraws or is removed, its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, for an amount equal to the fair market value of such interests.

Liquidation Stage

Upon our liquidation, the partners, including our general partner, will be entitled to receive liquidating distributions according to their respective capital account balances.

Agreements with Affiliates

We have various agreements with certain affiliates, as described below. These agreements have been negotiated among affiliated parties and, consequently, are not the result of arm's-length negotiations. For all material agreements and subsequent amendments required to be filed, please refer to *Item 15 – Exhibits, Financial Statement Schedules*. For additional information, please refer to *Note 15 – Related Party Transactions* to the consolidated financial statements in this report.

Omnibus Agreement

In connection with the IPO, we entered into an omnibus agreement with Green Plains and its affiliates which addresses:

- the partnership's obligation to reimburse Green Plains for direct or allocated costs and expenses incurred by Green Plains for general and administrative services (in addition to expenses incurred by the general partner and its affiliates that are reimbursed under the First Amended and Restated Agreement of Limited Partnership of the Green Plains Partners LP, or the partnership agreement);
- the prohibition of Green Plains and its subsidiaries from owning, operating or investing in any business that owns or operates fuel terminals or fuel transportation assets in the United States, subject to exceptions;
- the partnership's right of first offer, which expired June 30, 2020;
- a nontransferable, nonexclusive, royalty-free license to use the Green Plains trademark and name;
- the allocation of taxes among the parent, the partnership and its affiliates and the parent's preparation and filing of tax returns; and
- an indemnity by Green Plains for environmental and other liabilities, the partnership's obligation to indemnify Green Plains and its subsidiaries for events and conditions associated with the operation of partnership assets that occur after the closing of the IPO, and for environmental liabilities related to partnership assets to the extent Green Plains is not required to indemnify the partnership.

If Green Plains or its affiliates cease to control the general partner, then either Green Plains or the partnership may terminate the omnibus agreement, provided that (i) the indemnification obligations of the parties survive according to their respective terms; and (ii) Green Plains' obligation to reimburse the partnership for operational failures survives according to its terms.

Effective November 15, 2018, the omnibus agreement was amended in connection with the disposition of ethanol storage and transportation assets. We entered into amendments to the omnibus agreement with our parent, our general partner, and Green Plains Operating Company that terminate our obligation to reimburse our parent for certain direct or allocated costs and expenses incurred by our parent in providing general and administrative services in connection with assets divested, including these assets.

Operating Services and Secondment Agreement

In connection with the IPO, the general partner entered into an operational services and secondment agreement with Green Plains. Under the terms of the agreement, Green Plains seconded employees to the general partner to provide management, maintenance and operational functions for the partnership, including regulatory matters, health, environment, safety and security programs, operational services, emergency response, employees training, finance and administration, human resources, business operations and planning. The seconded personnel are under the direct management and supervision of the general partner.

The general partner reimburses the parent for the cost of the seconded employees, including wages and benefits. If a seconded employee does not devote 100% of his or her time providing services to the general partner, the general partner reimburses the parent for a prorated portion of the employee's overall wages and benefits based on the percentage of time the employee spent working for the general partner. The parent bills the general partner monthly in arrears for services provided during the prior month. Payment is due within 10 days of the general partner's receipt of the invoice.

Under the operational services and secondment agreement, our parent will indemnify us from any claims, losses or liabilities incurred by us, including third-party claims, arising from their performance of the operational services secondment agreement; provided, however, our parent will not be obligated to indemnify us for any claims, losses or liabilities arising out of our gross negligence, willful misconduct or bad faith with respect to any services provided under the operational services and secondment agreement.

Effective November 15, 2018 and December 28, 2020, our general partner entered into amendments to the operational services and secondment agreement with our parent in connection with the disposition of ethanol storage and transportation assets in each applicable period. These amendments terminated our parent's obligation to second certain employees to our general partner to provide management, maintenance and operational functions with respect to the divested assets.

Commercial Agreements

We have various fee-based commercial agreements with Green Plains Trade, including:

- 10-year storage and throughput agreement, expiring on June 30, 2028;
- 10-year rail transportation services agreement, expiring on June 30, 2025;
- 1-year trucking transportation agreement, expiring on May 31, 2021;
- Terminal services agreement for the Birmingham, Alabama unit train terminal, expiring on December 31, 2022; and
- Various other terminal services agreements for our other fuel terminal facilities, each with Green Plains Trade.

The storage and throughput agreement and terminal services agreements, including the terminal services agreement for the Birmingham facility, are supported by minimum volume commitments. The rail transportation services agreement is supported by minimum take-or-pay capacity commitments. All of the commercial agreements with Green Plains Trade include provisions that permit Green Plains Trade to suspend, reduce or terminate its obligations under the applicable commercial agreement if certain events occur, including a material breach of the applicable commercial agreement by the partnership, force majeure events that prevent the partnership or Green Plains Trade from performing the respective obligations under the applicable commercial agreement, and not being available to Green Plains Trade for any reason other than action or inaction by Green Plains Trade. If Green Plains Trade reduces its minimum commitment under the commercial agreements, Green Plains Trade is required to pay fees on the revised minimum commitments only.

The commercial agreements are further described in *Item 1. Business – Commercial Agreements with Affiliate*.

Procedures for Review, Approval and Ratification of Related Person Transactions

The board of directors of our general partner adopted a related party transactions policy in connection with the closing of the IPO that provides the board of directors of our general partner or its authorized committee will review on at least a quarterly basis all related person transactions that are required to be disclosed under SEC rules and, when appropriate, initially authorize or ratify all such transactions. In the event that the board of directors of our general partner or its authorized committee considers ratification of a related person transaction and determines not to so ratify, the code of business conduct and ethics will provide that our management will make all reasonable efforts to cancel or annul the transaction.

The related party transactions policy provides that, in determining whether or not to recommend the initial approval or ratification of a related person transaction, the board of directors of our general partner or its authorized committee should consider all of the relevant facts and circumstances available, including (if applicable) but not limited to: (1) whether there is an appropriate business justification for the transaction; (2) the benefits that accrue to us as a result of the transaction; (3) the terms available to unrelated third parties entering into similar transactions; (4) the impact of the transaction on a director's independence (in the event the related person is a director, an immediate family member of a director or an entity in which a director or an immediate family member of a director is a partner, unitholder, member or executive officer); (5) the availability of other sources for comparable products or services; (6) whether it is a single transaction or a series of ongoing, related transactions; and (7) whether entering into the transaction would be consistent with the code of business conduct and ethics.

If a conflict or potential conflict of interest arises between our general partner or its affiliates, on the one hand, and us or our unitholders, on the other hand, the resolution of any such conflict or potential conflict should be addressed by the board of directors of our general partner in accordance with the provisions of our partnership agreement. At the discretion of the board in light of the circumstances, the resolution may be determined by the board in its entirety or by a conflicts committee meeting the definitional requirements for such a committee under our partnership agreement.

The information required by Item 407(a) of Regulation S-K is included in *Item 10 – Directors, Executive Officers and Corporate Governance* of this report.

Item 14. Principal Accounting Fees and Services.

For the years ended December 31, 2020 and 2019, KPMG LLP was our independent auditor. The following table sets forth aggregate fees billed or expected to be billed to us for the years ended December 31, 2020 and 2019:

| | Year Ended December 31, | |
|--------------------|--------------------------------|-------------------|
| | 2020 | 2019 |
| Audit fees | \$ 600,000 | \$ 405,899 |
| Audit-related fees | - | - |
| All other fees | - | - |
| Total | \$ 600,000 | \$ 405,899 |

Audit fees are fees billed by KPMG for services during 2020 and 2019 related to professional services rendered for the annual audit of our consolidated financial statements, quarterly reviews of our consolidated financial statements, reviews of other partnership filings with the SEC, and other fees that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.

Pre-Approval of Audit and Non-Audit Services

We have adopted policies and procedures for pre-approval of all audit and non-audit services to be provided by our independent auditor. It is our policy that the audit committee pre-approve all audit, tax and other non-audit services. A proposal for audit or non-audit services must include a description and purpose of the services, estimated fees and other terms of the services. To the extent a proposal relates to non-audit services, a determination that such services qualify as permitted non-audit services and an explanation as to why the provision of such services would not impair the independence of the independent auditor are also required.

All services provided by KPMG during the years ended December 31, 2020 and 2019, were approved in advance by our audit committee. The audit committee has considered whether the provision of the services performed by our principal accountant is compatible with maintaining the principal accountant's independence.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(1) *Financial Statements.* The following consolidated financial statements and notes are filed as part of this report.

| | Page |
|---|------|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets as of December 31, 2020 and 2019 | F-3 |
| Consolidated Statements of Operations for the years-ended December 31, 2020, 2019 and 2018 | F-4 |
| Consolidated Statements of Partners' Deficit for the years-ended December 31, 2020, 2019 and 2018 | F-5 |
| Consolidated Statements of Cash Flows for the years-ended December 31, 2020, 2019 and 2018 | F-6 |
| Notes to Consolidated Financial Statements | F-7 |

(2) *Financial Statement Schedules.* All schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes.

(3) *Exhibits.* The following exhibits are incorporated by reference, filed or furnished as part of this report.

| Exhibit No. | Description of Exhibit |
|-------------|--|
| 2.1 | Asset Purchase Agreement among Green Plains Partners LP, Green Plains Holdings LLC, Green Plains Operating Company LLC, Green Plains Ethanol Storage LLC, Green Plains Logistics LLC, Green Plains Inc., Green Plains Trade Group LLC, Green Plains Bluffton LLC and Green Plains Holdings II LLC (incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on October 10, 2018). (The schedules to the Asset Purchase Agreement have been omitted. The partnership will furnish such schedules to the SEC upon request). |
| 2.2 | Asset Purchase Agreement, dated December 14, 2020, by and among Green Plains Partners LP, Green Plains Holdings LLC, Green Plains Operating Company LLC, Green Plains Ethanol Storage LLC, Green Plains Logistics LLC, Green Plains Inc., Green Plains Trade Group LLC and Green Plains Hereford LLC (incorporated by reference to Exhibit 2.1 of our Current Report on Form 8-K filed on December 15, 2020). (The exhibits to the Asset Purchase Agreement have been omitted. The partnership will furnish such schedules to the SEC upon request). |
| 3.1 | Certificate of Limited Partnership of Green Plains Partners LP (incorporated by reference to Exhibit 3.1 of our Registration Statement on Form S-1 (File No. 333-204279) filed on May 18, 2015). |
| 3.2 | First Amended and Restated Agreement of Limited Partnership of Green Plains Partners LP, dated as of July 1, 2015, between Green Plains Holdings LLC and Green Plains Inc. (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on July 1, 2015). |
| 3.2(a) | First Amendment to the First Amended and Restated Agreement of Limited Partnership of Green Plains Partners LP (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on May 9, 2019). |
| 4.1 | Description of Securities Registered Under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.1 of our Annual Report on Form 10-K filed on February 20, 2020). |
| 10.1(a)* | Green Plains Partners LP 2015 Long-Term Incentive Plan (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on July 1, 2015). |
| 10.1(b)* | Form of Green Plains Partners LP Restricted Unit Agreement (incorporated by reference to Exhibit 10.1(b) of our Quarterly Report on Form 10-Q filed on August 12, 2015). |
| 10.2 | Contribution, Conveyance and Assumption Agreement, dated July 1, 2015, by and among Green Plains Inc., Green Plains Obion LLC, Green Plains Trucking LLC, Green Plains Holdings LLC, Green Plains Partners LP and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on July 6, 2015). |
| 10.3(a) | Omnibus Agreement, dated July 1, 2015, by and among Green Plains Inc., Green Plains Holdings LLC, Green Plains Partners LP and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on July 6, 2015). |

