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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended: March 31, 2018
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: **001-35653**

SUNOCO LP
(Exact name of registrant as specified in its charter)

Delaware	**30-0740483**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

8111 Westchester Drive, Suite 400, Dallas, Texas 75225
(Address of principal executive offices, including zip code)

(214) 981-0700
(Registrant's telephone number, including area code)

8020 Park Lane, Suite 200, Dallas, Texas 75231
(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐ (Do not check if a smaller reporting company)	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

The registrant had 82,492,008 common units representing limited partner interests and 16,410,780 Class C units representing limited partner interests outstanding at May 4, 2018 .

SUNOCO LP
FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LP
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2018	December 31, 2017
	(in millions, except units)	
Assets		
Current assets:		
Cash and cash equivalents	$ 98	$ 28
Accounts receivable, net	451	541
Receivables from affiliates	160	155
Inventories, net	434	426
Other current assets	71	81
Assets held for sale	6	3,313
Total current assets	1,220	4,544
Property and equipment, net	1,522	1,557
Other assets:		
Goodwill	1,430	1,430
Intangible assets, net	656	768
Other noncurrent assets	91	45
Total assets	$ 4,919	$ 8,344
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 416	$ 559
Accounts payable to affiliates	178	206
Accrued expenses and other current liabilities	759	368
Current maturities of long-term debt	5	6
Liabilities associated with assets held for sale	—	75
Total current liabilities	1,358	1,214
Revolving line of credit	—	765
Long-term debt, net	2,283	3,519
Advances from affiliates	85	85
Deferred tax liability	124	389
Other noncurrent liabilities	137	125
Total liabilities	3,987	6,097
Commitments and contingencies (Note 14)		
Equity:		
Limited partners:		
Series A Preferred unitholder - affiliated (no units issued and outstanding as of March 31, 2018 and 12,000,000 units issued and outstanding as of December 31, 2017)	—	300
Common unitholders (82,492,008 units issued and outstanding as of March 31, 2018 and 99,667,999 units issued and outstanding as of December 31, 2017)	932	1,947
Class C unitholders - held by subsidiary (16,410,780 units issued and outstanding as of March 31, 2018 and December 31, 2017)	—	—
Total equity	932	2,247
Total liabilities and equity	$ 4,919	$ 8,344

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

	For the Three Months Ended March 31,	
	2018	**2017**
	(in millions, except unit and per unit amounts)	
Revenues:		
Retail motor fuel	$ 445	$ 353
Wholesale motor fuel sales to third parties	3,094	2,244
Wholesale motor fuel sales to affiliates	12	21
Merchandise	135	131
Rental income	22	22
Other	41	37
Total revenues	3,749	2,808
Cost of sales:		
Retail motor fuel cost of sales	401	317
Wholesale motor fuel cost of sales	2,945	2,143
Merchandise cost of sales	93	88
Other	14	4
Total cost of sales	3,453	2,552
Gross profit	296	256
Operating expenses:		
General and administrative	35	32
Other operating	98	92
Rent	15	20
Loss on disposal of assets	3	2
Depreciation, amortization and accretion	49	54
Total operating expenses	200	200
Operating income	96	56
Other expenses:		
Interest expense, net	34	58
Loss on extinguishment of debt and other	109	—
Loss from continuing operations before income taxes	(47)	(2)
Income tax expense (benefit)	31	(14)
Income (loss) from continuing operations	(78)	12
Loss from discontinued operations, net of income taxes	(237)	(11)
Net income (loss) and comprehensive income (loss)	$ (315)	$ 1
Net loss per limited partner unit - basic:		
Continuing operations - common units	$ (1.11)	$ (0.11)
Discontinued operations - common units	(2.63)	(0.11)
Net loss - common units	$ (3.74)	$ (0.22)
Net loss per limited partner unit - diluted:		
Continuing operations - common units	$ (1.11)	$ (0.11)
Discontinued operations - common units	(2.63)	(0.11)
Net loss - common units	$ (3.74)	$ (0.22)
Weighted average limited partner units outstanding:		
Common units - basic	89,753,950	98,609,608
Common units - diluted	90,271,751	98,715,958
Cash distribution per unit	$ 0.8255	$ 0.8255

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENT OF EQUITY
(unaudited, in millions)

	Preferred Units-Affiliated	Common Units	Total Equity
Balance at December 31, 2017	$ 300	$ 1,947	$ 2,247
Repurchase of common units	—	(540)	(540)
Redemption of Preferred units	(300)	—	(300)
Cash distribution to unitholders	—	(107)	(107)
Distribution to preferred units	(2)	—	(2)
Unit-based compensation	—	3	3
Cumulative effect of change in revenue recognition accounting principle	—	(54)	(54)
Partnership net income (loss)	2	(317)	(315)
Balance at March 31, 2018	$ —	$ 932	$ 932

The accompanying notes are an integral part of these consolidated financial statements.

SUNOCO LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Three Months Ended March 31,	
	2018	**2017**
	(in millions)	
Cash flows from operating activities:		
Net income (loss)	$ (315)	$ 1
Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities:		
Loss from discontinued operations	237	11
Depreciation, amortization and accretion	49	54
Amortization of deferred financing fees	2	4
Loss on disposal of assets	3	2
Loss on extinguishment of debt and other	109	—
Non-cash unit based compensation expense	3	4
Deferred income tax	29	(14)
Inventory valuation adjustment	(25)	13
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	90	97
Receivable from affiliates	(5)	(10)
Inventories	17	40
Other assets	10	23
Accounts payable	(143)	(245)
Accounts payable to affiliates	(28)	2
Accrued expenses and other current liabilities	403	(8)
Other noncurrent liabilities	4	12
Net cash provided by (used in) continuing operating activities	440	(14)
Cash flows from investing activities:		
Capital expenditures	(19)	(24)
Purchase of intangible assets	(1)	(13)
Proceeds from disposal of property and equipment	3	—
Net cash used in investing activities	(17)	(37)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,200	—
Payments on long-term debt	(3,447)	(1)
Payments for debt extinguishment costs	(93)	—
Revolver borrowings	414	618
Revolver repayments	(1,179)	(857)
Loan origination costs	(24)	—
Advances from affiliates	—	(84)
Equity issued to ETE, net of issuance costs	—	300
Proceeds from issuance of common units, net of offering costs	—	33
Common unit repurchase	(540)	—
Redemption of equity issued to ETE	(303)	—
Other cash from financing activities, net	—	(1)
Distributions to unitholders	(121)	(104)
Net cash used in financing activities	(3,093)	(96)
Cash flows from discontinued operations:		
Operating activities	(485)	142
Investing activities	3,214	(40)
Changes in cash included in current assets held for sale	11	(1)
Net increase in cash and cash equivalents of discontinued operations	2,740	101
Net increase (decrease) in cash	70	(46)
Cash and cash equivalents at beginning of period	28	103
Cash and cash equivalents at end of period	$ 98	$ 57

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Principles of Consolidation

As used in this document, the terms "Partnership," "SUN," "we," "us," and "our" should be understood to refer to Sunoco LP and our consolidated subsidiaries, unless the context clearly indicates otherwise.

We are managed by Sunoco GP LLC, our general partner ("General Partner"). As of March 31, 2018 , Energy Transfer Equity, L.P. ("ETE"), a publicly traded master limited partnership, owns 100% of the membership interests in our General Partner, a 2.3% limited partner interest in us and all of our incentive distribution rights. Energy Transfer Partners, L.P. ("ETP"), another publicly traded master limited partnership which is also controlled by ETE, owns a 26.5% limited partner interest in us as of March 31, 2018 .

The consolidated financial statements are composed of Sunoco LP, a publicly traded Delaware limited partnership, and our wholly-owned subsidiaries. We distribute motor fuels across more than 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States from Maine to Florida and from Florida to New Mexico, as well as Hawaii. We also operate convenience retail stores in Hawaii and New Jersey.

On April 6, 2017, certain subsidiaries of the Partnership (collectively, the "Sellers") entered into an Asset Purchase Agreement (the "Purchase Agreement") with 7-Eleven, Inc., a Texas corporation ("7-Eleven") and SEI Fuel Services, Inc., a Texas corporation and wholly-owned subsidiary of 7-Eleven ("SEI Fuel," and, together with 7-Eleven, referred to herein collectively as "Buyers"). On January 23, 2018, we completed the disposition of assets pursuant to the Amended and Restated Asset Purchase Agreement entered by and among Sellers, Buyers and certain other named parties for the limited purposes set forth therein, pursuant to which the parties agreed to amend and restate the Purchase Agreement to reflect commercial agreements and updates made by the parties in connection with consummation of the transactions contemplated by the Purchase Agreement. Under the Purchase Agreement, as amended and restated, we sold a portfolio of 1,030 company operated retail fuel outlets, together with ancillary businesses and related assets to Buyers for approximately $3.2 billion (the "7-Eleven Transaction"). On January 18, 2017, with the assistance of a third-party brokerage firm, we launched a portfolio optimization plan to market and sell 97 real estate assets located in Florida, Louisiana, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia. The results of these operations (the real estate optimization assets, together with the 7-Eleven Transaction, the "Retail Divestment") have been reported as discontinued operations for all periods presented in the consolidated financial statements. See Note 4 for more information related to the Purchase Agreement, the optimization plan, and the discontinued operations. All other footnotes present results of the continuing operations.

On April 1, 2018, the Partnership completed the conversion of 207 retail sites located in certain West Texas, Oklahoma and New Mexico markets to a single commission agent.

Our primary operations are conducted by the following consolidated subsidiaries:

Wholesale Subsidiaries

- Sunoco, LLC ("Sunoco LLC"), a Delaware limited liability company, primarily distributes motor fuel in 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States. Sunoco LLC also processes transmix and distributes refined product through its terminals in Alabama and the Greater Dallas, Texas metroplex.
- Aloha Petroleum LLC, a Delaware limited liability company, distributes motor fuel and operates terminal facilities on the Hawaiian Islands.

Retail Subsidiaries (Also See Note 4)

- Susser Petroleum Property Company LLC ("PropCo"), a Delaware limited liability company, primarily owns and leases convenience store properties.
- Susser Holdings Corporation ("Susser"), a Delaware corporation, sells motor fuel and merchandise in Texas, New Mexico and Oklahoma through Stripes-branded convenience stores. Susser merged with and into Stripes LLC, a Texas limited liability company, on April 1, 2018.
- Sunoco Retail LLC ("Sunoco Retail"), a Pennsylvania limited liability company, owns and operates convenience stores that sell motor fuel and merchandise primarily in Pennsylvania, New York, and Florida.
- MACS Retail LLC, a Virginia limited liability company, owns and operates convenience stores, in Virginia, Maryland, and Tennessee.
- Aloha Petroleum, Ltd. ("Aloha"), a Hawaii corporation, owns and operates convenience stores on the Hawaiian Islands.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain items have been reclassified for presentation purposes to conform to the accounting policies of the consolidated entity. These reclassifications had no material impact on gross profit, income from operations, net income (loss) and comprehensive income (loss), the balance sheets or statements of cash flows.

2. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Pursuant to Regulation S-X, certain information and disclosures normally included in the annual financial statements have been condensed or omitted. The consolidated financial statements and notes included herein should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 23, 2018.

Significant Accounting Policies

As of March 31, 2018 , the only material change in the Partnership's significant accounting policies, as compared to those described in the Annual Report on Form 10-K for the year ended December 31, 2017 , was the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers,* described below under *Recently Adopted Accounting Pronouncement* .

Motor Fuel and Sales Taxes

Certain motor fuel and sales taxes are collected from customers and remitted to governmental agencies either directly by the Partnership or through suppliers. The Partnership's accounting policy for wholesale direct sales to dealer and commercial customers is to exclude the collected motor fuel tax from sales and cost of sales.

For retail locations where the Partnership holds inventory, including consignment arrangements, motor fuel sales and motor fuel cost of sales include motor fuel taxes. Such amounts were $53 million and $76 million for the three months ended March 31, 2018 and 2017 , respectively. Merchandise sales and cost of merchandise sales are reported net of sales tax in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

Recently Issued Accounting Pronouncements

FASB ASU No. 2016-02. In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842),* which amends the FASB Accounting Standards Codification and creates Topic 842, Leases. This Topic requires Balance Sheet recognition of lease assets and lease liabilities for leases classified as operating leases under previous GAAP, excluding short-term leases of 12 months or less. This ASU is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. In January 2018, the FASB proposed amending the new leasing guidance such that entities may elect not to restate their comparative periods in the period of adoption. We are currently evaluating the effect that the updated standard will have on our consolidated balance sheets and related disclosures.

We are in the process of evaluating our lease contracts to determine the potential impact of adopting the new standard. At this point in our evaluation process, we have determined that the timing and/or amount of lease assets and lease liabilities that we recognize on certain contracts will be impacted by the adoption of the new standard; however, we are still in the process of quantifying this impact. In addition, we are in the process of implementing appropriate changes to our business processes, systems and controls to support recognition and disclosure under the new standard. We continue to monitor additional authoritative or interpretive guidance related to the new standard as it becomes available, as well as comparing our conclusions on specific interpretative issues to other peers in our industry, to the extent that such information is available to us.

In January 2018, the FASB issued Accounting Standards Update No. 2018-01, which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under Topic 840. The Partnership expects to adopt ASU 2016-02 and elect the practical expedient under ASU 2018-01 in the first quarter of 2019 and is currently evaluating the impact that adopting this new standard will have on the consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncement

FASB ASU No. 2014-09. In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* , as a new Topic, Accounting Standards Codification ("ASC") Topic 606. On January 1, 2018 we adopted ASC Topic 606, which is effective for interim and annual reporting periods beginning on or after December 15, 2017. The new standard requires us to recognize revenue when a customer obtains control rather than when we have transferred substantially all risks and rewards of a good or service and requires

expanded disclosures. It also outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes ASC 605 - Revenue Recognition and industry-specific guidance.

We have completed a detailed review of revenue contracts representative of our business segments and their revenue streams as of the adoption date. As a result of the evaluation performed, we have determined that the timing and amount of revenue that we recognize on certain contracts is impacted by the adoption of the new standard. These adjustments are primarily related to the change in recognition of dealer incentives and rebates. In addition to the evaluation performed, we have made appropriate design and implementation updates to our business processes, systems and internal controls to support recognition and disclosure under the new standard.

The Partnership has elected to apply the modified retrospective method to adopt the new standard. The implementation of the new standard has an impact on the measurement of recognition of revenue. The cumulative and ongoing effects of the adoption impact the following financials - the Consolidated Balance Sheet, the Consolidated Statement of Operations and Comprehensive Income (Loss), and the Statement of Equity. Additionally, new disclosures have been added in accordance with ASC Topic 606.

Utilizing the practical expedients allowed under the modified retrospective adoption method, ASC Topic 606 was only applied to existing contracts for which the Partnership has remaining performance obligations as of January 1, 2018, and new contracts entered into after January 1, 2018. ASC Topic 606 was not applied to contracts that were completed prior to January 1, 2018.

For contracts in scope of the new revenue standard as of January 1, 2018, we recognized a cumulative effect adjustment to retained earnings to account for the differences in timing of revenue recognition. The comparative information has not been restated under the modified retrospective method and continues to be reported under the accounting standards in effect for those periods.

The material adjustments to the opening balance sheet primarily relate to a change in timing of revenue recognition for variable consideration, such as incentives paid to customers, as well as a change in timing of revenue recognition for franchise fee revenue. Historically, an asset was recognized related to the contract incentives which was amortized over the life of the agreement. Under the new standard, the timing of the recognition of incentives changed due to application of the expected value method to estimate variable consideration. Additionally, under the new standard the change in timing of franchise fee revenue is due to the treatment of revenue recognition from the symbolic license over the term of the agreement.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of ASU No. 2014-09 was as follows:

	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
		(in millions)	
Assets			
Other current assets	$ 81	$ 8	$ 89
Property and Equipment, net	1,557	—	1,557
Intangible assets, net	768	(100)	668
Other noncurrent assets	45	39	84
Liabilities and Equity			
Other noncurrent liabilities	125	1	126
Common unitholders	1,947	(54)	1,893

The adoption of the new revenue standard resulted in reclassifications to/from revenue, cost of sales, and operating expenses. Additionally, changes in timing of revenue recognition have required the creation of contract asset or contract liability balances, as well as certain balance sheet reclassifications. In accordance with the requirements of Topic 606, the disclosure below shows the impact of adopting the new standard on the income statement and the balance sheet.

	For the Three Months Ended March 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
		(in millions)	
Revenues			
Wholesale motor fuel sales to third parties	$ 3,094	$ 3,104	$ (10)
Other	41	41	—
Costs of Sales			
Other	14	15	(1)
Operating Expenses			
Other Operating	98	100	(2)
Depreciation, amortization and accretion	49	55	(6)

	March 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
		(in millions)	
Assets			
Other current assets	$ 71	$ 62	$ 9
Property and Equipment, net	1,522	1,522	—
Intangible assets, net	656	761	(105)
Other noncurrent assets	91	49	42
Liabilities and Equity			
Other noncurrent liabilities	137	136	1
Common unitholders	932	987	(55)

3. Acquisitions

On April 3, 2018, our subsidiary, Sunoco LLC, entered into an Asset Purchase Agreement with Superior Plus Energy Services, Inc. (“Superior”), a New York Corporation, pursuant to which it agreed to acquire certain wholesale fuel distribution assets and related terminal assets from Superior for approximately $40 million plus working capital adjustments. The assets consist of a network of approximately 100 dealers, several hundred commercial contracts and three terminals, which are connected to major pipelines serving the Upstate New York market. The transaction closed on April 25, 2018.

On January 4, 2018, the Partnership entered into an Asset Purchase Agreement with 7-Eleven and SEI Fuel, pursuant to which the Partnership agreed to acquire 26 retail fuel outlets from 7-Eleven and SEI Fuel for approximately $50 million . The transaction closed on April 2, 2018. The Partnership subsequently converted the acquired stations from company-operated sites to commission agent locations.

4. Discontinued Operations

On January 23, 2018, we completed the disposition of assets pursuant to the Amended and Restated Asset Purchase Agreement entered by and among Sellers, Buyers and certain other named parties for the limited purposes set forth therein, pursuant to which the parties agreed to amend and restate the Purchase Agreement to reflect commercial agreements and updates made by the parties in connection with consummation of the transactions contemplated by the Purchase Agreement. Subsequent to the closing of the 7-Eleven Transaction, previously eliminated wholesale motor fuel sales to the Partnership's retail locations are reported as wholesale motor fuel sales to third parties. Also, the related accounts receivable from such sales are no longer eliminated from the consolidated balance sheets and are reported as accounts receivable.

In connection with the closing of the transactions contemplated by the Purchase Agreement, we entered into a Distributor Motor Fuel Agreement dated as of January 23, 2018 (the “Supply Agreement”), with 7-Eleven and SEI Fuel. The Supply Agreement consists of a 15-year take-or-pay fuel supply arrangement under which we have agreed to supply approximately 2.0 billion gallons of fuel annually plus additional aggregate growth volumes of up to 500 million gallons to be added incrementally over the first four years. For the period from January 1, 2018 through January 22, 2018 and the three months ended March 31, 2017 , we recorded sales to the sites that were

subsequently sold to 7-Eleven of $199 million and $705 million , respectively, that were eliminated in consolidation. We recorded payments on trade receivables from 7-Eleven of $612 million in first quarter of 2018 subsequent to the closing of the sale.