- 10.3(b) First Amendment to the Omnibus Agreement, dated January 1, 2016, by and among Green Plains Inc., Green Plains Holdings LLC, Green Plains Partners LP and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.3(b) of our Annual Report on Form 10-K filed with the SEC on February 18, 2016).
- 10.3(c) Second Amendment to the Omnibus Agreement, dated September 23, 2016, by and among Green Plains Inc., Green Plains Partners LP, Green Plains Holdings LLC and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed with the SEC on September 26, 2016).
- 10.3(d) Third Amendment to the Omnibus Agreement, dated November 15, 2018, by and among Green Plains Inc., Green Plains Partners LP, Green Plains Holdings LLC and Green Plains Operating Company LLC (incorporated by reference to Exhibit 10.3(d) of our Annual Report on Form 10-K filed on February 20, 2019).
- 10.4(a) Operational Services and Secondment Agreement, dated July 1, 2015, by and between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on July 6, 2015).
- 10.4(b) Amendment No. 1 to the Operational Services and Secondment Agreement, dated January 1, 2016, by and between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.4(b) of our Annual Report on Form 10-K filed on February 18, 2016).
- 10.4(c) Amendment No. 2 to Operational Services and Secondment Agreement, dated September 23, 2016, between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on September 26, 2016).
- 10.4(d) Amendment No. 3 to Operational Services and Secondment Agreement, dated November 15, 2018, between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.4(d) of our Annual Report on Form 10-K filed on February 20, 2019).
- 10.4(e) Amendment No. 4 to Operational Services and Secondment Agreement, dated December 28, 2020, between Green Plains Inc. and Green Plains Holdings LLC (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on December 28, 2020).
- 10.5(a) Rail Transportation Services Agreement, dated July 1, 2015, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.4 of our Current Report on Form 8-K filed on July 6, 2015).
- 10.5(b) Amendment No. 1 to Rail Transportation Services Agreement, dated September 1, 2015, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on May 12, 2016).
- 10.5(c) Amendment No. 2 to Rail Transportation Services Agreement, dated November 30, 2016, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on December 1, 2016).
- 10.5(d) Amendment No. 2 to Rail Transportation Services Agreement, dated November 15, 2018, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on November 15, 2018).
- 10.5(e) Corrective Amendment to Rail Transportation Services Agreement, dated November 15, 2018, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.5(e) of our Annual Report on Form 10-K filed on February 20, 2019).
- 10.5(f) Amendment No. 4 to Rail Transportation Services Agreement, dated December 28, 2020, by and between Green Plains Logistics LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on December 28, 2020).
- 10.6(a) Ethanol Storage and Throughput Agreement, dated July 1, 2015, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.5 of our Current Report on Form 8-K filed on July 6, 2015).
- 10.6(b) Amendment No. 1 to the Ethanol Storage and Throughput Agreement, dated January 1, 2016, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.6(b) of our Annual Report on Form 10-K filed on February 18, 2016).

| | |
|---------|--|
| 10.6(c) | Clarifying Amendment to Ethanol Storage and Throughput Agreement, dated January 4, 2016, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on August 3, 2016). |
| 10.6(d) | Amendment No. 2 to Ethanol Storage and Throughput Agreement, dated September 23, 2016, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on September 26, 2016). |
| 10.6(e) | Amendment No. 3 to Ethanol Storage and Throughput Agreement, dated November 15, 2018, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on November 15, 2018). (The exhibits to Amendment No. 3 have been omitted. The partnership will furnish such schedules to the SEC upon request). |
| 10.6(f) | Amendment No. 4 to Ethanol Storage and Throughput Agreement, dated December 28, 2020, by and between Green Plains Ethanol Storage LLC and Green Plains Trade Group LLC (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on December 28, 2020). (The exhibits to Amendment No. 4 have been omitted. The partnership will furnish such schedules to the SEC upon request). |
| 10.7(a) | Credit Agreement, dated July 1, 2015, by and among Green Plains Operating Company LLC, as the Borrower, the subsidiaries of the Borrower identified therein, Bank of America, N.A., and the other lenders party thereto (incorporated by reference to Exhibit 10.6 of our Current Report on Form 8-K filed on July 6, 2015). |
| 10.7(b) | First Amendment to Credit Agreement, dated September 16, 2016, by and among Green Plains Operating Company LLC, as the Borrower, the subsidiaries of the Borrower identified therein, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on September 16, 2016). |
| 10.7(c) | Incremental Joinder Agreement, dated October 27, 2017, among Green Plains Operating Company LLC and Bank of America, as Administrative Agent (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on November 2, 2017). |
| 10.7(d) | Second Amendment to Credit Agreement, dated February 16, 2018, by and among Green Plains Operating Company LLC, as the Borrower, the subsidiaries of the Borrower identified therein, Bank of America, N.A. and other lenders party thereto (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on February 20, 2018). |
| 10.7(e) | Incremental Joinder Agreement, dated February 20, 2018, among Green Plains Operating Company LLC and Bank of America, as Administrative Agent (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on February 20, 2018). |
| 10.7(f) | Third Amendment to Credit Agreement, dated October 12, 2018, by and among Green Plains Operating Company LLC, as the Borrower, the subsidiaries of the Borrower identified therein, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on October 15, 2018). |
| 10.7(g) | Consent to Credit Agreement, dated July 15, 2019, by and among Green Plains Operating Company LLC and Bank of America, as Administrative Agent (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on August 6, 2019). |
| 10.7(h) | Fourth Amendment to Credit Agreement, dated June 4, 2020, by and among Green Plains Operating Company LLC, as the Borrower, the subsidiaries of the Borrower identified therein, Bank of America, N.A. and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on June 4, 2020). |
| 10.8* | Green Plains Holdings LLC Director Compensation Program (incorporated by reference to Exhibit 10.8 of our Quarterly Report on Form 10-Q filed on August 12, 2015). |
| 21.1 | Schedule of Subsidiaries |
| 23.1 | Consent of KPMG LLP |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 |

| | |
|------|---|
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of 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 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 information from Green Plains Partners LP Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements |
| 104 | The cover page from Green Plains Partners LP Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL |

* Represents a management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

None.

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.

GREEN PLAINS PARTNERS LP
(Registrant)

By: Green Plains Holdings LLC,
its general partner

By: /s/ Todd A. Becker
Todd A. Becker
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 16, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|-------------------|
| <u>/s/ Todd A. Becker</u> Todd A. Becker | President and Chief Executive Officer, (Principal Executive Officer) Chairman and Director | February 16, 2021 |
| <u>/s/ G. Patrich Simpkins Jr.</u> G. Patrich Simpkins Jr. | Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer) | February 16, 2021 |
| <u>/s/ Clayton E. Killinger</u> Clayton E. Killinger | Director | February 16, 2021 |
| <u>/s/ Jerry L. Peters</u> Jerry L. Peters | Director | February 16, 2021 |
| <u>/s/ Brett C. Riley</u> Brett C. Riley | Director | February 16, 2021 |
| <u>/s/ Martin Salinas, Jr.</u> Martin Salinas, Jr. | Director | February 16, 2021 |

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Report of Independent Registered Public Accounting Firm

The Board of Directors of Green Plains Holdings LLC, the general partner of Green Plains Partners LP, and Unitholders Green Plains Partners LP:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Green Plains Partners LP and subsidiaries (the Partnership) as of December 31, 2020 and 2019, the related consolidated statements of operations, partners' deficit, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 16, 2021 expressed an unqualified opinion on the effectiveness of the Partnership's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 14 to the consolidated financial statements, the Partnership changed its method of accounting for leases as of January 1, 2019 due to the adoption of ASC Topic 842, *Leases*.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recoverability of Goodwill

As described in Note 7 to the consolidated financial statements, the Partnership's goodwill balance as of December 31, 2020 was \$10.6 million, and was assigned entirely to the BlendStar reporting unit. The Partnership reviews goodwill at the reporting unit level for impairment at least annually or more frequently when events or changes in circumstances indicate that impairment may have occurred. The Partnership performed a quantitative impairment test of goodwill during its first and second quarters of 2020 due to a decrease in the Partnership's stock price that resulted in a decrease in the Partnership's market capitalization. Key assumptions used in the discounted cash flow model for goodwill impairment testing include projected BlendStar EBITDA margins and the discount rate. Based on the Partnership's quantitative evaluations, it was determined that the fair value of the BlendStar reporting unit exceeded its carrying value, and that the goodwill assigned to the BlendStar reporting unit was not impaired.

We identified the assessment of the recoverability of the Partnership's goodwill as a critical audit matter. Specifically, subjective and challenging auditor judgment was required in testing the Partnership's discounted cash flow model used to perform the quantitative impairment tests due to the degree of measurement uncertainty associated with projected BlendStar EBITDA margins and the discount rate. Additionally, specialized skills and knowledge were needed to test the selection of the discount rate.

The following are the primary procedures we performed to address the critical audit matter. We evaluated the design and tested the operating effectiveness of internal controls related to the goodwill impairment process, including the development of projected BlendStar EBITDA margins and the discount rate. We evaluated the Partnership's ability to project BlendStar EBITDA margins by comparing historical projections to actual results. We evaluated projected BlendStar EBITDA margins based on current industry, macroeconomic and market conditions, and BlendStar's historical results. We involved our valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the discount rate used by the Partnership by comparing the selected discount rate to publicly available data for comparable entities
- testing the estimate of the fair value of the reporting unit using the cash flow assumptions and discount rate and comparing the results to the fair value estimates.

/s/ KPMG LLP

We have served as the Partnership's auditor since 2015.

Omaha, Nebraska
February 16, 2021

GREEN PLAINS PARTNERS LP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit amounts)

| | December 31, | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,478 | \$ 261 |
| Accounts receivable | 605 | 985 |
| Accounts receivable from affiliates | 14,139 | 15,666 |
| Prepaid expenses and other | 772 | 517 |
| Total current assets | 17,994 | 17,429 |
| Property and equipment, net | 32,119 | 37,355 |
| Operating lease right-of-use assets | 40,604 | 35,456 |
| Goodwill | 10,598 | 10,598 |
| Investment in equity method investee | 3,994 | 4,329 |
| Other assets | 11 | 486 |
| Total assets | <u>\$ 105,320</u> | <u>\$ 105,653</u> |
| LIABILITIES AND PARTNERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable | \$ 3,792 | \$ 5,050 |
| Accounts payable to affiliates | 607 | 543 |
| Accrued and other liabilities | 4,527 | 4,461 |
| Asset retirement obligations | 911 | 565 |
| Operating lease current liabilities | 11,506 | 13,093 |
| Current maturities of long-term debt | 97,739 | 132,100 |
| Total current liabilities | 119,082 | 155,812 |
| Asset retirement obligations | 2,865 | 2,500 |
| Operating lease long-term liabilities | 29,835 | 23,088 |
| Total liabilities | 151,782 | 181,400 |
| Commitments and contingencies (Note 14) | | |
| Partners' deficit | | |
| Common unitholders - public (11,621,623 and 11,574,003 units issued and outstanding, respectively) | 124,823 | 114,006 |
| Common unitholders - Green Plains (11,586,548 units issued and outstanding) | (170,368) | (188,304) |
| General partner interests | (917) | (1,449) |
| Total partners' deficit | (46,462) | (75,747) |
| Total liabilities and partners' deficit | <u>\$ 105,320</u> | <u>\$ 105,653</u> |

See accompanying notes to the consolidated financial statements.

GREEN PLAINS PARTNERS LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit amounts)

| | Year Ended December 31, | | |
|--|-------------------------|------------------|------------------|
| | 2020 | 2019 | 2018 |
| Revenues | | | |
| Affiliate | \$ 78,510 | \$ 75,531 | \$ 94,267 |
| Non-affiliate | 4,835 | 6,856 | 6,481 |
| Total revenues | <u>83,345</u> | <u>82,387</u> | <u>100,748</u> |
| Operating expenses | | | |
| Operations and maintenance (excluding depreciation and amortization reflected below) | 26,125 | 25,658 | 30,866 |
| General and administrative | 4,206 | 4,055 | 5,258 |
| Depreciation and amortization | 3,806 | 3,441 | 4,442 |
| Gain on assignment of operating leases | - | - | (2,721) |
| Total operating expenses | <u>34,137</u> | <u>33,154</u> | <u>37,845</u> |
| Operating income | <u>49,208</u> | <u>49,233</u> | <u>62,903</u> |
| Other income (expense) | | | |
| Interest income | - | 81 | 81 |
| Interest expense | (8,513) | (8,310) | (7,307) |
| Other, net | - | 14 | 119 |
| Total other expense | <u>(8,513)</u> | <u>(8,215)</u> | <u>(7,107)</u> |
| Income before income taxes and income (loss) from equity method investee | 40,695 | 41,018 | 55,796 |
| Income tax expense | (212) | (220) | (101) |
| Income (loss) from equity method investee | 664 | 681 | (14) |
| Net income | <u>\$ 41,147</u> | <u>\$ 41,479</u> | <u>\$ 55,681</u> |
| Net income attributable to partners' ownership interests: | | | |
| General partner | \$ 823 | \$ 830 | \$ 1,114 |
| Limited partners - common unitholders | 40,324 | 40,649 | 37,868 |
| Limited partners - subordinated unitholders | - | - | 16,699 |
| Earnings per limited partner unit (basic and diluted): | | | |
| Common units | \$ 1.74 | \$ 1.76 | \$ 1.81 |
| Subordinated units | \$ - | \$ - | \$ 1.71 |
| Weighted average limited partner units outstanding (basic and diluted): | | | |
| Common units | <u>23,149</u> | <u>23,129</u> | <u>20,950</u> |
| Subordinated units | <u>-</u> | <u>-</u> | <u>9,752</u> |

See accompanying notes to the consolidated financial statements.

GREEN PLAINS PARTNERS LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIT

(in thousands)

| | Limited Partners | | | General Partner | Total |
|--|--------------------------|--------------------------------|---|-----------------|-------------|
| | Common Units - Public | Common Units - Green Plains | Subordinated Units - Green Plains | | |
| Balance, December 31, 2017 | \$ 115,747 | \$ (38,505) | \$ (139,376) | \$ (712) | \$ (62,846) |
| Quarterly cash distributions to unitholders | (21,872) | (15,866) | (22,563) | (1,504) | (61,805) |
| Net income | 21,200 | 16,668 | 16,699 | 1,114 | 55,681 |
| Unit-based compensation, including general partner net contributions | 277 | - | - | 6 | 283 |
| Conversion of subordinated units | - | (145,240) | 145,240 | - | - |
| Disposition of Bluffton, Lakota, and Riga assets | - | 114,790 | - | 2,343 | 117,133 |
| Retirement of units | - | (118,482) | - | (2,418) | (120,900) |
| Balance, December 31, 2018 | 115,352 | (186,635) | - | (1,171) | (72,454) |
| Quarterly cash distributions to unitholders | (21,968) | (22,015) | - | (1,115) | (45,098) |
| Net income | 20,303 | 20,346 | - | 830 | 41,479 |
| Unit-based compensation, including general partner net contributions | 319 | - | - | 7 | 326 |
| Balance, December 31, 2019 | 114,006 | (188,304) | - | (1,449) | (75,747) |
| Quarterly cash distributions to unitholders | (9,675) | (9,676) | - | (449) | (19,800) |
| Net income | 20,172 | 20,152 | - | 823 | 41,147 |
| Unit-based compensation, including general partner net contributions | 320 | - | - | 7 | 327 |
| Disposition of Hereford assets | - | 7,460 | - | 151 | 7,611 |
| Balance, December 31, 2020 | \$ 124,823 | \$ (170,368) | \$ - | \$ (917) | \$ (46,462) |

See accompanying notes to the consolidated financial statements.

GREEN PLAINS PARTNERS LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-----------------|-------------------|
| | 2020 | 2019 | 2018 |
| Cash flows from operating activities | | | |
| Net income | \$ 41,147 | \$ 41,479 | \$ 55,681 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 3,806 | 3,441 | 4,442 |
| Accretion | 264 | 168 | 65 |
| Amortization of debt issuance costs | 1,695 | 839 | 793 |
| Gain on the disposal of assets | - | (14) | (44) |
| Unit-based compensation | 320 | 319 | 277 |
| (Income) loss from equity method investee | (664) | (681) | 14 |
| Distribution from equity method investee | 1,000 | - | - |
| Gain on assignment of operating leases | - | - | (2,721) |
| Other | 75 | (39) | 47 |
| Changes in operating assets and liabilities before effects of asset dispositions: | | | |
| Accounts receivable | 380 | 475 | 1,240 |
| Accounts receivable from affiliates | 1,527 | (1,769) | 3,437 |
| Prepaid expenses and other assets | (255) | 173 | 372 |
| Accounts payable and accrued liabilities | (1,660) | 2,544 | (6,826) |
| Accounts payable to affiliates | 44 | (167) | (1,430) |
| Operating lease liabilities and right-of-use assets | 94 | (150) | - |
| Other | 16 | 39 | 44 |
| Net cash provided by operating activities | <u>47,789</u> | <u>46,657</u> | <u>55,391</u> |
| Cash flows from investing activities | | | |
| Purchases of property and equipment | (162) | (305) | (1,267) |
| Proceeds from the disposal of property and equipment | - | 331 | 11 |
| Proceeds from the assignment of operating leases | - | - | 2,721 |
| Contributions to equity method investee | - | - | (1,425) |
| Disposition of assets | 10,000 | - | - |
| Net cash provided by investing activities | <u>9,838</u> | <u>26</u> | <u>40</u> |
| Cash flows from financing activities | | | |
| Payments of distributions | (19,800) | (45,098) | (61,805) |
| Proceeds from revolving credit facility | 43,900 | 86,200 | 83,100 |
| Payments on revolving credit facility | (49,000) | (88,100) | (76,000) |
| Proceeds from issuance of long-term debt | 3,000 | - | - |
| Principal payments on long-term debt | (30,000) | - | - |
| Payments of loan fees | (3,517) | - | (665) |
| Other | 7 | 7 | 6 |
| Net cash used in financing activities | <u>(55,410)</u> | <u>(46,991)</u> | <u>(55,364)</u> |
| Net change in cash and cash equivalents | 2,217 | (308) | 67 |
| Cash and cash equivalents, beginning of period | 261 | 569 | 502 |
| Cash and cash equivalents, end of period | <u>\$ 2,478</u> | <u>\$ 261</u> | <u>\$ 569</u> |
| Non-cash investing and financing activity: | | | |
| Settlement of NMTC transaction | <u>\$ -</u> | <u>\$ 8,100</u> | <u>\$ -</u> |
| Transfer of assets and liabilities in equity exchange with parent | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,767)</u> |
| Supplemental disclosures of cash flow | | | |
| Cash paid for income taxes | <u>\$ 96</u> | <u>\$ 240</u> | <u>\$ 124</u> |
| Cash paid for interest | <u>\$ 6,562</u> | <u>\$ 7,560</u> | <u>\$ 6,439</u> |

See accompanying notes to the consolidated financial statements.

GREEN PLAINS PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Organization

Green Plains Partners, a master limited partnership, was formed by Green Plains Inc. in March 2015 and began operations in July 2015 in connection with its IPO of 11,500,000 common units representing limited partner interests.

References to “we,” “our,” “us” or the “partnership” refer to Green Plains Partners LP and its subsidiaries.

Green Plains Holdings LLC, a wholly owned subsidiary of Green Plains Inc., serves as the general partner of the partnership. References to (i) “the general partner” and “Green Plains Holdings” refer to Green Plains Holdings LLC; (ii) “the parent” and “Green Plains” refer to Green Plains Inc.; and (iii) “Green Plains Trade” refers to Green Plains Trade Group LLC, a wholly owned subsidiary of Green Plains.

Consolidated Financial Statements

The consolidated financial statements, prepared in accordance with GAAP, include the accounts of the Green Plains Partners LP and its subsidiaries. All significant intercompany balances and transactions are eliminated on a consolidated basis for reporting purposes.

In February 2017, the partnership and Delek Renewables LLC formed NLR Energy Logistics LLC, a 50/50 joint venture, to build an ethanol unit train terminal in the Little Rock, Arkansas area with capacity to unload 110-car unit trains and provide approximately 100,000 barrels of storage. Operations commenced at the beginning of the second quarter of 2018 and the first unit train was received in July 2018.

The NLR investment is accounted for using the equity method of accounting. Under this method, an investment is recorded at the acquisition cost plus the partnership’s share of equity in undistributed earnings or losses since acquisition, and reduced by distributions received and the amortization of excess net investment. The partnership’s proportionate share of the equity investments’ earnings or losses are reported on a one-month lag as a separate line item in the consolidated financial statements.

On November 15, 2018, Green Plains closed on the sale of three of its ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan to Valero Renewable Fuels Company, LLC (“Valero”). Correspondingly, the partnership’s storage assets located adjacent to such plants were sold to Green Plains for \$120.9 million. As consideration, the partnership received from its parent 8.7 million Green Plains units and a portion of the general partner interest equating to 0.2 million equivalent limited partner units to maintain the general partner’s 2% interest. These units were retired upon receipt. In addition, the partnership also received cash consideration of \$2.7 million from Valero for the assignment of certain railcar operating leases.

On November 15, 2018, Green Plains announced the permanent closure of its ethanol plant located in Hopewell, Virginia. The closure did not affect the quarterly storage and throughput minimum volume commitment with Green Plains Trade.

On December 28, 2020, Green Plains closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the partnership’s storage assets located adjacent to the Hereford plant were sold to Green Plains for \$10.0 million, along with the transfer of associated railcar operating leases. As part of this transaction, the quarterly storage and throughput minimum volume commitment with Green Plains Trade was reduced to 232.5 mmg per quarter.

Use of Estimates in the Preparation of Consolidated Financial Statements

Preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. The partnership bases its estimates on historical experience and assumptions it believes are proper and reasonable under the circumstances. The partnership regularly evaluates the appropriateness of these estimates and assumptions. Actual results could differ from those estimates. Key accounting policies, including, but not limited to, those related to revenue recognition, leases, depreciation of property and equipment, asset retirement obligations, and impairment of long-lived assets and goodwill are impacted significantly by judgments, assumptions and estimates used to prepare the consolidated financial statements.

Description of Business

The partnership provides fuel storage and transportation services by owning, operating, developing and acquiring ethanol and fuel storage terminals, transportation assets and other related assets and businesses. The partnership is its parent's primary downstream logistics provider to support the parent's approximately 1.0 bgy ethanol marketing and distribution business since the partnership's assets are the principal method of storing and delivering the ethanol the parent produces. The ethanol produced by the parent is fuel grade, made principally from starch extracted from corn, and is primarily used for blending with gasoline. Ethanol currently comprises approximately 10% of the U.S. gasoline market and is an economical source of octane and oxygenates for blending into the fuel supply. The partnership does not take ownership of, or receive any payments based on the value of the ethanol or other fuels it handles; as a result, the partnership does not have any direct exposure to fluctuations in commodity prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The partnership considers short-term highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include bank deposits.

Revenue Recognition

The partnership recognizes revenue when obligations under the terms of a contract with a customer are satisfied. Generally, this occurs with the completion of services or the transfer of control of products to the customer or another specified third party. For contracts with customers in which a take-or-pay commitment exists, any minimum volume deficiency charges are recognized as revenue in the period incurred and are not allowed to be credited towards excess volumes in future periods.

The partnership generates a substantial portion of its revenues under fee-based commercial agreements with Green Plains Trade. Operating lease revenue related to minimum volume commitments is recognized on a straight-line basis over the term of the lease. Under the terms of the storage and throughput agreement with Green Plains Trade, to the extent shortfalls associated with minimum volume commitments in the previous four quarters continue to exist, volumes in excess of the minimum volume commitment are applied to those shortfalls. Remaining excess volumes generating operating lease revenue are recognized as incurred.

Please refer to *Note 3 - Revenue* to the consolidated financial statements for further details.

Concentrations of Credit Risk

In the normal course of business, the partnership is exposed to credit risk resulting from the possibility a loss may occur due to failure of another party to perform according to the terms of their contract. The partnership provides fuel storage and transportation services for various parties with a significant portion of its revenues earned from Green Plains Trade. The partnership continually monitors its credit risk exposure and concentrations.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. The partnership assesses the need for an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In assessing the required allowance, the partnership considers historical losses adjusted to take into account current market conditions and its customers' financial condition, the amount of receivables in dispute, current receivables' aging and current payment patterns. The partnership does not have any off-balance-sheet credit exposure related to its customers.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of these assets is generally computed using the straight-line method over the following estimated useful lives of the assets:

| | Years |
|--------------------------------|--------------|
| Buildings and improvements | 10-40 |
| Tanks and terminal equipment | 15-40 |
| Rail and rail equipment | 10-22 |
| Other machinery and equipment | 5-7 |
| Computers and software | 3-5 |
| Office furniture and equipment | 5-7 |

Expenditures for land are capitalized at cost. Expenditures for property, equipment, and improvements are capitalized at cost and depreciated over their respective useful lives. Costs of repairs and maintenance are charged to expense as incurred. The partnership periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its fixed assets.