On January 18, 2017, with the assistance of a third-party brokerage firm, we launched a portfolio optimization plan to market and sell 97 real estate assets. Real estate assets included in this process are company-owned locations, undeveloped greenfield sites and other excess real estate. Properties are located in Florida, Louisiana, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia. The properties will be sold through a sealed-bid sale. Of the 97 properties, 47 have been sold, one is under contract to be sold and eight continue to be marketed by the third-party brokerage firm. Additionally, 32 were sold to 7-Eleven and nine are part of the approximately 207 retail sites located in certain West Texas, Oklahoma and New Mexico markets which will be operated by a commission agent.

The Partnership has concluded that it meets the accounting requirements for reporting the financial position, results of operations and cash flows of the Retail Divestment as discontinued operations. See Note 1 for further information regarding the Retail Divestment.

The following tables present the aggregate carrying amounts of assets and liabilities classified as held for sale in the Consolidated Balance Sheets:

	March 31, 2018	December 31, 2017
	(in millions)	
Carrying amount of assets held for sale:		
Cash	$ —	$ 21
Inventories	—	149
Other current assets	—	16
Property and equipment, net	6	1,851
Goodwill	—	796
Intangible assets, net	—	477
Other noncurrent assets	—	3
Total assets held for sale	$ 6	$ 3,313
Carrying amount of liabilities associated with assets held for sale:		
Long term debt	$ —	$ 21
Other current and noncurrent liabilities	—	54
Total liabilities associated with assets held for sale	$ —	$ 75

Upon the classification of assets and related liabilities as held for sale, Sunoco LP's management applied the measurement guidance in ASC 360, *Property, Plant and Equipment* , to calculate the fair value less cost to sell of the disposal group. In accordance with ASC 360-10-35-39, management first tested the goodwill included within the disposal group for impairment prior to measuring the disposal group's fair value less the cost to sell. In the determination of the classification of assets held for sale and the related liabilities, management allocated a portion of the goodwill balance previously included in the Sunoco LP retail and Stripes reporting units to assets held for sale based on the relative fair values of the business to be disposed of and the portion of the respective reporting unit that will be retained. The amount of goodwill allocated to assets held for sale was approximately $796 million as of December 31, 2017 . The remainder of the goodwill was allocated to the retained portion of the retail and Stripes reporting units, which comprises Sunoco LP's ethanol plant, credit card processing services, franchise royalties and retail stores the Partnership continues to operate in the continental United States. This amount, inclusive of the portion of the Aloha reporting unit that represents retail activities, was approximately $678 million as of March 31, 2018 and December 31, 2017 .

During 2017, management performed goodwill impairment testing on its reporting units included in assets held for sale resulting in impairment charges of $387 million . Of this amount, $102 million was allocated to the sites reclassified to continuing operations in the fourth quarter within the retail and Stripes reporting units. Once allocated, management performed goodwill impairment tests on both reporting units to which the goodwill balances were allocated. No goodwill impairment was identified for the retail or Stripes reporting units as a result of these tests.

The Partnership recorded transaction costs of $1 million during the three months ended March 31, 2018 , as a result of the 7-Eleven Transaction.

The results of operations associated with discontinued operations are presented in the following table:

	For the Three Months Ended March 31,	
	2018	2017
	(in millions)	
Revenues:		
Motor fuel sales	$ 256	$ 1,162
Merchandise	89	409
Rental income	—	1
Other	4	14
Total revenues	349	1,586
Cost of sales:		
Motor fuel cost of sales	240	1,057
Merchandise cost of sales	65	282
Other	—	—
Total cost of sales	305	1,339
Gross profit	44	247
Operating expenses:		
General and administrative	2	32
Other operating	57	171
Rent	4	14
Loss on disposal of assets	23	5
Depreciation, amortization and accretion expense	—	33
Total operating expenses	86	255
Operating loss	(42)	(8)
Interest expense, net	2	6
Loss on extinguishment of debt and other	20	—
Loss from discontinued operations before income taxes	(64)	(14)
Income tax expense (benefit)	173	(3)
Loss from discontinued operations, net of income taxes	$ (237)	$ (11)

5. Accounts Receivable, net

Accounts receivable, net, consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Accounts receivable, trade	$ 289	$ 285
Credit card receivables	104	160
Vendor receivables for rebates, branding, and other	18	29
Other receivables	42	69
Allowance for doubtful accounts	(2)	(2)
Accounts receivable, net	$ 451	$ 541

6. Inventories, net

Inventories, net, consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Fuel	$ 393	$ 387
Merchandise	30	30
Other	11	9
Inventories, net	$ 434	$ 426

7. Property and Equipment, net

Property and equipment, net, consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Land	$ 523	$ 516
Buildings and leasehold improvements	716	714
Equipment	660	623
Construction in progress	120	159
Total property and equipment	2,019	2,012
Less: accumulated depreciation	497	455
Property and equipment, net	$ 1,522	$ 1,557

8. Goodwill and Intangible Assets, net

Goodwill

Goodwill represents the excess of the purchase price of an acquired entity over the amounts allocated to the assets acquired and liabilities assumed in a business combination. At March 31, 2018 and December 31, 2017 we had $1.4 billion of goodwill recorded in conjunction with past business combinations.

Goodwill is not amortized, but is tested annually for impairment, or more frequently if events and circumstances indicate that the asset might be impaired. In accordance with ASC 350-20-35 " *Goodwill - Subsequent Measurements* ", during 2017 , management performed goodwill impairment testing on its reporting units included in assets held for sale resulting in impairment charges of $387 million . Of this amount, $102 million was allocated to the sites reclassified to continuing operations in the fourth quarter within the retail and Stripes reporting units. Once allocated, management performed goodwill impairment tests on both reporting units to which the goodwill balances were allocated. No goodwill impairment was identified for the retail or Stripes reporting units as a result of these tests.

As of March 31, 2018 , we evaluated potential impairment indicators. We believe no impairment events occurred during the three months ended March 31, 2018 , and we believe the assumptions used in the analysis performed in 2017 are still relevant and indicative of our current operating environment. As a result, no impairment was recorded to goodwill during the period from January 1, 2018 through March 31, 2018 .

Other Intangible Assets

Gross carrying amounts and accumulated amortization for each major class of intangible assets, excluding goodwill, consisted of the following:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(in millions)					
Indefinite-lived						
Tradenames	$ 295	$ —	$ 295	$ 295	$ —	$ 295
Contractual rights	30	—	30	30	—	30
Liquor licenses	12	—	12	12	—	12
Finite-lived						
Customer relations including supply agreements (1)	549	242	307	674	256	418
Favorable leasehold arrangements, net	12	5	7	12	5	7
Loan origination costs (2)	10	7	3	10	6	4
Other intangibles	5	3	2	5	3	2
Intangible assets, net	$ 913	$ 257	$ 656	$ 1,038	$ 270	$ 768

(1) Decrease in gross carrying amount is mainly due to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers,* see Note 2.

(2) Loan origination costs are associated with the 2014 Revolver, see Note 10 for further information on the 2014 Revolver.

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value. We review non-amortizable intangible assets for impairment annually, or more frequently if circumstances dictate.

During the fourth quarter of 2017, the Partnership performed the annual impairment tests on our indefinite-lived intangible assets and recognized $13 million and $4 million of impairment charges on our contractual rights and liquor licenses, respectively, primarily due to decreases in projected future revenues and cash flows from the date the intangible assets were originally recorded.

Customer relations and supply agreements have a remaining weighted-average life of approximately 11 years. Favorable leasehold arrangements have a remaining weighted-average life of approximately 14 years. Non-competition agreements and other intangible assets have a remaining weighted-average life of approximately 13 years. Loan origination costs have a remaining weighted-average life of approximately 2 years.

9. Accrued Expenses and Other Current Liabilities

Current accrued expenses and other current liabilities consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Wage and other employee-related accrued expenses	$ 25	$ 72
Accrued tax expense	601	180
Accrued insurance	14	26
Accrued interest expense	25	43
Dealer deposits	16	16
Other	78	31
Total	$ 759	$ 368

10. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Term Loan (1)	$ —	$ 1,243
Sale leaseback financing obligation	111	113
2014 Revolver	—	765
4.875% Senior Notes Due 2023	1,000	—
5.500% Senior Notes Due 2026	800	—
5.875% Senior Notes Due 2028	400	—
6.375% Senior Notes Due 2023 (2)	—	800
5.500% Senior Notes Due 2020 (2)	—	600
6.250% Senior Notes Due 2021 (2)	—	800
Other	2	3
Total debt	2,313	4,324
Less: current maturities	5	6
Less: debt issuance costs	25	34
Long-term debt, net of current maturities	$ 2,283	$ 4,284

(1) The Term Loan was repaid in full and terminated on January 23, 2018.

(2) The Senior Notes were redeemed on January 23, 2018.

Term Loan

The senior secured term loan agreement (the "Term Loan") provided secured financing in an aggregate principal amount of up to $2.035 billion , which we borrowed in full.

The Term Loan was repaid in full and terminated on January 23, 2018. See 2018 Private Offering of Senior Notes below.

2018 Private Offering of Senior Notes

On January 23, 2018, we and certain of our wholly owned subsidiaries, including Sunoco Finance Corp. (together with the Partnership, the "Issuers") completed a private offering of $2.2 billion of senior notes, comprised of $1.0 billion in aggregate principal amount of 4.875% senior notes due 2023 (the "2023 Notes"), $800 million in aggregate principal amount of 5.500% senior notes due 2026 (the "2026 Notes") and $400 million in aggregate principal amount of 5.875% senior notes due 2028 (the "2028 Notes" and, together with the 2023 Notes and the 2026 Notes, the "Notes").

The terms of the Notes are governed by an indenture dated January 23, 2018, among the Issuers, and certain other subsidiaries of the Partnership (the "Guarantors") and U.S. Bank National Association, as trustee. The 2023 Notes will mature on January 15, 2023 and interest is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2018. The 2026 Notes will mature on February 15, 2026 and interest is payable semi-annually on February 15 and August 15 of each year, commencing August 15, 2018. The 2028 Notes will mature on March 15, 2028 and interest is payable semi-annually on March 15 and September 15 of each year, commencing September 15, 2018. The Notes are senior obligations of the Issuers and are guaranteed on a senior basis by all of the Partnership's existing subsidiaries and certain of its future subsidiaries. The Notes and guarantees are unsecured and rank equally with all of the Issuers' and each Guarantor's existing and future senior obligations. The Notes and guarantees are effectively subordinated to the Issuers' and each Guarantor's secured obligations, including obligations under the Partnership's 2014 Revolver (as defined below), to the extent of the value of the collateral securing such obligations, and structurally subordinated to all indebtedness and obligations, including trade payables, of the Partnership's subsidiaries that do not guarantee the Notes. ETC M-A Acquisition LLC ("ETC M-A"), a subsidiary of ETP, guarantees collection to the Issuers with respect to the payment of the principal amount of the Notes. ETC M-A is not subject to any of the covenants under the Indenture.

In connection with our issuance of the Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the Notes for an issue of registered notes with terms substantively identical to each series of Notes and evidencing the same indebtedness as the Notes on or before January 23, 2019.

The Partnership used the proceeds from the private offering, along with proceeds from the 7-Eleven Transaction, to: 1) redeem in full our existing senior notes as of December 31, 2017, comprised of $800 million in aggregate principal amount of 6.250% senior notes due 2021, $600 million in aggregate principal amount of 5.500% senior notes due 2020, and $800 million in aggregate principal amount of 6.375% senior notes due 2023; 2) repay in full and terminate the Term Loan; 3) pay all closing costs in connection with the 7-Eleven Transaction; 4) redeem the outstanding Series A Preferred Units held by ETE for an aggregate redemption amount of approximately $313 million ; and 5) repurchase 17,286,859 SUN common units owned by subsidiaries of ETP for aggregate cash consideration of approximately $540 million .

6.250% Senior Notes Due 2021

The 2021 Senior Notes were redeemed and the indenture governing the 2021 Senior Notes was discharged on January 23, 2018. The redemption amount includes the original consideration of $800 million and a $32 million call premium plus accrued and unpaid interest. See 2018 Private Offering of Senior Notes above.

5.500% Senior Notes Due 2020

The 2020 Senior Notes were redeemed and the indenture governing the 2020 Senior Notes was discharged on January 23, 2018. The redemption amount includes the original consideration of $600 million and a $17 million call premium plus accrued and unpaid interest. See 2018 Private Offering of Senor Notes above.

6.375% Senior Notes Due 2023

The 2023 Senior Notes were redeemed and the indenture governing the 2023 Senior Notes was discharged on January 23, 2018. The redemption amount includes the original consideration of $800 million and a $44 million call premium plus accrued and unpaid interest. See 2018 Private Offerings of Senior Notes above.

Revolving Credit Agreement

On September 25, 2014, we entered into a $1.25 billion revolving credit facility (the “2014 Revolver”) among the Partnership, as borrower, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, swingline lender and a line of credit issuer. Proceeds from the revolving credit facility were used to pay off the Partnership’s then-existing revolving credit facility entered into on September 25, 2012. On April 10, 2015, we received a $250 million increase in commitments under the 2014 Revolver and, as a result, we are permitted to borrow up to $1.5 billion on a revolving credit basis.

The 2014 Revolver expires on September 25, 2019 (which date may be extended in accordance with the terms of the 2014 Revolver). Borrowings under the 2014 Revolver bear interest at a base rate (a rate based off of the higher of (i) the Federal Funds Rate (as defined in the revolving credit facility) plus 0.500% , (ii) Bank of America’s prime rate or (iii) one-month LIBOR (as defined in the 2014 Revolver) plus 1.000%) or LIBOR, in each case plus an applicable margin ranging from 1.500% to 3.000% , in the case of a LIBOR loan, or from 0.500% to 2.000% , in the case of a base rate loan (determined with reference to the Partnership’s Leverage Ratio (as defined in the 2014 Revolver)). Upon the first achievement by the Partnership of an investment grade credit rating, the applicable margin will decrease to a range of 1.125% to 2.000% , in the case of a LIBOR loan, or from 0.125% to 1.000% , in the case of a base rate loan (determined with reference to the credit rating for the Partnership’s senior, unsecured, non-credit enhanced long-term debt). Interest is payable quarterly if the base rate applies, at the end of the applicable interest period if LIBOR applies and at the end of the month if daily floating LIBOR applies. In addition, the unused portion of the revolving credit facility will be subject to a commitment fee ranging from 0.250% to 0.500% , based on the Partnership’s Leverage Ratio. Upon the first achievement by the Partnership of an investment grade credit rating, the commitment fee will decrease to a range of 0.125% to 0.275% , based on the Partnership’s credit rating as described above.

Indebtedness under the 2014 Revolver is secured by a security interest in, among other things, all of the Partnership’s present and future personal property and all of the present and future personal property of its guarantors, the capital stock of its material subsidiaries (or 66% of the capital stock of material foreign subsidiaries), and any intercompany debt. Upon the first achievement by the Partnership of an investment grade credit rating, all security interests securing borrowings under the revolving credit facility will be released. Indebtedness incurred under the 2014 Revolver is secured on a pari passu basis with the indebtedness incurred under the Term Loan pursuant to a collateral trust arrangement whereby a financial institution agrees to act as common collateral agent for all pari passu indebtedness.

On October 16, 2017, the Partnership entered into the Fifth Amendment to the Credit Agreement with the lenders party thereto and Bank of America, N.A., in its capacity as a letter of credit issuer, as swing line lender, and as administrative agent (the “Fifth Amendment”). The Fifth Amendment amended the agreement to (i) permit the dispositions contemplated by the Retail Divestment, (ii) extend the interest coverage ratio covenant of 2.25x through maturity, (iii) modify the definition of consolidated EBITDA to include projected margins from the minimum gallons to be purchased under any fuel supply contract entered into in connection with the 7-Eleven Transaction, and (iv) modify the leverage ratio covenants. In the event no disposition has been consummated, the Partnership must maintain a leverage ratio of not more than (i) as of the last day of each fiscal quarter through September 30, 2017, 6.75 to 1.0, (ii) as of

December 31, 2017, 6.75 to 1.0, (iii) as of March 31, 2018, 6.50 to 1.0, (iv) as of June 30, 2018, 6.25 to 1.0, (v) as of September 30, 2018, 6.00 to 1.0, (vi) as of December 31, 2018, 5.75 to 1.0 and (vii) thereafter, 5.50 to 1.0. In the event either the disposition of the 7-Eleven Assets or the disposition of the West Texas Assets (but not both of them) has been consummated, the Partnership must maintain a leverage ratio of not more than (i) as of the last day of each fiscal quarter through September 30, 2017, 6.75 to 1.0, (ii) as of December 31, 2017, 6.00 to 1.0, (iii) as of March 31, 2018, 5.75 to 1.0, (iv) as of June 30, 2018, 5.50 to 1.0, (v) as of September 30, 2018, 5.50 to 1.0, (vi) as of December 31, 2018, 5.50 to 1.0 and (vii) thereafter, 5.50 to 1.0. In the event both the dispositions of the 7-Eleven Assets and the disposition of the West Texas Assets have been consummated, the Partnership must maintain a leverage ratio of not more than (i) as of the last day of each fiscal quarter through September 30, 2017, 6.75 to 1.0, (ii) as of December 31, 2017, 5.75 to 1.0, (iii) as of March 31, 2018, 5.75 to 1.0, (iv) as of June 30, 2018, 5.50 to 1.0, (v) as of September 30, 2018, 5.50 to 1.0, (vi) as of December 31, 2018, 5.50 to 1.0 and (vii) thereafter, 5.50 to 1.0. Notwithstanding the foregoing, if a specified acquisition period is in effect at any time that the maximum leverage ratio would otherwise be 5.50 to 1.0, such maximum leverage ratio shall be 6.00 to 1.0.

As of March 31, 2018 , the balance on the 2014 Revolver was zero , and $8 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at March 31, 2018 was $1.5 billion . The Partnership was in compliance with all financial covenants at March 31, 2018 .

Sale Leaseback Financing Obligation

On April 4, 2013, Southside Oil, LLC (“Southside”) completed a sale leaseback transaction with two separate companies for 50 of its dealer operated sites. As Southside did not meet the criteria for sale leaseback accounting, this transaction was accounted for as a financing arrangement over the course of the lease agreement. The obligations mature in varying dates through 2033, require monthly interest and principal payments, and bear interest at 5.125% . The obligation related to this transaction is included in long-term debt and the balance outstanding as of March 31, 2018 was $111 million .

Fair Value Measurements

We use fair value measurements to measure, among other items, purchased assets, investments, leases and derivative contracts. We also use them to assess impairment of properties, equipment, intangible assets and goodwill. An asset's fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability’s fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Where available, fair value is based on observable market prices or parameters, or is derived from such prices or parameters. Where observable prices or inputs are not available, unobservable prices or inputs are used to estimate the current fair value, often using an internal valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued.