Impairment of Long-Lived Assets and Goodwill

The partnership reviews its long-lived assets, currently consisting primarily of property and equipment and operating lease right-of-use assets, for impairment when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges were recorded for the periods reported.

The partnership's goodwill currently is comprised of amounts recognized by the MLP predecessor related to terminal services assets. The partnership reviews goodwill at the reporting unit level for impairment at least annually, as of October 1, or more frequently when events or changes in circumstances indicate that impairment may have occurred.

The partnership estimates the amount and timing of projected cash flows that will be generated by an asset over an extended period of time when reviewing long-lived assets and goodwill. Circumstances that may indicate impairment include a decline in future projected cash flows, a decision to suspend plant operations for an extended period of time, sustained decline in market capitalization or market prices for similar assets or businesses, or a significant adverse change in legal or regulatory matters or business climate. Significant management judgment is required to determine the fair value of the partnership's long-lived assets and goodwill and measure impairment, which includes projected cash flows. Fair value is determined by using various valuation techniques, including discounted or undiscounted cash flow models, sales of comparable properties and third-party independent appraisals. Changes in estimated fair value could result in a write-down of the asset.

The partnership identified triggering events due to decreases in its stock price and as a result, its market capitalization, and performed interim quantitative goodwill assessments as of March 31, 2020 and June 30, 2020. The partnership performed its annual goodwill assessment as of October 1, 2020, using a qualitative assessment. Each of the goodwill assessments resulted in no goodwill impairment. For additional information, please refer to *Note 7 – Goodwill*.

Leases

On January 1, 2019, the partnership adopted the amended guidance in ASC 842, *Leases*, and all related amendments, and applied it to all leases using the optional transition method which requires the amended guidance to be applied at the date of adoption. The standard does not require the guidance to be applied to the earliest comparative period presented in the financial statements. As such, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The partnership leases certain facilities, parcels of land, and railcars. These leases are accounted for as operating leases, with lease expense recognized on a straight-line basis over the lease term. The term of the lease may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. For leases with initial terms greater than 12 months, the partnership records operating lease right-of-use assets and corresponding operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The partnership had no short-term lease expense for the years ended December 31, 2020 or 2019.

Operating lease right-of-use assets represent the right to control an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the partnership's leases do not provide an implicit rate, the incremental borrowing rate is used based on information available at commencement date to determine the present value of future payments.

The partnership utilizes a portfolio approach for lease classification, which allows for an entity to group together leases with similar characteristics provided that its application does not create a material difference when compared to accounting for the leases at a contract level. For the partnership's railcar leases, the partnership combines the railcars within each contract rider and accounts for each contract rider as an individual lease.

From a lessee perspective, the partnership combines both the lease and non-lease components and accounts for them as one lease. Certain of the partnership's railcar agreements provide for maintenance costs to be the responsibility of the partnership as incurred or charged by the lessor. This maintenance cost is a non-lease component that the partnership combines with the monthly rental payment and accounts for the total cost as operating lease expense. In addition, the partnership has a land lease that contains a non-lease component for the handling and unloading services the landlord provides. The partnership combines the cost of services with the land lease cost and accounts for the total as operating lease expense.

The partnership records operating lease revenue as part of its operating lease agreements for storage and throughput services, rail transportation services, and certain terminal services. In addition, the partnership may sublease certain of its railcars to third parties on a short-term basis. These subleases are classified as operating leases, with the associated sublease revenue recognized on a straight-line basis over the lease term.

From a lessor perspective, the partnership combines, by class of underlying asset, both the lease and non-lease components and accounts for them as one lease. The storage and throughput agreement consists of lease costs paid by Green Plains Trade for the rental of the terminal facilities as well as non-lease costs for the throughput services provided by the partnership. For this agreement, the partnership combines the facility rental revenue and the service revenue and accounts for the total as leasing revenue. The railcar transportation services agreement consists of lease costs paid by Green Plains Trade for the use of the partnership's railcar assets as well as non-lease costs for logistical operations management and other services. For this agreement, the partnership combines the railcar rental revenue and the service revenue and accounts for the total as leasing revenue.

Please refer to *Note 14 – Commitments and Contingencies* to the consolidated financial statements for further details on operating lease expense and revenue. Please refer to *Note 3 - Revenue* to the consolidated financial statements for further details on the operating lease agreements in which the partnership is a lessor.

Asset Retirement Obligations

The partnership records an ARO for the fair value of the estimated costs to retire a tangible long-lived asset in the period incurred if it can be reasonably estimated, which is subsequently adjusted for accretion expense. Corresponding asset retirement costs are capitalized as a long-lived asset and depreciated on a straight-line basis over the asset's remaining useful life. The expected present value technique used to calculate the fair value of the AROs includes assumptions about costs, settlement dates, interest accretion and inflation. Changes in assumptions, such as the amount or timing of estimated cash flows, could increase or decrease the AROs. The partnership's AROs are based on legal obligations to perform remedial activity related to land, machinery and equipment when certain operating leases expire.

Investment in Equity Method Investee

The partnership accounts for investments in which the partnership exercises significant influence using the equity method so long as the partnership (i) does not control the investee and (ii) is not the primary beneficiary of the entity. The partnership recognizes its investment in its equity method investee as a separate line item in the consolidated balance sheets. The partnership recognizes its proportionate share of its equity method investee earnings or loss on a one-month lag as a separate line item in the consolidated statements of operations.

The partnership recognizes losses in the value of its equity method investee when there is evidence of an other-than-temporary decrease in value. Evidence of a loss might include, but would not necessarily be limited to, the inability to recover the carrying amount of the investment or the inability of the equity method investee to sustain an earnings capacity that justifies the carrying amount of the investment. The current fair value of an investment that is less than its carrying amount may indicate a loss in value of the investment. The partnership evaluates its equity method investee if there is evidence that the investment may be impaired.

Distributions paid to the partnership from unconsolidated affiliates are classified as operating activities in the consolidated statements of cash flows until the cumulative distributions exceed the partnership's proportionate share of income from the unconsolidated affiliate since the date of initial investment. The amount of cumulative distributions paid to the partnership that exceeds the cumulative proportionate share of income in each period represents a return of investment, which is classified as an investing activity in the consolidated statements of cash flows.

Segment Reporting

The partnership accounts for segment reporting in accordance with ASC 280, *Segment Reporting*, which establishes standards for entities reporting information about the operating segments and geographic areas in which they operate. Management evaluated how its chief operating decision maker has organized the partnership for purposes of making operating decisions and assessing performance, and concluded it has one reportable segment.

Income Taxes

The partnership is a limited partnership, which is not subject to federal income taxes. However, the partnership is subject to state income taxes in certain states. As a result, the financial statements reflect a provision or benefit for such income taxes. The general partner and the unitholders are responsible for paying federal and state income taxes on their share of the partnership's taxable income.

The partnership recognizes uncertainties in income taxes within the financial statements under a process by which the likelihood of a tax position is gauged based upon the technical merits of the position. Then, a subsequent measurement uses the maximum benefit and degree of likelihood to determine the amount of benefit recognized in the financial statements.

Financing Costs

Fees and costs related to securing debt financing are recorded as financing costs. Debt issuance costs are stated at cost and are amortized utilizing the effective interest method for term loans and on a straight-line basis for revolving credit arrangements over the life of the agreements. However, during periods of construction, amortization of such costs is capitalized in construction-in-progress.

Operations and Maintenance Expenses

The partnership's operations and maintenance expenses consist primarily of lease expenses related to the transportation assets, labor expenses, outside contractor expenses, insurance premiums, repairs and maintenance expenses and utility costs. These expenses also include fees for certain management, maintenance and operational services to support the facilities, trucks, and the leased railcar fleet allocated by Green Plains under the operational services and secondment agreement.

General and Administrative Expenses

General and administrative expenses are primarily general and administrative expenses for employee salaries, incentives and benefits; office expenses; director compensation; and professional fees for accounting, legal, consulting, and investor relations activities.

Unit-Based Compensation

The partnership recognizes compensation cost using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. Units issued for compensation are valued using the market price of the stock on the date of the related agreement.

Earnings Per Unit

The partnership has identified common units and subordinated units prior to the expiration of the subordination period as participating securities and computes earnings per limited partner unit using the two-class method. Earnings per limited partner unit is computed by dividing limited partners' interest in net income, after deducting any incentive distributions, by the weighted-average number of common and subordinated units outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities.

Recent Accounting Pronouncements

In March 2020, the FASB issued amended guidance in ASC 848, *Reference Rate Reform Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions to U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The expedients and exceptions provided by the amended guidance do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The guidance is effective upon issuance and to be applied prospectively from any date beginning March 12, 2020 through December 31, 2022. The amended guidance is not expected to have a material impact on the partnership's consolidated financial statements.

3. REVENUE

Revenue Recognition

The partnership recognizes revenue when obligations under the terms of a contract with a customer are satisfied. Generally this occurs with the completion of services or the transfer of control of products to the customer or another specified third party. Revenue is measured as the amount of consideration expected to be received in exchange for providing services.

Revenue by Source

The following table disaggregates our revenue by major source (in thousands):

| | Year Ended December 31, | | |
|---------------------------------|-------------------------|-----------|------------|
| | 2020 | 2019 | 2018 |
| Revenues | | | |
| Service revenues | | | |
| Terminal services | \$ 8,105 | \$ 9,230 | \$ 9,197 |
| Trucking and other | 4,740 | 4,318 | 4,905 |
| Rail transportation services | - | - | 108 |
| Total service revenues | 12,845 | 13,548 | 14,210 |
| Leasing revenues ⁽¹⁾ | | | |
| Storage and throughput services | 48,603 | 47,140 | 59,290 |
| Rail transportation services | 21,496 | 21,265 | 25,947 |
| Terminal services | 401 | 434 | 1,301 |
| Total leasing revenues | 70,500 | 68,839 | 86,538 |
| Total revenues | \$ 83,345 | \$ 82,387 | \$ 100,748 |

(1) Leasing revenues do not represent revenues recognized from contracts with customers under ASC 606, *Revenue from Contracts with Customers*, and are accounted for under ASC 842, *Leases* for 2020 and 2019 and ASC 840, *Leases* for 2018.

Terminal Services Revenue

The partnership provides terminal services and logistics solutions to Green Plains Trade, and other customers, through its fuel terminal facilities under various terminal service agreements, some of which have minimum volume commitments. Revenue generated by these terminals is disaggregated between service revenue and leasing revenue in accordance with the new revenue standard. If Green Plains Trade, or other customers, fail to meet their minimum volume commitments during the applicable term, a deficiency payment equal to the deficient volume multiplied by the applicable fee will be charged. Deficiency payments related to the partnership's terminal services revenue may not be utilized as credits toward future volumes. At terminals where customers have shared use of terminal and tank storage assets, revenue is generated from contracts with customers and accounted for as service revenue. This service revenue is recognized at the point in time when product is withdrawn from tank storage.

At terminals where a customer is predominantly provided exclusive use of the terminal or tank storage assets, the partnership is considered a lessor as part of an operating lease agreement. Revenue is recognized over the term of the lease based on the minimum volume commitment or total actual throughput if in excess of the minimum volume commitment.

Trucking and Other Revenue

The partnership transports ethanol, natural gasoline, other refined fuels and feedstocks by truck from identified receipt points to various delivery points. Trucking revenue is recognized over time based on the percentage of total miles traveled, which is on average less than 100 miles.

Rail Transportation Services Revenue

Under the rail transportation services agreement, Green Plains Trade is obligated to use the partnership to transport ethanol and other fuels from receipt points identified by Green Plains Trade to nominated delivery points. Green Plains Trade is required to pay the partnership fees for the minimum railcar volumetric capacity provided, regardless of utilization of that capacity. However, Green Plains Trade is not charged for railcar volumetric capacity that is not available for use due to inspections, upgrades or routine repairs and maintenance. Revenue associated with the rail transportation services fee is considered leasing revenue and is recognized over the term of the lease based on the actual average daily railcar volumetric capacity provided. The partnership may also charge Green Plains Trade a related services fee for logistical operations management of railcar volumetric capacity utilized by Green Plains Trade which is not provided by the partnership. Revenue associated with the related services fee is also considered leasing revenue and recognized over the term of the lease based on the average volumetric capacity for which services are provided.