ASC 820 “ *Fair Value Measurements and Disclosures”* prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The estimated fair value of debt is calculated using Level 2 inputs. The fair value of debt as of March 31, 2018 , is estimated to be approximately $2.2 billion , based on outstanding balances as of the end of the period using current interest rates for similar securities.

11. Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following:

	March 31, 2018	December 31, 2017
	(in millions)	
Accrued straight-line rent	$ 12	$ 13
Reserve for underground storage tank removal	50	41
Reserve for environmental remediation	24	23
Unfavorable lease liability	17	10
Aloha acquisition contingent consideration	15	15
Others	19	23
Total	$ 137	$ 125

12. Related-Party Transactions

We are party to the following fee-based commercial agreements with various affiliates of ETP:

- Philadelphia Energy Solutions Products Purchase Agreements – two related products purchase agreements, one with Philadelphia Energy Solutions Refining & Marketing ("PES") and one with PES's product financier Merrill Lynch Commodities; both purchase agreements contain 12 -month terms that automatically renew for consecutive 12 -month terms until either party cancels with notice. ETP Retail Holdings, LLC, a subsidiary of ETP, owns a noncontrolling interest in the parent of PES.
- ETP Transportation and Terminalling Contracts – various agreements with subsidiaries of ETP for pipeline, terminalling and storage services. We also have agreements with subsidiaries of ETP for the purchase and sale of fuel.

We are party to the Susser Distribution Contract, a 10 -year agreement under which we are the exclusive distributor of motor fuel at cost (including tax and transportation costs), plus a fixed profit margin per gallon to Susser's existing Stripes convenience stores and independently operated commission agent locations. This profit margin is eliminated through consolidation from the date of common control, September 1, 2014, and thereafter, in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

We are party to the Sunoco Distribution Contract, a 10 -year agreement under which we are the exclusive distributor of motor fuel to Sunoco Retail's convenience stores. Pursuant to the agreement, pricing is cost plus a fixed margin per gallon. This profit margin is eliminated through consolidation from the date of common control, September 1, 2014, and thereafter, in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

In connection with the closing of our IPO on September 25, 2012, we also entered into an Omnibus Agreement with Susser (the "Omnibus Agreement"). Pursuant to the Omnibus Agreement, among other things, the Partnership received a three -year option to purchase from Susser up to 75 of Susser's new or recently constructed Stripes convenience stores at Susser's cost and lease the stores back to Susser at a specified rate for a 15 -year initial term. The Partnership is the exclusive distributor of motor fuel to such stores for a period of 10 years from the date of purchase. During 2015, we completed all 75 sale-leaseback transactions under the Omnibus Agreement.

Summary of Transactions

Significant affiliate activity related to the Consolidated Balance Sheets and Statements of Operations and Comprehensive Income (Loss) is as follows:

- Net advances from affiliates were $85 million as of March 31, 2018 and December 31, 2017 . Advances from affiliates are primarily related to the treasury services agreements between Sunoco LLC and Sunoco (R&M), LLC and Sunoco Retail and Sunoco (R&M), LLC, which are in place for purposes of cash management.
- Net accounts receivable from affiliates were $160 million and $155 million as of March 31, 2018 and December 31, 2017 , respectively, which are primarily related to motor fuel purchases from us.
- Net accounts payable to affiliates was $178 million and $206 million as of March 31, 2018 and December 31, 2017 , respectively, which are related to operational expenses and fuel pipeline purchases.
- Wholesale motor fuel sales to affiliates of $12 million and $21 million for the three months ended March 31, 2018 and 2017 , respectively.
- Bulk fuel purchases from affiliates of $777 million and $545 million for the three months ended March 31, 2018 and 2017 , respectively, which is included in wholesale motor fuel cost of sales in our Consolidated Statements of Operations and Comprehensive Income (Loss).

13. Revenue

Disaggregation of Revenue

We operate our business in two primary operating segments, wholesale and retail, both of which are included as reportable segments. We disaggregate revenue within the operating segments by channels.

The following table depicts the disaggregation of revenue by segment:

	For the Three Months Ended March 31, 2018
	(in millions)
Retail Segment	
Retail Motor Fuel	$ 445
Merchandise	135
Other	30
Total Retail Revenue	610
Wholesale Segment	
Dealer	800
Distributor	1,623
Unbranded Wholesale	562
Commission Agent	121
Rental Income (1)	19
Other	14
Total Wholesale Revenue	3,139
Total Revenue	$ 3,749

(1) Rental Income is the result of our lease arrangements which are outside the scope of ASC Topic 606.

Wholesale Revenue

The Partnership's wholesale operations earn revenue from the following channels: sales to Dealers, sales to Distributors, Unbranded Wholesale Revenue, Commission Agent Revenue, Rental Income, and Other Income. Wholesale motor fuel revenue consists primarily of the sale of motor fuel under supply agreements with third party customers and affiliates. Fuel supply contracts with our wholesale customers generally provide that we distribute motor fuel at a formula price based on published rates, volume-based profit margin, and other terms specific to the agreement. The customer is invoiced the agreed-upon price with most payment terms ranging less than 30 days. If the consideration promised in a contract includes a variable amount, the Partnership estimates the variable consideration amount and factors in such an estimate to determine the transaction price under the expected value method.

Revenue is recognized under the wholesale motor fuel contracts at the point in time the customer takes control of the fuel. At the time control is transferred to the customer the sale is considered final, because the agreements do not grant customers the right to return motor fuel. Under the new standard, to determine when control transfers to the customer, the shipping terms of the contract are assessed as shipping terms are considered a primary indicator of the transfer of control. For FOB shipping point terms, revenue is recognized at the time of shipment. The performance obligation with respect to the sale of goods is satisfied at the time of shipment since the customer gains control at this time under the terms. Shipping and/or handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs. Once the goods are shipped, the Partnership is precluded from redirecting the shipment to another customer and revenue is recognized.

Commission agent revenue consists of sales from consignment agreements between the Partnership and select operators. The Partnership supplies motor fuel to sites operated by commission agents and sells the fuel directly to the end customer. In consignment arrangements, control of the product is transferred at the point in time when the goods are removed from consignment stock and sold to the end customer. To reflect the transfer of control, the Partnership recognizes consignment revenue at the point in time fuel is sold to the end customer.

Retail Revenue

The Partnership's retail operations earn revenue from the following channels: Retail Motor Fuel Sales, Merchandise Sales, and Other Income. Retail Motor Fuel Sales consist of fuel sales to consumers at company-operated retail convenience stores. Merchandise Revenue comprises the in-store merchandise and foodservice sales at company-operated convenience stores. Other Income represents a variety of other services within our retail segment including car washes, lottery, automated teller machines, money orders, prepaid phone cards and wireless services. Revenue from retail operations is recognized when (or as) the performance obligations are satisfied (i.e. when the customer obtains control of the good).

Contract Balances with Customers

The Partnership satisfies its obligations by transferring goods or services in exchange for consideration from customers. The timing of performance may differ from the timing the associated consideration is paid to or received from the customer, thus resulting in the recognition of a contract asset or a contract liability.

The Partnership recognizes a contract asset when making upfront consideration payments to certain customers. The upfront considerations represent a pre-paid incentive, as these payments are not made for distinct goods or services provided by the customer. The pre-payment incentives are recognized as a contract asset upon payment and amortized as a reduction of revenue over the term of the specific agreement.

The Partnership recognizes a contract liability if the customer's payment of consideration precedes the entity's fulfillment of the performance obligations. We maintain some franchise agreements requiring dealers to make one-time upfront payments for long term license agreements. The Partnership recognizes a contract liability when the upfront payment is received and recognizes revenue over the term of the license.

The balances of receivables from contracts with customers listed in the table below include both current trade receivables and long-term receivables, net of allowance for doubtful accounts. The allowance for receivables represents our best estimate of the probable losses associated with potential customer defaults. We determine the allowance based on historical experience and on a specific identification basis.

The opening and closing balances of the Partnership’s contract assets and contract liabilities are as follows:

	Balance at January 1, 2018	Balance at March 31, 2018	Increase/ (Decrease)
		(in millions)	
Contract Balances			
Contract Asset	$ 51	$ 55	$ 4
Accounts receivable from contracts with customers	$ 445	$ 393	$ (52)
Contract Liability	$ 1	$ 1	$ —

The amount of revenue recognized in the current period that was included in the opening contract liability balance was $0.1 million . This amount of revenue is a result of changes in the transaction price of the Partnership’s contracts with customers. The difference in the opening and closing balances of the contract asset and contract liability primarily results from the timing difference between entity's performance and the customer’s payment.

Performance Obligations

At contract inception, the Partnership assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, the Partnership considers all the goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. For a contract that has more than one performance obligation, the Partnership allocates the total contract consideration to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized when (or as) the performance obligations are satisfied, that is, when the customer obtains control of the good or service.

The Partnership distributes fuel under long-term contracts to branded distributors, branded and unbranded third party dealers, and branded and unbranded retail fuel outlets. Sunoco-branded supply contracts with distributors generally have both time and volume commitments that establish contract duration. These contracts have an initial term of approximately nine years, with an estimated, volume-weighted term remaining of approximately four years.

As part of the Purchase Agreement with 7-Eleven, the Partnership and 7-Eleven and SEI Fuel (collectively, the “Distributor”) have entered into a 15-year take-or-pay fuel supply agreement in which the Distributor is required to purchase a minimum volume of fuel annually. We expect to recognize this revenue in accordance with the contract as we transfer control of the product to the customer. However, in case of annual shortfall we will recognize the amount payable by the Distributor ratably over the remaining period associated with the shortfall. The transaction price of the contract is variable in nature, fluctuating based on market conditions. The Partnership has elected to take the practical expedient not to estimate the amount of variable consideration allocated to wholly unsatisfied performance obligations.