Storage and Throughput Revenue

The partnership generates leasing revenue from its storage and throughput agreement with Green Plains Trade based on contractual rates charged for the handling, storage and throughput of ethanol. Under this agreement, Green Plains Trade is required to pay the partnership a fee for a minimum volume commitment regardless of the actual volume delivered. If Green Plains Trade fails to meet its minimum volume commitment during any quarter, the partnership will charge Green Plains Trade a deficiency payment equal to the deficient volume multiplied by the applicable fee. The deficiency payment may be applied as a credit toward volumes delivered by Green Plains Trade in excess of the minimum volume commitment during the following four quarters, after which time any unused credits will expire. Revenue is recognized over the term of the lease based on the minimum volume commitment or total actual throughput if in excess of the minimum volume commitment.

Payment Terms

The partnership has standard payment terms, which vary depending on the nature of the services provided, with the majority of terms falling within 10 to 30 days after transfer of control or completion of services. Contracts generally do not include a significant financing component in instances where the timing of revenue recognition differs from the timing of invoicing.

Major Customers

Revenue from Green Plains Trade Group was \$78.5 million, \$75.5 million, and \$94.3 million for the years ended December 31, 2020, 2019 and 2018, respectively, which exceeds 10% of the partnership's total revenue.

Contract Liabilities

The partnership records unearned revenue when consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of service and lease agreements. Unearned revenue from service agreements, which represents a contract liability, is recorded for fees that have been charged to the customer prior to the completion of performance obligations, and is generally recognized in the subsequent quarter.

The following table reflects the changes in our unearned revenue from service agreements for the year ended December 31, 2020 (in thousands):

| | Amount |
|--|---------------|
| Balance at January 1, 2020 | \$ 230 |
| Revenue recognized included in beginning balance | (230) |
| Net additions | 247 |
| Balance at December 31, 2020 | <u>\$ 247</u> |

The partnership expects to recognize all of the unearned revenue associated with service agreements from contracts with customers as of December 31, 2020, in the subsequent quarter when the product is withdrawn from tank storage.

4. DISPOSITIONS

Hereford Disposition

On December 28, 2020, Green Plains closed on the sale of its ethanol plant located in Hereford, Texas to Hereford Ethanol Partners, L.P. Correspondingly, the partnership's storage assets located adjacent to the Hereford plant were sold to Green Plains for \$10.0 million, along with the transfer of associated railcar operating leases.

This transaction was accounted for as a transfer between entities under common control and was approved by the conflicts committee. There were no material transaction costs recorded for the disposition.

The following is a summary of assets and liabilities disposed of or assumed (in thousands):

| | |
|--|-----------|
| Total consideration received | \$ 10,000 |
| Identifiable assets and liabilities disposed of: | |
| Property and equipment, net | 2,494 |
| Operating lease right-of-use assets | 5,094 |
| Operating lease current liabilities | (976) |
| Operating lease long-term liabilities | (4,200) |
| Asset retirement obligations | (186) |
| Total identifiable net assets | 2,226 |
| Liabilities assumed | 163 |
| Partners' deficit effect | \$ 7,611 |

In conjunction with the disposition, the partnership amended the 1) operational services agreement, 2) ethanol storage and throughput agreement, and 3) rail transportation services agreement. Please refer to *Note 15 – Related Party Transactions* to the consolidated financial statements for additional information.

Bluffton, Lakota, and Riga Disposition

On November 15, 2018, Green Plains closed on the sale of three of its ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan to Valero. Correspondingly, the partnership's storage assets located adjacent to such plants were sold to Green Plains for \$120.9 million. As consideration, the partnership received from its parent 8.7 million Green Plains units and a portion of the general partner interest equating to 0.2 million equivalent limited partner units to maintain the general partner's 2% interest. These units were retired upon receipt. In addition, the partnership also received cash consideration of \$2.7 million from Valero for the assignment of certain railcar operating leases.

This transaction was accounted for as a transfer between entities under common control and was approved by the conflicts committee. The partnership recorded \$0.5 million of transaction costs in the consolidated statement of operations as general and administrative expense for the year ended December 31, 2018.

The following is a summary of assets and liabilities disposed of (in thousands):

| | |
|--|------------|
| Total consideration received | \$ 120,900 |
| Identifiable assets and liabilities disposed of: | |
| Property and equipment, net | 4,192 |
| Asset retirement obligations | (425) |
| Total identifiable net assets | 3,767 |
| Units retired: | |
| Common units - Green Plains | 118,482 |
| General partners interest | 2,418 |
| Total units retired | 120,900 |
| Partners' deficit effect | \$ (3,767) |

In conjunction with the disposition, the partnership amended the 1) omnibus agreement, 2) operational services agreement, 3) ethanol storage and throughput agreement, and 4) rail transportation services agreement. Please refer to *Note 15 – Related Party Transactions* to the consolidated financial statements for additional information.

5. FAIR VALUE DISCLOSURES

The following methods, assumptions and valuation techniques were used to estimate the fair value of the partnership's financial instruments:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities the partnership can access at the measurement date.

Level 2 – directly or indirectly observable inputs such, as quoted prices for similar assets or liabilities in active markets other than quoted prices included within Level 1, quoted prices for identical or similar assets in markets that are not active, and other inputs that are observable or can be substantially corroborated by observable market data through correlation or other means.

Level 3 – unobservable inputs that are supported by little or no market activity and comprise a significant component of the fair value of the assets or liabilities. The partnership currently does not have any recurring Level 3 financial instruments.

The carrying amounts of financial assets and liabilities with maturities of less than one year, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value due to the short period to maturity.

The partnership uses market interest rates to measure the fair value of its long-term debt and adjusts those rates for all necessary risks, including its own credit risk. At December 31, 2020 and 2019, the carrying amount of debt approximated fair value.

6. PROPERTY AND EQUIPMENT

The components of property and equipment are as follows (in thousands):

| | December 31, | |
|---|---------------------|------------------|
| | 2020 | 2019 |
| Tanks and terminal equipment | \$ 37,534 | \$ 41,040 |
| Leasehold improvements and other | 11,178 | 10,370 |
| Land and buildings | 8,030 | 8,424 |
| Rail and rail equipment | 4,551 | 4,551 |
| Trucks and other vehicles | 4,388 | 4,177 |
| Computer equipment, furniture and fixtures | 495 | 495 |
| Construction-in-progress | 244 | 274 |
| Total property and equipment | 66,420 | 69,331 |
| Less: accumulated depreciation and amortization | (34,301) | (31,976) |
| Property and equipment, net | <u>\$ 32,119</u> | <u>\$ 37,355</u> |

7. GOODWILL

The partnership currently has goodwill assigned to one reporting unit, BlendStar. During the first half of 2020, a decline in the partnership's stock price resulted in a decrease in the partnership's market capitalization. As such, the partnership determined a triggering event had occurred that required an interim impairment assessment for its BlendStar reporting unit as of both March 31, 2020 and June 30, 2020. Significant assumptions inherent in the valuation methodologies for goodwill impairment testing were employed and include market capitalization, prospective financial information, growth rates, discount rates, inflationary factors, and cost of capital. Based on the partnership's quantitative evaluations, it was determined that the fair value of the BlendStar reporting unit substantially exceeded its carrying value, and the partnership concluded that the goodwill assigned to the BlendStar reporting unit was not impaired. During the three months ended September 30, 2020, the partnership did not identify any triggering events, and as such, no impairment assessment was deemed necessary.

The partnership performed the annual goodwill assessment as of October 1, 2020, and given the quantitative work performed during previous quarters as described above, the partnership used a qualitative assessment, which resulted in no goodwill impairment. Therefore, there were no changes in the carrying amount of goodwill, which was \$10.6 million at both December 31, 2020 and 2019.

8. DEBT

Credit Facility

Green Plains Operating Company has a credit facility to fund working capital, capital expenditures and other general partnership purposes. The credit facility was amended on June 4, 2020, decreasing the size of the facility from \$200.0 million to \$135.0 million. The amended credit facility includes a \$130.0 million term loan and a \$5.0 million revolving credit facility maturing on December 31, 2021. The partnership made \$30.0 million in principal payments on the term loan during the year ended December 31, 2020, including \$10.0 million related to the sale of the storage assets located adjacent to the Hereford, Texas ethanol plant. As of December 31, 2020, no additional prepayments on the term loan were required or paid. Monthly principal payments of \$2.5 million are required through April 15, 2021, with a step up to monthly payments of \$3.2 million beginning May 15, 2021 through maturity.

In certain situations the partnership is required to make prepayments on the outstanding principal balance on the credit facility. If at any time subsequent to July 15, 2020, the partnership's cash balance exceeds \$2.5 million for more than five consecutive business days, prepayments of outstanding principal are required in an amount equal to the excess cash. The partnership is also required to prepay outstanding principal on the credit facility with 100% of net cash proceeds from any asset disposition or recovery event. Any prepayments on the term loan are applied to the remaining principal balance in inverse order of maturity, including the final payment.

The term loan balance, and any advances on the revolver, are subject to a floating interest rate based on a 1.00% Libor floor plus 4.50% to 5.25% dependent upon the preceding fiscal quarter's consolidated leverage ratio. However, if less than \$40.0 million of prepayments in excess of the scheduled monthly payments have been made prior to April 1, 2021, the term loan balance and any advances on the revolver will be subject to a floating rate based on a 1.00% Libor floor plus 5.00% to 5.75% dependent upon the preceding fiscal quarter's consolidated leverage ratio. The unused portion of the revolver is subject to a commitment fee of 0.50%. The credit facility also allows for swing line loans subject to the revolver availability. Swing line loans are subject to a floating interest rate based on the Prime Rate plus 3.50% to 4.25% dependent upon the preceding fiscal quarter's consolidated leverage ratio. As of December 31, 2020, the term loan had a balance of \$100.0 million and an interest rate of 6.00%, and there were no outstanding swing line loans.

The partnership's obligations under the credit facility are secured by a first priority lien on (i) the equity interests of the partnership's present and future subsidiaries, (ii) all of the partnership's present and future personal property, such as investment property, general intangibles and contract rights, including rights under any agreements with Green Plains Trade, (iii) all proceeds and products of the equity interests of the partnership's present and future subsidiaries and its personal property and (iv) substantially all of the partnership's real property and material leases of real property. The terms impose affirmative and negative covenants, including restrictions on the partnership's ability to incur additional debt, acquire and sell assets, create liens, invest capital, pay distributions and materially amend the partnership's commercial agreements with Green Plains Trade. The credit facility also requires the partnership to maintain a maximum consolidated leverage ratio, as of the end of any fiscal quarter, of no more than 3.00x that decreases 0.25x each quarter to 1.50x by December 31, 2021, and a minimum consolidated debt service coverage ratio of 1.10x, each of which is calculated on a pro forma basis with respect to acquisitions and divestitures occurring during the applicable period. The consolidated leverage ratio is calculated by dividing total funded indebtedness by the sum of the four preceding fiscal quarters' consolidated EBITDA. The consolidated debt service coverage ratio is calculated by taking the sum of the four preceding fiscal quarters' consolidated EBITDA minus income taxes and consolidated capital expenditures for such period divided by the sum of the four preceding fiscal quarters' consolidated interest charges plus consolidated scheduled funded debt payments for such period.

Under the amended terms of the credit facility, the partnership may make quarterly distribution payments in an aggregate amount not to exceed \$0.12 per outstanding unit, so long as (i) no default has occurred and is continuing, or would result from payment of the distribution, and (ii) the partnership and its subsidiaries are in compliance with its financial covenants and remain in compliance after payment of the distribution.

The partnership had \$100.0 million and \$132.1 million of borrowings outstanding under the credit facility as of December 31, 2020 and 2019, respectively. In addition, the partnership had \$2.3 million of debt issuance costs recorded as a direct reduction of the carrying value of the partnership's long-term debt as of December 31, 2020. The partnership had no unamortized debt issuance costs as of December 31, 2019.