In some contractual arrangements, the Partnership grants dealers a franchise license to operate the Partnership’s convenience stores over the life of a franchise agreement. In return for the grant of the convenience store license, the dealer makes a one-time nonrefundable franchise fee payment to the Partnership plus sales based royalties payable to the Partnership at a contractual rate during the period of the franchise agreement. Under the requirements of ASC Topic 606, the franchise license is deemed to be a symbolic license for which

recognition of revenue over time is the most appropriate measure of progress toward complete satisfaction of the performance obligation. Revenue from this symbolic license is recognized evenly over the license period.

As of March 31, 2018 , the aggregate amount of revenue expected to be recognized related to unsatisfied or partially satisfied franchise fee performance obligations (contract liabilities) is approximately $0.4 million for the remainder of 2018, $0.3 million in 2019, $0.2 million in 2020, and $0.1 million thereafter.

Costs to Obtain or Fulfill a Contract

The Partnership recognizes an asset from the costs incurred to obtain a contract (e.g. sales commissions) only if it expects to recover those costs. On the other hand, the costs to fulfill a contract are capitalized if the costs are specifically identifiable to a contract, would result in enhancing resources that will be used in satisfying performance obligations in future, and are expected to be recovered. These capitalized costs are recorded as a part of Other Assets and are amortized on a systematic basis consistent with the pattern of transfer of the goods or services to which such costs relate. The amount of amortization expense that the Partnership recognized for the period ended March 31, 2018 was $3 million . The Partnership has also made a policy election of expensing the costs to obtain a contract, as and when they are incurred, in cases where the expected amortization period is one year or less.

Practical Expedients Selected by the Partnership

For the period ended March 31, 2018 , the Partnership elected the following practical expedients in accordance with ASC 606:

- **Significant financing component** - The Partnership elected not to adjust the promised amount of consideration for the effects of significant financing component if the Partnership expects at contract inception that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
- **Incremental costs of obtaining a contract** - The Partnership generally expenses sales commissions when incurred because the amortization period would have been less than one year. We record these costs within general and administrative expenses. The Partnership elected to expense the incremental costs of obtaining a contract when the amortization period for such contracts would have been one year or less.
- **Shipping and handling costs** - The Partnership elected to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service.
- **Measurement of transaction price** - The Partnership has elected to exclude from the measurement of transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Partnership from a customer, for e.g. sales tax, value added tax etc.
- **Variable consideration of wholly unsatisfied performance obligations** - The Partnership has elected to exclude the estimate of variable consideration to the allocation of wholly unsatisfied performance obligations.

14. Commitments and Contingencies

Leases

The Partnership leases certain convenience store and other properties under non-cancellable operating leases whose initial terms are typically 5 to 15 years, with some having a term of 40 years or more, along with options that permit renewals for additional periods. Minimum rent is expensed on a straight-line basis over the term of the lease. In addition, certain leases require additional contingent payments based on sales or motor fuel volumes. We typically are responsible for payment of real estate taxes, maintenance expenses and insurance. These properties are either sublet to third parties or used for our convenience store operations.

Net rent expense consisted of the following:

	For the Three Months Ended March 31,	
	2018	2017
	(in millions)	
Cash rent:		
Store base rent (1) (2)	$ 15	$ 16
Equipment and other rent (3)	—	4
Total cash rent	15	20
Non-cash rent:		
Straight-line rent	—	—
Net rent expense	$ 15	$ 20

(1) Store base rent includes the Partnership's rent expense for leased convenience store properties which are subleased to third-party operators. The sublease income from these sites is recorded in rental income on the statement of operations and totaled $6 million and $6 million for the three months ended March 31, 2018 and 2017 , respectively.

(2) Store base rent includes contingent rent expense totaling $1 million and $4 million for the three months ended March 31, 2018 and 2017 , respectively.

(3) Equipment and other rent consists primarily of vehicles and marine transportation vessels.

15. Interest Expense, net

Components of net interest expense were as follows:

	For the Three Months Ended March 31,	
	2018	2017
	(in millions)	
Interest expense	$ 34	$ 55
Amortization of deferred financing fees	2	4
Interest income	(2)	(1)
Interest expense, net	$ 34	$ 58

16. Income Tax Expense

As a partnership, we are generally not subject to federal income tax and most state income taxes. However, the Partnership conducts certain activities through corporate subsidiaries which are subject to federal and state income taxes.

Our effective tax rate differs from the statutory rate primarily due to Partnership earnings that are not subject to U.S. federal and most state income taxes at the Partnership level. A reconciliation of income tax expense from continuing operations at the U.S. federal statutory rate to net income tax expense (benefit) is as follows:

	For the Three Months Ended March 31,	
	2018	2017
	(in million)	
Tax at statutory federal rate (1)	$ (10)	$ (1)
Partnership earnings not subject to tax	9	(13)
Statutory tax rate changes	29	—
Other	3	—
Net income tax expense (benefit)	$ 31	$ (14)

(1) In December 2017, the “Tax Cuts and Jobs Act” was signed into law. Among other provisions, the highest corporate federal income tax rate was reduced from 35% to 21% for tax years beginning after December 31, 2017.

17. Partners' Capital

As of March 31, 2018 , ETE and ETP or their subsidiaries owned 28,463,967 common units, which constitutes 34.5% of our outstanding common units. As of March 31, 2018 , our consolidated subsidiaries owned 16,410,780 Class C units representing limited partner interests in the Partnership (the "Class C Units") and the public owned 54,028,041 common units.

Series A Preferred Units

On March 30, 2017, the Partnership entered into a Series A Preferred Unit Purchase Agreement with ETE, relating to the issue and sale by the Partnership to ETE of 12,000,000 Series A Preferred Units (the "Preferred Units") representing limited partner interests in the Partnership at a price per Preferred Unit of $25.00 (the "Offering"). The Offering closed on March 30, 2017, and the Partnership received proceeds from the Offering of $300 million , which it used to repay indebtedness under its revolving credit facility.

On January 25, 2018, the Partnership redeemed all outstanding Series A Preferred Units held by ETE for an aggregate redemption amount of approximately $313 million . The redemption amount includes the original consideration of $300 million and a 1% call premium plus accrued and unpaid quarterly distributions.

Common Units

On February 7, 2018, subsequent to the record date for SUN's fourth quarter 2017 distribution, the Partnership repurchased 17,286,859 SUN common units owned by ETP for aggregate cash consideration of approximately $540 million . The repurchase price per common unit was $31.2376 , which is equal to the volume weighted average trading price of SUN common units on the New York Stock Exchange for the ten trading days ending on January 23, 2018. The Partnership funded the repurchase with cash on hand.

Activity of our common units for the three months ended March 31, 2018 is as follows:

	Number of Units
Number of common units at December 31, 2017	99,667,999
Common units repurchase	(17,286,859)
Phantom unit vesting	110,868
Number of common units at March 31, 2018	82,492,008

Allocation of Net Income

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

The calculation of net income allocated to the partners is as follows (in millions, except per unit amounts):

	For the Three Months Ended March 31,	
	2018	2017
Attributable to Common Units		
Distributions (a)	$ 68	$ 82
Distributions in excess of net income	(404)	(104)
Limited partners' interest in net income (loss)	$ (336)	$ (22)
(a) Distributions declared per unit to unitholders as of record date	$ 0.8255	$ 0.8255

Class C Units

Class C Units (i) are not convertible or exchangeable into Common Units or any other units of the Partnership and are non-redeemable; (ii) are entitled to receive distributions of available cash of the Partnership (other than available cash derived from or attributable to any distribution received by the Partnership from PropCo, the proceeds of any sale of the membership interests of PropCo, or any interest or principal payments received by the Partnership with respect to indebtedness of PropCo or its subsidiaries) at a fixed rate equal to $0.8682 per quarter for each Class C Unit outstanding, (iii) do not have the right to vote on any matter except as otherwise required by any non-waivable provision of law, (iv) are not allocated any items of income, gain, loss, deduction or credit attributable to the Partnership's ownership of, or sale or other disposition of, the membership interests of PropCo, or the Partnership's ownership of any indebtedness of PropCo or any of its subsidiaries ("PropCo Items"), (v) will be allocated gross income (other than from PropCo Items)

in an amount equal to the cash distributed to the holders of Class C Units and (vi) will be allocated depreciation, amortization and cost recovery deductions as if the Class C Units were Common Units and 1% of certain allocations of net termination gain (other than from PropCo Items).

Pursuant to the terms described above, these distributions do not have an impact on the Partnership's consolidated cash flows and as such, are excluded from total cash distributions and allocation of limited partners' interest in net income. For the three months ended March 31, 2018 , Class C distributions declared totaled $14 million .

Incentive Distribution Rights

The following table illustrates the percentage allocations of available cash from operating surplus between our common unitholders and the holder of our incentive distribution rights ("IDRs") based on the specified target distribution levels, after the payment of distributions to Class C unitholders. The amounts set forth under "marginal percentage interest in distributions" are the percentage interests of our IDR holder and the common unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column "total quarterly distribution per unit target amount." The percentage interests shown for our common unitholders and our IDR holder for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution.

		Marginal percentage interest in distributions	
	Total quarterly distribution per Common Unit target amount	Common Unitholders	Holder of IDRs
Minimum Quarterly Distribution	$0.4375	100%	—
First Target Distribution	Above $0.4375 up to $0.503125	100%	—
Second Target Distribution	Above $0.503125 up to $0.546875	85%	15%
Third Target Distribution	Above $0.546875 up to $0.656250	75%	25%
Thereafter	Above $0.656250	50%	50%

Cash Distributions

Our Partnership Agreement sets forth the calculation used to determine the amount and priority of cash distributions that the common unitholders receive.