The credit facility, which is supported by a group of financial institutions, will mature on December 31, 2021 unless extended by agreement of the lenders or replaced by another funding source. While the partnership has not yet renegotiated the credit facility or secured additional funding necessary to repay the loan, the partnership believes it is probable that it will source appropriate funding given the partnership's consistent and stable fee-based cash flows, ongoing profitability, low leverage and history of obtaining financing on reasonable commercial terms. In the unlikely scenario that the partnership is unable to refinance its debt with the lenders prior to its maturity, the partnership will consider other financing sources, including but not limited to, the restructuring or issuance of new debt with a different lending group, the issuance of additional common units, other strategic actions to extinguish the debt, or support from Green Plains.

Qualified Low Income Community Investment Notes

In June 2013, Birmingham BioEnergy, a subsidiary of BlendStar, was a recipient of qualified low income community investment notes in conjunction with NMTC financing related to the Birmingham, Alabama terminal. Two promissory notes payable of \$1.9 million and \$8.1 million, and a note receivable of \$8.1 million, were issued in connection with this transaction. On December 31, 2019, the parties to the transaction executed certain provisions under the agreements whereby the promissory notes payable totaling \$10.0 million were assigned to BlendStar in satisfaction of the \$8.1 million note receivable. The partnership previously accounted for the \$1.9 million promissory note payable as grant revenue, which was reflected as a reduction in the carrying value of the property and equipment at Birmingham BioEnergy and recognized in earnings as a decrease in depreciation expense over the useful life of the assets. The remaining \$8.1 million promissory note payable and note receivable between Birmingham BioEnergy and BlendStar were forgiven in conjunction with the closing on December 31, 2019.

Scheduled long-term debt repayments as of December 31, 2020, are as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|-------------------|
| 2021 | \$ 100,000 |
| 2022 | - |
| 2023 | - |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| Total | \$ 100,000 |

Covenant Compliance

The partnership, including all of its subsidiaries, was in compliance with its debt covenants as of December 31, 2020.

Capitalized Interest

The partnership's policy is to capitalize interest costs incurred on debt during the construction of major projects. The partnership had no capitalized interest for the years ended December 31, 2020 and 2019.

9. ASSET RETIREMENT OBLIGATIONS

Under various lease agreements, the partnership has AROs when certain machinery and equipment are disposed or operating leases expire. During the year ended December 31, 2020, the partnership reassessed the estimated cost of AROs related to its railcar operating leases. The reassessment resulted in a change in estimated costs that has been reflected as an increase of \$0.4 million to the ARO liabilities and corresponding assets on the consolidated balance sheet as of December 31, 2020. The following table summarizes the change in the liability for the AROs (in thousands):

| | Amount |
|--|-----------------|
| Balance, December 31, 2018 | \$ 3,216 |
| Additional asset retirement obligations incurred | 31 |
| Liabilities settled | (350) |
| Accretion expense | 168 |
| Balance, December 31, 2019 | 3,065 |
| Additional asset retirement obligations incurred | 512 |
| Liabilities settled | (497) |
| Accretion expense | 264 |
| Change in estimate | 432 |
| Balance, December 31, 2020 | <u>\$ 3,776</u> |

10. UNIT-BASED COMPENSATION

The board of directors of the general partner adopted the LTIP upon completion of the IPO. The LTIP is intended to promote the interests of the partnership, its general partner and affiliates by providing incentive compensation awards based on units to employees, consultants and directors to encourage superior performance. The LTIP reserves 2,500,000 common units for issuance in the form of options, restricted units, phantom units, distribution equivalent rights, substitute awards, unit appreciation rights, unit awards, profits interest units or other unit-based awards. The partnership measures unit-based compensation grants at fair value on the grant date and records noncash compensation expense related to the awards on a straight-line basis over the requisite service period of one year.

The non-vested unit-based award activity for the year ended December 31, 2020, is as follows:

| | Non-Vested Units | Weighted- Average Grant-Date Fair Value | Weighted- Average Remaining Vesting Term (in years) |
|---------------------------------|-----------------------------|--|--|
| Non-Vested at December 31, 2019 | 22,856 | \$ 14.00 | |
| Granted | 47,620 | 6.72 | |
| Vested | (22,856) | 14.00 | |
| Non-Vested at December 31, 2020 | <u>47,620</u> | <u>\$ 6.72</u> | <u>0.5</u> |

Compensation costs related to the unit-based awards of approximately \$320 thousand, \$319 thousand and \$277 thousand were recognized during the years ended December 31, 2020, 2019 and 2018, respectively. At December 31, 2020, there were \$159 thousand of unrecognized compensation costs from unit-based compensation awards.

11. PARTNERS' DEFICIT

A roll forward of the number of common limited partner units outstanding is as follows:

| | Common Units - Public | Common Units - Green Plains | Total |
|-----------------------------|----------------------------------|--|--------------|
| Units, December 31, 2018 | 11,551,147 | 11,586,548 | 23,137,695 |
| Units issued under the LTIP | 22,856 | - | 22,856 |
| Units, December 31, 2019 | 11,574,003 | 11,586,548 | 23,160,551 |
| Units issued under the LTIP | 47,620 | - | 47,620 |
| Units, December 31, 2020 | 11,621,623 | 11,586,548 | 23,208,171 |

Issuance of Additional Securities

The partnership agreement authorizes the partnership to issue unlimited additional partnership interests on the terms and conditions determined by the general partner without unitholder approval.

It is possible the partnership will fund acquisitions through the issuance of additional common units or other partnership interests. Holders of any additional common units are entitled to share equally with existing holders in the partnership's distributions of available cash. The issuance of additional common units or other partnership interests may dilute the value of the existing holders of common units' interests.

In accordance with Delaware law and the provisions of the partnership agreement, the partnership may also issue additional interests that have rights to distributions or special voting rights the common units do not have, as determined by the general partner. In addition, the partnership agreement does not prohibit the partnership's subsidiaries to issue equity interests, which may effectively rank senior to the common units.

The general partner has the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other partnership interests from the partnership whenever, and on the same terms that, the partnership issues those interests to persons other than the general partner and its affiliates to maintain the percentage interest of the general partner and its affiliates, including interests represented by common units that existed immediately prior to each issuance. The other holders of common units do not have preemptive rights under the partnership agreement to acquire additional common units or other partnership interests.

Subordinated Unit Conversion

The requirements under the partnership agreement for the conversion of all of the outstanding subordinated units into common units were satisfied upon the payment of the distribution with respect to the quarter ended June 30, 2018. Accordingly, the subordination period ended on August 13, 2018, the first business day after the date of the distribution payment, and all of the 15,889,642 outstanding subordinated units were converted into common units on a one-for-one basis. The conversion of the subordinated units did not impact the amount of cash distributions paid or the total number of units outstanding.

Retirement of Units

On November 15, 2018, the partnership's storage assets located adjacent to the ethanol plants in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan were sold to Green Plains for \$120.9 million. As consideration, the partnership received from its parent 8,692,736 Green Plains units and a portion of the general partner interest equating to 177,403 equivalent limited partner units to maintain the general partner's 2% interest. These units were retired upon receipt.

Cash Distribution Policy

Quarterly distributions are made from available cash within 45 days after the end of each calendar quarter, assuming the partnership has available cash, up to an aggregate amount not to exceed \$0.12 per outstanding unit, subject to the terms of the credit agreement which matures December 31, 2021. Available cash generally means all cash and cash equivalents on hand at the end of that quarter less cash reserves established by the general partner, including those for future capital expenditures, future acquisitions and anticipated future debt service requirements, plus all or any portion of the cash on hand resulting from working capital borrowings made subsequent to the end of that quarter.

The general partner also holds incentive distribution rights that entitles it to receive increasing percentages, up to 48%, of available cash distributed from operating surplus, as defined in the partnership agreement, in excess of \$0.46 per unit per quarter. The maximum distribution of 48% does not include any distributions the general partner or its affiliates may receive on its general partner interest or common units.

The table below summarizes the quarterly cash distributions for the periods presented:

| Three Months Ended | Declaration Date | Record Date | Payment Date | Quarterly Distribution |
|---------------------------|-------------------------|--------------------|---------------------|-------------------------------|
| December 31, 2020 | January 21, 2021 | February 5, 2021 | February 12, 2021 | \$ 0.1200 |
| September 30, 2020 | October 15, 2020 | November 6, 2020 | November 13, 2020 | 0.1200 |
| June 30, 2020 | July 16, 2020 | July 31, 2020 | August 7, 2020 | 0.1200 |
| March 31, 2020 | April 16, 2020 | May 1, 2020 | May 8, 2020 | 0.1200 |
| December 31, 2019 | January 16, 2020 | January 31, 2020 | February 7, 2020 | 0.4750 |
| September 30, 2019 | October 17, 2019 | November 1, 2019 | November 8, 2019 | 0.4750 |
| June 30, 2019 | July 18, 2019 | August 2, 2019 | August 9, 2019 | 0.4750 |
| March 31, 2019 | April 18, 2019 | May 3, 2019 | May 10, 2019 | 0.4750 |
| December 31, 2018 | January 17, 2019 | February 1, 2019 | February 8, 2019 | 0.4750 |
| September 30, 2018 | October 18, 2018 | November 2, 2018 | November 9, 2018 | 0.4750 |
| June 30, 2018 | July 19, 2018 | August 3, 2018 | August 10, 2018 | 0.4750 |
| March 31, 2018 | April 19, 2018 | May 4, 2018 | May 11, 2018 | 0.4750 |

The total cash distributions paid during the periods indicated are as follows (in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| General partner distributions | \$ 396 | \$ 902 | \$ 1,236 |
| Incentive distributions | 53 | 213 | 268 |
| Total distributions to general partner | 449 | 1,115 | 1,504 |
| Limited partner common units - public | 9,675 | 21,968 | 21,872 |
| Limited partner common units - Green Plains | 9,676 | 22,015 | 15,866 |
| Limited partner subordinated units - Green Plains | - | - | 22,563 |
| Total distributions to limited partners | 19,351 | 43,983 | 60,301 |
| Total distributions paid | \$ 19,800 | \$ 45,098 | \$ 61,805 |

The total cash distributions declared during the periods indicated are as follows (in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2020 | 2019 | 2018 |
| General partner distributions | \$ 227 | \$ 902 | \$ 1,155 |
| Incentive distributions | - | 213 | 272 |
| Total distributions to general partner | 227 | 1,115 | 1,427 |
| Limited partner common units - public | 5,572 | 21,979 | 21,938 |
| Limited partner common units - Green Plains | 5,562 | 22,015 | 19,307 |
| Limited partner subordinated units - Green Plains | - | - | 15,095 |
| Total distributions to limited partners | 11,134 | 43,994 | 56,340 |
| Total distributions declared | \$ 11,361 | \$ 45,109 | \$ 57,767 |

12. EARNINGS PER UNIT

The partnership computes earnings per unit using the two-class method. Earnings per unit applicable to common units, and to subordinated units prior to the expiration of the subordination period, is calculated by dividing the respective limited partners' interest in net income by the weighted average number of common and subordinated units outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities. Diluted earnings per limited partner unit is the same as basic earnings per limited partner unit as there were no potentially dilutive common or subordinated units outstanding as of December 31, 2020. The following tables show the calculation of earnings per limited partner unit – basic and diluted (in thousands, except for per unit data):

| | Year Ended December 31, 2020 | | |
|--|---------------------------------|-----------------|------------------|
| | Limited Partner Common Units | General Partner | Total |
| Net income | | | |
| Distributions declared | \$ 11,134 | \$ 227 | \$ 11,361 |
| Earnings in excess of distributions | 29,190 | 596 | 29,786 |
| Total net income | <u>\$ 40,324</u> | <u>\$ 823</u> | <u>\$ 41,147</u> |
| Weighted-average units outstanding - basic and diluted | <u>23,149</u> | | |
| Earnings per limited partner unit - basic and diluted | <u>\$ 1.74</u> | | |

| | Year Ended December 31, 2019 | | |
|--|---------------------------------|-----------------|------------------|
| | Limited Partner Common Units | General Partner | Total |
| Net income | | | |
| Distributions declared | \$ 43,994 | \$ 1,115 | \$ 45,109 |
| Earnings less than distributions | (3,345) | (285) | (3,630) |
| Total net income | <u>\$ 40,649</u> | <u>\$ 830</u> | <u>\$ 41,479</u> |
| Weighted-average units outstanding - basic and diluted | <u>23,129</u> | | |
| Earnings per limited partner unit - basic and diluted | <u>\$ 1.76</u> | | |

| | Year Ended December 31, 2018 | | | Total |
|--|---------------------------------------|---|--------------------|------------------|
| | Limited Partner Common Units | Limited Partner Subordinated Units | General Partner | |
| Net income | | | | |
| Distributions declared | \$ 41,245 | \$ 15,095 | \$ 1,427 | \$ 57,767 |
| Earnings (less than) in excess of distributions | (3,377) | 1,604 | (313) | (2,086) |
| Total net income | <u>\$ 37,868</u> | <u>\$ 16,699</u> | <u>\$ 1,114</u> | <u>\$ 55,681</u> |
| Weighted-average units outstanding - basic and diluted | <u>20,950</u> | <u>9,752</u> | | |
| Earnings per limited partner unit - basic and diluted | <u>\$ 1.81</u> | <u>\$ 1.71</u> | | |

13. INCOME TAXES

The partnership is a limited partnership, which is not subject to federal income taxes. However, the partnership is subject to state income taxes in certain states. As a result, the financial statements reflect a provision or benefit for such income taxes. The general partner and the unitholders are responsible for paying federal and state income taxes on their share of the partnership's taxable income. The partnership's income tax balances did not have a material impact on the financial statements.