Cash distributions paid or payable during 2018 were as follows:

	Limited Partners		
Payment Date	Per Unit Distribution	Total Cash Distribution	Distribution to IDR Holders
	(in millions, except per unit amounts)		
May 15, 2018	$ 0.8255	$ 68	$ 18
February 14, 2018	$ 0.8255	$ 82	$ 21

	Series A Preferred Unit Holder
Payment Date	Total Cash Distribution
	(in millions)
January 25, 2018 (1)	$ 10

(1) $10 million cash distribution paid on January 25, 2018 includes $8 million cash distribution for the three months ended December 31, 2017 and $2 million cash distribution for the period from January 1, 2018 through January 25, 2018.

18. Unit-Based Compensation

The Partnership has issued phantom units to its employees and non-employee directors, which vest 60% after three years and 40% after five years. Phantom units have the right to receive distributions prior to vesting. The fair value of these units is the market price of our common units on the grant date, and is amortized over the five-year vesting period using the straight-line method. Unit-based compensation expense related to the Partnership included in our Consolidated Statements of Operations and Comprehensive Income was $3 million and $4 million for the three months ended March 31, 2018 and 2017 , respectively. The total fair value of phantom units vested during the three months ended March 31, 2018 and 2017 , was $5 million and $0.4 million , respectively, based on the market price of SUN's common units as of the vesting date. Unrecognized compensation cost related to our nonvested restricted phantom units totaled

$27 million as of March 31, 2018 , which is expected to be recognized over a weighted average period of 3.78 years. The fair value of nonvested phantom units outstanding as of March 31, 2018 totaled $56 million .

A summary of our phantom unit award activity is as follows:

	Number of Phantom Common Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2016	2,013,634	$ 34.43
Granted	203,867	28.31
Vested	(289,377)	45.48
Forfeited	(150,823)	34.71
Outstanding at December 31, 2017	1,777,301	31.89
Granted	420,300	28.86
Vested	(169,996)	28.18
Forfeited	(214,344)	31.93
Outstanding at March 31, 2018	1,813,261	$ 30.96

19. Segment Reporting

Segment information is prepared on the same basis that our Chief Operating Decision Maker ("CODM") reviews financial information for operational decision-making purposes. We operate our business in two primary segments, wholesale and retail, both of which are included as reportable segments. No operating segments have been aggregated in identifying the two reportable segments.

We allocate shared revenue and costs to each segment based on the way our CODM measures segment performance. Partnership overhead costs, interest and other expenses not directly attributable to a reportable segment are allocated based on segment gross profit.

We report EBITDA and Adjusted EBITDA by segment as a measure of segment performance. We define EBITDA as net income before net interest expense, income tax expense and depreciation, amortization and accretion expense. We define Adjusted EBITDA to include adjustments for non-cash compensation expense, gains and losses on disposal of assets and impairment charges, unrealized gains and losses on commodity derivatives and inventory adjustments.

Wholesale Segment

Our wholesale segment purchases motor fuel primarily from independent refiners and major oil companies and supplies it to our retail segment, to independently-operated dealer stations under long-term supply agreements, and to distributors and other consumers of motor fuel. Also included in the wholesale segment are motor fuel sales to commission agent locations and sales and costs related to processing transmix. We distribute motor fuels across more than 30 states throughout the East Coast and Southeast regions of the United States from Maine to Florida and from Florida to New Mexico, as well as Hawaii. Sales of fuel from our wholesale segment to our retail segment are delivered at cost plus a profit margin. These amounts are reflected in intercompany eliminations of motor fuel revenue and motor fuel cost of sales. Also included in our wholesale segment is rental income from properties that we lease or sublease.

Retail Segment

Prior to the completion of the Retail Divestment, our retail segment primarily operated branded retail convenience stores across more than 20 states throughout the East Coast and Southeast regions of the United States with a significant presence in Texas, Pennsylvania, New York, Florida, and Hawaii. These stores offer motor fuel, merchandise, foodservice, and a variety of other services including car washes, lottery, automated teller machines, money orders, prepaid phone cards and wireless services. The operations of the Retail Divestment are included in discontinued operations in the following segment information. Subsequent to the completion of the Retail Divestment, the remaining retail segment includes the Partnership's ethanol plant, credit card services, franchise royalties, and its retail operations in Hawaii and the continental United States.

The following tables present financial information by segment for the three months ended March 31, 2018 and 2017 :

	For the Three Months Ended March 31,							
	2018				2017			
	Wholesale Segment	Retail Segment	Intercompany Eliminations	Totals	Wholesale Segment	Retail Segment	Intercompany Eliminations	Totals
	(in millions)							
Revenue								
Retail motor fuel	$ —	$ 445		$ 445	$ —	$ 353		$ 353
Wholesale motor fuel sales to third parties	3,094	—		3,094	2,244	—		2,244
Wholesale motor fuel sales to affiliates	12	—		12	21	—		21
Merchandise	—	135		135	—	131		131
Rental income	19	3		22	19	3		22
Other	14	27		41	13	24		37
Intersegment sales	404	34	(438)	—	327	35	(362)	—
Total revenue	3,543	644	(438)	3,749	2,624	546	(362)	2,808
Gross profit								
Retail motor fuel	—	44		44	—	36		36
Wholesale motor fuel	161	—		161	122	—		122
Merchandise	—	42		42	—	43		43
Rental and other	29	20		49	28	27		55
Total gross profit	190	106		296	150	106		256
Total operating expenses	119	81		200	91	109		200
Operating income (loss)	71	25		96	59	(3)		56
Interest expense, net	19	15		34	20	38		58
Loss on extinguishment of debt and other	109	—		109	—	—		—
Income (loss) from continuing operations before income taxes	(57)	10		(47)	39	(41)		(2)
Income tax expense (benefit)	1	30		31	1	(15)		(14)
Income (loss) from continuing operations	(58)	(20)		(78)	38	(26)		12
Loss from discontinued operations, net of income taxes (See Note 4)	—	(237)		(237)	—	(11)		(11)
Net income (loss) and comprehensive income (loss)	$ (58)	$ (257)		$ (315)	$ 38	$ (37)		$ 1
Depreciation, amortization and accretion (1)	28	21		49	22	65		87
Interest expense, net (1)	19	17		36	20	44		64
Income tax expense (benefit) (1)	1	203		204	1	(18)		(17)
EBITDA	(10)	(16)		(26)	81	54		135
Non-cash compensation expense (1)	—	3		3	—	4		4
Loss on disposal of assets (1)	3	23		26	2	5		7
Loss on extinguishment of debt and other (1)	109	20		129	—	—		—
Unrealized gain on commodity derivatives (1)	—	—		—	(5)	—		(5)
Inventory fair value adjustments (1)	(25)	(1)		(26)	13	1		14
Other non-cash adjustments	3	—		3	—	—		—
Adjusted EBITDA	$ 80	$ 29		$ 109	$ 91	$ 64		$ 155
Capital expenditures (1)	$ 12	$ 7		$ 19	$ 12	$ 54		$ 66
Total assets as of March 31, 2018 and December 31, 2017, respectively	$ 3,073	$ 1,846		$ 4,919	$ 3,130	$ 5,214		$ 8,344

(1) Includes amounts from discontinued operations.

20. Net Income per Unit

Net income per unit applicable to limited partners is computed by dividing limited partners' interest in net income by the weighted-average number of outstanding common units. Our net income is allocated to the limited partners in accordance with their respective partnership percentages, after giving effect to any priority income allocations for incentive distributions and distributions on employee unit awards. Earnings in excess of distributions are allocated to the limited partners based on their respective ownership interests.

Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

In addition to the common units, we identify the IDRs as participating securities and use the two-class method when calculating net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Diluted net income per unit includes the effects of potentially dilutive units on our common units, consisting of unvested phantom units.

A reconciliation of the numerators and denominators of the basic and diluted per unit computations is as follows:

	For the Three Months Ended March 31,	
	2018	**2017**
	(in millions, except units and per unit amounts)	
Income (loss) from continuing operations	$ (78)	$ 12
Less:		
Distributions on Series A Preferred units	2	—
Incentive distribution rights	18	21
Distributions on nonvested phantom unit awards	1	2
Limited partners' interest in net loss from continuing operations	$ (99)	$ (11)
Loss from discontinued operations	$ (237)	$ (11)
Weighted average limited partner units outstanding:		
Common - basic	89,753,950	98,609,608
Common - equivalents	517,801	106,350
Common - diluted	90,271,751	98,715,958
Loss from continuing operations per limited partner unit:		
Common - basic	$ (1.11)	$ (0.11)
Common - diluted	$ (1.11)	$ (0.11)
Loss from discontinued operations per limited partner unit:		
Common - basic	$ (2.63)	$ (0.11)
Common - diluted	$ (2.63)	$ (0.11)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this report. Additional discussion and analysis related to our Partnership is contained in our Annual Report on Form 10-K including the audited financial statements for the fiscal year ended December 31, 2017 .

EBITDA, Adjusted EBITDA, and distributable cash flow are non-GAAP financial measures of performance that have limitations and should not be considered as a substitute for net income or cash provided by (used in) operating activities. Please see "Key Measures Used to Evaluate and Assess Our Business" below for a discussion of our use of EBITDA, Adjusted EBITDA, and distributable cash flow in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a reconciliation to net income for the periods presented.