Income tax expense (benefit) consists of the following (in thousands):

| | Year Ended December 31, | | |
|----------|-------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Current | \$ 137 | \$ 238 | \$ 101 |
| Deferred | 75 | (18) | - |
| Total | <u>\$ 212</u> | <u>\$ 220</u> | <u>\$ 101</u> |

Differences between income tax expense computed at the statutory federal income tax rate on its income subject to tax are presented on the consolidated statements of operations and summarized as follows (in thousands):

| | Year Ended December 31, | | |
|--|-------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 |
| Tax expense at federal statutory rate | \$ 62 | \$ 51 | \$ 49 |
| State income tax expense, net of federal | 151 | 170 | 53 |
| Other | (1) | (1) | (1) |
| Income tax expense | <u>\$ 212</u> | <u>\$ 220</u> | <u>\$ 101</u> |

The partnership conducts business and its parent files tax returns in several states within the United States. The partnership's federal and state returns filed by its parent for the tax years ended December 31, 2017, and later are still subject to audit.

14. COMMITMENTS AND CONTINGENCIES

Adoption of ASC 842

On January 1, 2019, the partnership adopted the amended guidance in ASC 842, *Leases*, and all related amendments ("new lease standard") and applied it to all leases using the optional transition method which requires the amended guidance to be applied at the date of adoption. The standard does not require the guidance to be applied to the earliest comparative period presented in the financial statements. As such, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The new lease standard had a material impact on the partnership's consolidated balance sheets, increasing total assets and total liabilities by \$39.7 million upon adoption. It did not have a material impact on the consolidated statement of operations for the year ended December 31, 2019.

The partnership's leases do not specify an implicit interest rate. Therefore, the incremental borrowing rate is used based on information available at commencement date to determine the present value of future payments.

Operating Lease Expense

The partnership leases certain facilities, parcels of land, and railcars with remaining terms ranging from less than one year to approximately 10.8 years, including renewal options reasonably certain to be exercised for the land and facility leases. Railcar agreement renewals are not considered reasonably certain to be exercised as they typically renew with significantly different underlying terms.

The partnership may sublease certain of its railcars to third parties on a short-term basis. These subleases are classified as operating leases, with the associated sublease revenue recognized on a straight-line basis over the lease term.

The components of lease expense are as follows (in thousands):

| | Year Ended December 31, | |
|--|--------------------------------|------------------|
| | 2020 | 2019 |
| Lease expense | | |
| Operating lease expense ⁽¹⁾ | \$ 16,033 | \$ 15,583 |
| Variable lease benefit ⁽²⁾ | (289) | (165) |
| Total lease expense | <u>\$ 15,744</u> | <u>\$ 15,418</u> |

(1) Amount includes an additional \$0.2 million of accelerated lease expense due to the early termination of leased railcar assets for the year ended December 31, 2020.

(2) Represents railcar lease abatements provided by the lessor when railcars are out of service during periods of maintenance or upgrade, offset by amounts incurred in excess of the minimum payments required for the handling and unloading of railcars for a certain lease.

Supplemental cash flow information related to operating leases is as follows (in thousands):

| | Year Ended December 31, | |
|--|--------------------------------|-------------|
| | 2020 | 2019 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 15,937 | \$ 15,720 |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | 24,597 | 11,165 |
| Right-of-use assets and lease obligations derecognized due to lease modifications: | | |
| Operating leases ⁽¹⁾ | 5,170 | 1,726 |

(1) As part of the Hereford disposition, the partnership derecognized \$5.1 million in right-of-use assets and \$5.2 million in lease obligations related to railcar operating leases. See *Note 4 – Dispositions* for further details.

Supplemental balance sheet information related to operating leases is as follows:

| | December 31, | |
|---------------------------------------|---------------------|-------------|
| | 2020 | 2019 |
| Weighted average remaining lease term | 4.5 years | 4.2 years |
| Weighted average discount rate | 4.11% | 5.19% |

Aggregate minimum lease payments under these agreements in future years are as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|------------------|
| 2021 | \$ 12,750 |
| 2022 | 11,256 |
| 2023 | 8,093 |
| 2024 | 6,271 |
| 2025 | 4,034 |
| Thereafter | 2,863 |
| Total | <u>\$ 45,267</u> |
| Less: Present value discount | (3,926) |
| Operating lease liabilities | <u>\$ 41,341</u> |

The partnership has additional railcar operating leases that will commence in the first quarter of 2021 to replace expiring leases, with undiscounted future lease payments of approximately \$6.5 million and lease terms of five years. These amounts are not included in the tables above.

Lease Revenue

The components of lease revenue are as follows (in thousands):

| | Year Ended December 31, | |
|---|--------------------------------|------------------|
| | 2020 | 2019 |
| Lease revenue | | |
| Operating lease revenue | \$ 69,639 | \$ 68,774 |
| Variable lease revenue (expense) ⁽¹⁾ | 710 | (572) |
| Sublease revenue | 151 | 637 |
| Total lease revenue | \$ 70,500 | \$ 68,839 |

(1) Represents amounts charged to Green Plains Trade under the storage and throughput agreement in excess of the initial rate of \$0.05 per gallon, amounts delivered by Green Plains Trade and other customers in excess of various minimum volume commitments, and the difference between the contracted railcar volumetric capacity and the actual amount provided to Green Plains Trade during the period.

In accordance with the amended storage and throughput agreement, Green Plains Trade is obligated to deliver a minimum volume of 232.5 mmg per calendar quarter to the partnership's storage facilities and pay \$0.05 per gallon on all volume it throughputs associated with the agreement through June 30, 2020, and \$0.05312 per gallon subsequent to June 30, 2020. The remaining lease term for this agreement is 7.5 years, with automatic one year renewal periods in which either party has the right to terminate the contract. Due to the unilateral right to termination during the renewal period, the lease contract would no longer contain enforceable rights or obligations. Therefore, the lease term does not include the successive one year renewal periods. Anticipated minimum operating lease revenue under this agreement assuming a consistent rate of \$0.05312 per gallon in future years is as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|-------------------|
| 2021 | \$ 49,391 |
| 2022 | 49,391 |
| 2023 | 49,391 |
| 2024 | 49,391 |
| 2025 | 49,391 |
| Thereafter | 123,477 |
| Total | \$ 370,432 |

In accordance with the amended rail transportation services agreement with Green Plains Trade, Green Plains Trade is required to pay the rail transportation services fee for railcar volumetric capacity provided by the partnership. The remaining lease term for this agreement is 4.5 years, with automatic one year renewal periods in which either party has the right to terminate the contract. Due to the unilateral right to termination during the renewal period, the lease contract would no longer contain enforceable rights or obligations. Therefore, the lease term does not include the successive one year renewal periods. Under the terms of the agreement, Green Plains Trade is not required to pay for volumetric capacity that is not available due to inspections, upgrades, or routine repairs and maintenance. As a result, the actual volumetric capacity billed may be reduced based on the amount of volumetric capacity available for use during any applicable period. Anticipated minimum operating lease revenue under this agreement in future years is as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|------------------|
| 2021 | \$ 19,230 |
| 2022 | 17,068 |
| 2023 | 11,346 |
| 2024 | 8,816 |
| 2025 | 5,943 |
| Thereafter | - |
| Total | \$ 62,403 |

The partnership provides terminal services and logistics solutions to certain customers under various terminal service agreements, some of which have minimum volume commitments. At terminals where a customer is predominantly provided exclusive use of the terminal or tank storage assets, the partnership is considered a lessor as part of an operating lease agreement. Revenue is recognized over the term of the lease based on the minimum volume commitment, or total actual throughput if in excess of the minimum volume commitment. The partnership currently has one such agreement, with a remaining lease term of 4.7 years, which includes renewal options reasonably certain to be exercised. Anticipated minimum operating lease revenue for this terminal in future years is as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|---------------|
| 2021 | \$ 74 |
| 2022 | 74 |
| 2023 | 74 |
| 2024 | 74 |
| 2025 | 49 |
| Thereafter | - |
| Total | \$ 345 |

Other Commitments and Contingencies

The partnership has agreements for contracted services with certain vendors that require the partnership to pay minimum monthly amounts, which expire on various dates. These agreements do not contain an identified asset and therefore are not considered operating leases. The partnership satisfied the minimum commitments under these agreements during both the years ended December 31, 2020 and 2019. Aggregate minimum payments under these agreements in future years are as follows (in thousands):

| Year Ending December 31, | Amount |
|---------------------------------|---------------|
| 2021 | \$ 805 |
| 2022 | 157 |
| 2023 | - |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| Total | \$ 962 |

Legal

The partnership may be involved in litigation that arises during the ordinary course of business. Currently, the partnership is not a party to any material litigation.

15. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in *Note 4 – Dispositions* to the consolidated financial statements, the partnership engages in various related party transactions with Green Plains and subsidiaries of Green Plains.

Green Plains provides a variety of shared services to the partnership, including general management, accounting and finance, payroll and human resources, information technology, legal, communications and treasury activities. These costs are proportionally allocated by Green Plains to its subsidiaries based on common financial metrics management believes are reasonable. The partnership recorded expenses related to these shared services of approximately \$3.4 million, \$3.4 million and \$4.6 million for the years ended December 31, 2020, 2019 and 2018, respectively. In addition, the partnership reimburses Green Plains for wages and benefit costs of employees directly performing services on its behalf. Green Plains may also pay certain direct costs on behalf of the partnership, which are reimbursed by the partnership. The partnership believes the consolidated financial statements reflect all material costs of doing business related to these operations, including expenses incurred by other entities on its behalf.

Omnibus Agreement

The partnership has entered into an omnibus agreement, as amended, with Green Plains and its affiliates which, among other terms and conditions, addresses the partnership's obligation to reimburse Green Plains for direct or allocated costs and expenses incurred by Green Plains for general and administrative services; the prohibition of Green Plains and its subsidiaries from owning, operating or investing in any business that owns or operates fuel terminals or fuel transportation assets; the partnership's right of first offer to acquire assets if Green Plains decides to sell them; a nontransferable, nonexclusive, royalty-free license to use the Green Plains trademark and name; the allocation of taxes among the parent, the partnership and its affiliates and the parent's preparation and filing of tax returns; and an indemnity by Green Plains for environmental and other liabilities.

If Green Plains or its affiliates cease to control the general partner, then either Green Plains or the partnership may terminate the omnibus agreement, provided that (i) the indemnification obligations of the parties survive according to their respective terms; and (ii) Green Plains' obligation to reimburse the partnership for operational failures survives according to its terms.

Operating Services and Secondment Agreement

The general partner has entered into an operational services and secondment agreement, as amended, with Green Plains. Under the terms of the agreement, Green Plains secondes employees to the general partner to provide management, maintenance and operational functions for the partnership, including regulatory matters, health, environment, safety and security programs, operational services, emergency response, employee training, finance and administration, human resources, business operations and planning. The seconded personnel are under the direct management and supervision of the general partner who reimburses the parent for the cost of the seconded employees, including wages and benefits. If a seconded employee does not devote 100% of his or her time providing services to the general partner, the general partner reimburses the parent for a prorated portion of the employee's overall wages and benefits based on the percentage of time the employee spent working for the general partner.

Under the operational services and secondment agreement, Green Plains will indemnify the partnership from any claims, losses or liabilities incurred by the partnership, including third-party claims, arising from their performance of the operational services secondment agreement; provided, however, that Green Plains will not be obligated to indemnify the partnership for any claims, losses or liabilities arising out of the partnership's gross negligence, willful misconduct or bad faith with respect to any services provided under the operational services and secondment agreement.

Commercial Agreements

The partnership has various fee-based commercial agreements with Green Plains Trade, including:

- 10-year storage and throughput agreement, expiring on June 30, 2028;
- 10-year rail transportation services agreement, expiring on June 30, 2025;
- 1-year trucking transportation agreement, expiring on May 31, 2021;
- Terminal services agreement for the Birmingham, Alabama unit train terminal, expiring on December 31, 2022; and
- Various other terminal services agreements for other fuel terminal facilities, each with Green Plains Trade.

The storage and throughput, rail transportation services, and trucking transportation agreements have various automatic renewal terms if not cancelled by either party within specified timeframes.

The storage and throughput agreement and terminal services agreements are supported by minimum volume commitments. The rail transportation services agreement is supported by minimum take-or-pay volumetric capacity commitments.

Under the storage and throughput agreement, as amended, Green Plains Trade is obligated to deliver a minimum volume of 232.5 mmg of product per calendar quarter at the partnership's storage facilities and pay \$0.05 per gallon on all volume it throughputs through June 30, 2020, and \$0.05312 per gallon subsequent to June 30, 2020. If Green Plains Trade fails to meet its minimum volume commitment during any quarter, Green Plains Trade will pay the partnership a deficiency payment equal to the deficient volume multiplied by the applicable fee. The deficiency payment may be applied as a credit toward payments due on future volumes delivered by Green Plains Trade in excess of the minimum volume commitment during the following four quarters, after which time this option will expire.

On November 15, 2018, as part of the sale of ethanol storage assets associated with the ethanol plants located in Bluffton, Indiana, Lakota, Iowa, and Riga, Michigan, the storage and throughput agreement was amended to reduce the minimum volume commitment from 296.6 mmg of product per calendar quarter to 235.7 mmg. In addition, the storage and throughput agreement with Green Plains Trade was extended an additional three years to June 30, 2028.

On December 28, 2020, as part of the sale of ethanol storage assets associated with the ethanol plant located in Hereford, Texas, the storage and throughput agreement was amended to reduce the minimum volume commitment from 235.7 mmg of product per calendar quarter to 232.5 mmg.

As of December 31, 2019, the cumulative minimum volume deficiency credits available to Green Plains Trade totaled \$4.5 million. During the year ended December 31, 2020, Green Plains Trade utilized credits of \$0.3 million, and the remaining balance of these prior year credits of \$4.2 million expired.

As of December 31, 2020, the cumulative minimum volume deficiency credits available to Green Plains Trade totaled \$7.8 million. These credits expire, if unused, as follows:

- \$4.3 million, expiring on June 30, 2021;
- \$2.4 million, expiring on September 30, 2021; and
- \$1.1 million, expiring on December 31, 2021.

The above credits have been previously recognized as revenue by the partnership, and as such, future volumes throughput by Green Plains Trade in excess of the quarterly minimum volume commitment, up to the amount of these credits, will not be recognized in revenue in future periods prior to expiration.

Under the rail transportation services agreement, Green Plains Trade is obligated to use the partnership to transport ethanol and other fuels from receipt points identified by Green Plains Trade to nominated delivery points. During the years ended December 31, 2020, 2019 and 2018, the average monthly fee was approximately \$0.0221, \$0.0215 and \$0.0221 per gallon, respectively, for the average railcar volumetric capacity provided by the partnership, which was 80.6, 79.8 and 96.9 mmg, respectively. The partnership's leased railcar fleet consisted of approximately 2,480 and 2,630 railcars as of December 31, 2020 and 2019, respectively.

Green Plains Trade is also obligated to use the partnership for logistical operations management and other services related to railcar volumetric capacity provided by Green Plains Trade, which was approximately 1.2 mmg, 3.3 mmg and 6.6 mmg for the years ended December 31, 2020, 2019 and 2018, respectively. Green Plains Trade was obligated to pay a monthly fee of approximately \$0.0013, \$0.0013 and \$0.0014 per gallon for the years ended December 31, 2020, 2019 and 2018, respectively, for these services. In addition, Green Plains Trade reimburses the partnership for costs related to: (1) railcar switching and unloading fees; (2) increased costs related to changes in law or governmental regulation related to the specification, operation or maintenance of railcars; (3) demurrage charges, except when the charges are due to the partnership's gross negligence or willful misconduct; and (4) fees related to rail transportation services under transportation contracts with third-party common carriers. Green Plains Trade frequently contracts with the partnership for additional railcar volumetric capacity during the normal course of business at comparable margins.

Under the trucking transportation agreement, Green Plains Trade pays the partnership to transport ethanol and other fuels by truck from identified receipt points to various delivery points. Green Plains Trade is obligated to pay a monthly trucking transportation services fee equal to the aggregate volume transported in a calendar month by the partnership's trucks, multiplied by the applicable rate for each truck lane. A truck lane is defined as a specific and routine route of travel between a point of origin and point of destination. Rates for each truck lane are negotiated based on product, location, mileage and other factors. Green Plains Trade reimburses the partnership for costs related to: (1) truck switching and unloading fees; (2) increased costs related to changes in law or governmental regulation related to the specification, operation and maintenance of trucks; and (3) fees related to trucking transportation services under transportation contracts with third-party common carriers.

Under the Birmingham terminal services agreement, effective through December 31, 2022, Green Plains Trade is obligated to throughput a minimum volume commitment of approximately 8.3 mmg per month and pay associated throughput fees, as well as fees for ancillary services.

The partnership recorded revenues from Green Plains Trade under the storage and throughput agreement and rail transportation services agreement of \$69.9 million, \$67.8 million and \$85.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. The partnership also recorded revenues from Green Plains Trade related to trucking and terminal services of \$8.6 million, \$7.8 million and \$9.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Other Related Party Revenues and Expenses

The partnership incurred tank cleaning expenses charged by a subsidiary of the parent for cleaning of its storage tanks of \$22 thousand for the year ended December 31, 2018. There were no charges for these services for the years ended December 31, 2020 or 2019.

16. EQUITY METHOD INVESTMENT

NLR Energy Logistics LLC

The partnership and Delek Renewables LLC have a 50/50 joint venture, NLR Energy Logistics LLC, which operates a unit train terminal in the Little Rock, Arkansas area with capacity to unload 110-car unit trains and provide approximately 100,000 barrels of storage. The partnership entered into a project management agreement with NLR, effective June 23, 2017, in which NLR provided the partnership a fixed monthly fee to coordinate and manage the development, design, and construction of the Little Rock, Arkansas unit train terminal. Construction of the terminal was completed during the first quarter of 2018. The partnership recognized \$75 thousand within other income for the performance of these services for the year ended December 31, 2018.

The partnership received its first distribution from NLR in the amount of \$1.0 million during the year ended December 31, 2020. In addition, the partnership had an outstanding receivable of \$25 thousand and \$23 thousand due from NLR for various reimbursable expenses as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the partnership's investment balance in the joint venture was \$4.0 million.

The partnership does not consolidate any part of the assets or liabilities or operating results of its equity method investee. The partnership's share of net income or loss in the investee increases or decreases, as applicable, the carrying value of the investment. With respect to NLR, the partnership determined that this entity does not represent a variable interest entity and consolidation is not required. In addition, although the partnership has the ability to exercise significant influence over the joint venture through board representation and voting rights, all significant decisions require the consent of the other investor without regard to economic interest.

17. QUARTERLY FINANCIAL DATA (Unaudited)

The following tables set forth certain unaudited financial data for each of the quarters within the years ended December 31, 2020 and 2019 (in thousands, except per unit amounts). This information has been derived from the partnership's consolidated financial statements and in management's opinion, reflects all adjustments necessary for a fair presentation of the information for the quarters presented. The operating results for any quarter are not necessarily indicative of results for any future period.

| | Three Months Ended | | | |
|--|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 |
| Revenues | \$ 21,311 | \$ 21,382 | \$ 20,381 | \$ 20,271 |
| Operating expenses | 8,822 | 8,703 | 8,447 | 8,165 |
| Operating income | 12,489 | 12,679 | 11,934 | 12,106 |
| Other expense | (2,331) | (2,498) | (1,820) | (1,864) |
| Income tax expense | (46) | (30) | (105) | (31) |
| Income from equity method investee | 176 | 155 | 175 | 158 |
| Net income attributable to the partnership | <u>\$ 10,288</u> | <u>\$ 10,306</u> | <u>\$ 10,184</u> | <u>\$ 10,369</u> |
| Earnings per limited partner unit (basic and diluted): | | | | |
| Common units | \$ 0.44 | \$ 0.44 | \$ 0.43 | \$ 0.44 |
| Distribution declared | \$ 0.1200 | \$ 0.1200 | \$ 0.1200 | \$ 0.1200 |

| | Three Months Ended | | | |
|--|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| Revenues | \$ 20,321 | \$ 20,154 | \$ 20,825 | \$ 21,087 |
| Operating expenses | 8,039 | 8,156 | 7,992 | 8,967 |
| Operating income | 12,282 | 11,998 | 12,833 | 12,120 |
| Other expense | (1,967) | (1,994) | (2,219) | (2,035) |
| Income tax expense | (76) | (45) | (47) | (52) |
| Income from equity method investee | 151 | 173 | 142 | 215 |
| Net income attributable to the partnership | <u>\$ 10,390</u> | <u>\$ 10,132</u> | <u>\$ 10,709</u> | <u>\$ 10,248</u> |
| Earnings per limited partner unit (basic and diluted): | | | | |
| Common units | \$ 0.44 | \$ 0.43 | \$ 0.45 | \$ 0.43 |
| Distribution declared | \$ 0.4750 | \$ 0.4750 | \$ 0.4750 | \$ 0.4750 |

18. SUBSEQUENT EVENTS

On January 25, 2021, Green Plains entered into an Asset Purchase Agreement to sell its ethanol plant located in Ord, Nebraska to GreenAmerica Biofuels Ord LLC. Correspondingly, the partnership entered into an Asset Purchase Agreement to sell its storage assets located adjacent to the Ord plant to Green Plains for \$27.0 million, along with the transfer of associated railcar operating leases. The funds received will be used to pay down debt. As part of this transaction, upon closing, the quarterly storage and throughput minimum volume commitment with Green Plains Trade will be reduced to 217.7 mmg per quarter, and the storage and throughput agreement with Green Plains Trade will be extended an additional year to June 30, 2029.

The transaction is anticipated to close within 45 days in conjunction with the completion of the Green Plains Ord ethanol asset sale, subject to customary closing conditions. The terms of this transaction were approved by both the board of directors of the general partner and the board of directors' conflicts committee, which consists entirely of independent directors.

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Corporate Information

BOARD OF DIRECTORS

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Green Plains Inc. | Green Plains Holdings LLC

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JERRY PETERS
Retired Chief Financial Officer
Green Plains Inc. | Green Plains Holdings LLC

BRETT RILEY^{1,2}
Independent Energy Consultant

MARTIN SALINAS JR.^{1,2}
Former Chief Financial Officer
Energy Transfer Partners, LP

PATRICH SIMPKINS
Chief Financial Officer
Green Plains Inc. | Green Plains Holdings LLC

Member of: (1) Audit Committee, and/or (2) Conflicts Committee

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President and Chief Executive Officer

PATRICH SIMPKINS
Chief Financial Officer

WALTER CRONIN
Chief Commercial Officer

PAUL KOLOMAYA
Chief Accounting Officer

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Chief Legal and Administration Officer

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Green Plains
PARTNERS LP

Fueling a sustainable future