Forward-Looking Statements

This report, including without limitation, our discussion and analysis of our financial condition and results of operations, and any information incorporated by reference, contains statements that we believe are "forward-looking statements". These forward-looking statements generally can be identified by use of phrases such as "believe," "plan," "expect," "anticipate," "intend," "forecast" or other similar words or phrases. Descriptions of our objectives, goals, targets, plans, strategies, costs, anticipated capital expenditures, expected cost savings and benefits are also forward-looking statements. These forward-looking statements are based on our current plans and expectations and involve a number of risks and uncertainties that could cause actual results and events to vary materially from the results and events anticipated or implied by such forward-looking statements, including:

- the outcome of any legal proceedings that may be instituted against us following the completion of the 7-Eleven Transaction;
- our ability to make, complete and integrate acquisitions from affiliates or third-parties;
- business strategy and operations of Energy Transfer Partners, L.P. ("ETP") and Energy Transfer Equity, L.P. ("ETE") and ETP's and ETE's conflicts of interest with us;
- changes in the price of and demand for the motor fuel that we distribute and our ability to appropriately hedge any motor fuel we hold in inventory;
- our dependence on limited principal suppliers;
- competition in the wholesale motor fuel distribution and convenience store industry;
- changing customer preferences for alternate fuel sources or improvement in fuel efficiency;
- environmental, tax and other federal, state and local laws and regulations;
- the fact that we are not fully insured against all risk incidents to our business;
- dangers inherent in the storage and transportation of motor fuel;
- our reliance on senior management, supplier trade credit and information technology; and
- our partnership structure, which may create conflicts of interest between us and Sunoco GP LLC, our general partner ("General Partner"), and its affiliates, and limits the fiduciary duties of our General Partner and its affiliates.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

For a discussion of these and other risks and uncertainties, please refer to "Item 1A. Risk Factors" included herein, and in our Annual Report on Form 10-K for the year ended December 31, 2017 . The list of factors that could affect future performance and the accuracy of forward-looking statements is illustrative but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The forward-looking statements included in this report are based on, and include, our estimates as of the filing of this report. We anticipate that subsequent events and market developments will cause our estimates to change. However, while we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so except as required by law, even if new information becomes available in the future.

Overview

As used in this Management's Discussion and Analysis of Financial Condition and Results of Operations, the terms "Partnership," "SUN," "we," "us," or "our" should be understood to refer to Sunoco LP and our consolidated subsidiaries, unless the context clearly indicates otherwise.

We are a Delaware master limited partnership engaged in the wholesale distribution of motor fuels to convenience stores, independent dealers, commercial customers and distributors, as well as the retail sale of motor fuels and merchandise through our company-

operated convenience stores and retail fuel sites. Additionally, we are the exclusive wholesale supplier of the iconic Sunoco-branded motor fuel, supplying an extensive distribution network of 5,293 Sunoco-branded company and third-party operated locations throughout the East Coast, Midwest, South Central and Southeast regions of the United States.

We are managed by our General Partner. As of March 31, 2018 , ETE, a publicly traded master limited partnership, owns 100% of the membership interests in our General Partner, a 2.3% limited partner interest in us and all of our incentive distribution rights. ETP, another publicly traded master limited partnership which is also controlled by ETE, owns a 26.5% limited partner interest in us as of March 31, 2018 .

The Partnership recorded transaction costs of $1 million during the three months ended March 31, 2018 , as a result of the 7-Eleven Transaction.

We believe we are one of the largest independent motor fuel distributors by gallons in Texas and one of the largest distributors of Chevron, Exxon, and Valero branded motor fuel in the United States. In addition to distributing motor fuel, we also distribute other petroleum products such as propane and lubricating oil, and we receive rental income from real estate that we lease or sublease.

We purchase motor fuel primarily from independent refiners and major oil companies and distribute it across more than 30 states throughout the East Coast, Midwest, South Central and Southeast regions of the United States, as well as Hawaii to:

- 284 convenience stores and fuel outlets;
- 185 independently operated consignment locations where we sell motor fuel to retail customers under commission arrangements with such operators;
- 6,503 convenience stores and retail fuel outlets operated by independent operators, which we refer to as “dealers” or “distributors,” pursuant to long-term distribution agreements; and
- 2,203 other commercial customers, including unbranded convenience stores, other fuel distributors, school districts, municipalities and other industrial customers.

As of March 31, 2018 , we operated 284 convenience stores and fuel outlets. Our retail convenience stores operate under several brands, including our proprietary brands APlus and Aloha Island Mart, and offer a broad selection of food, beverages, snacks, grocery and non-food merchandise, motor fuels and other services. We sold 245 million retail motor fuel gallons at these sites during the three months ended March 31, 2018 .

On January 23, 2018, we sold a portfolio of 1,030 company-operated retail fuel outlets in 19 geographic regions to 7-Eleven.

Recent Developments

On April 3, 2018, our subsidiary, Sunoco, LLC, entered into an Asset Purchase Agreement with Superior Plus Energy Services, Inc. (“Superior”), a New York Corporation, pursuant to which it agreed to acquire certain wholesale fuel distribution assets and related terminal assets from Superior for approximately $40 million plus working capital adjustments. The assets consist of a network of approximately 100 dealers, several hundred commercial contracts and three terminals, which are connected to major pipelines serving the Upstate New York market. The transaction closed on April 25, 2018.

On April 1, 2018, the Partnership completed the conversion of 207 retail sites located in certain West Texas, Oklahoma and New Mexico markets to a single commission agent. Under the commission agent model, the Partnership owns, prices and sells fuel at the sites, paying the commission agent a fixed cents-per-gallon commission and receives rental income from the commission agent. The commission agent conducts all operations related to the convenience stores and related restaurant locations.

On April 2, 2018, the Partnership completed an acquisition of 26 retail fuel outlets from 7-Eleven and SEI Fuel Services, Inc., a wholly-owned subsidiary of 7-Eleven (“SEI Fuel”) for approximately $50 million, pursuant to an Asset Purchase Agreement entered by the Partnership, 7-Eleven and SEI Fuel on January 4, 2018. The Partnership subsequently converted the acquired stations from company-operated sites to commission agent locations.

On February 7, 2018, the Partnership repurchased 17,286,859 SUN common units owned by ETP for aggregate cash consideration of approximately $540 million. The repurchase price per common unit was $31.2376, which is equal to the volume weighted average trading price of SUN common units on the New York Stock Exchange for the ten trading days ending on January 23, 2018. We funded the repurchase with cash on hand on February 7, 2018.

On January 25, 2018, the Partnership redeemed all outstanding Series A Preferred Units held by ETE for an aggregate redemption amount of approximately $313 million. The redemption amount includes the original consideration of $300 million and a 1% call premium plus accrued and unpaid quarterly distributions.

On January 23, 2018, we completed a private offering of $2.2 billion of senior notes, comprised of $1.0 billion in aggregate principal amount of 4.875% senior notes due 2023, $800 million in aggregate principal amount of 5.500% senior notes due 2026 and $400 million in aggregate principal amount of 5.875% senior notes due 2028. The Partnership used the proceeds from the private offering, along with proceeds from the 7-Eleven Transaction, to: 1) redeem in full our existing senior notes as of December 31, 2017, comprised of $800 million in aggregate principal amount of 6.250% senior notes due 2021, $600 million in aggregate principal amount of 5.500% senior notes due 2020, and $800 million in aggregate principal amount of 6.375% senior notes due 2023; 2) repay in full and terminate the Term Loan; 3) pay all closing costs in connection with the 7-Eleven Transaction; 4) redeem the outstanding Series A Preferred Units held by ETE for an aggregate redemption amount of approximately $313 million; and 5) repurchase 17,286,859 SUN common units owned by ETP for aggregate cash consideration of approximately $540 million.

On January 23, 2018, we entered into certain Amended and Restated Asset Purchase Agreement (the "A&R Purchase Agreement"), by and among us, 7-Eleven, Inc., a Texas corporation ("7-Eleven") and SEI Fuel Services, Inc., a Texas corporation and wholly-owned subsidiary of 7-Eleven ("SEI Fuel" and together with 7-Eleven, referred to herein collectively as "Buyers"), and certain other named parties for the limited purposes set forth therein, pursuant to which the parties agreed to amend and restate the Asset Purchase Agreement that was entered by the parties on April 6, 2017 to reflect certain commercial agreements and updates made by the parties in connection with consummation of the transactions contemplated by the Asset Purchase Agreement. Under the A&R Purchase Agreement, we agreed to sell a portfolio of 1,030 company-operated retail fuel outlets in 19 geographic regions, together with ancillary businesses and related assets, including the proprietary Laredo Taco Company brand, for approximately $3.2 billion. On January 23, 2018, we completed the disposition of assets pursuant to the A&R Purchase Agreement.

On January 18, 2017, with the assistance of a third-party brokerage firm, we launched a portfolio optimization plan to market and sell 97 real estate assets. Real estate assets included in this process are company-owned locations, undeveloped greenfield sites and other excess real estate. Properties are located in Florida, Louisiana, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia. As of March 31, 2018 , of the 97 properties, 47 have been sold, one is under contract to be sold, and eight continue to be marketed by the third-party brokerage firm. Additionally, 32 were sold to 7-Eleven and nine are part of approximately 207 retail sites located in certain West Texas, Oklahoma, and New Mexico markets which will be operated by a commission agent.

The assets under the A&R Purchase Agreement and the real estate assets subject to the portfolio optimization plan comprise the retail divestment presented as discontinued operations ("Retail Divestment"). See Note 4 to the Consolidated Financial Statements for more information of Retail Divestment.

Key Measures Used to Evaluate and Assess Our Business

Management uses a variety of financial measurements to analyze business performance, including the following key measures:

- *Wholesale and retail motor fuel gallons sold* . One of the primary drivers of our business is the total volume of motor fuel sold through our wholesale and retail channels. Fuel distribution contracts with our wholesale customers generally provide that we distribute motor fuel at a fixed, volume-based profit margin or at an agreed upon level of price support. As a result, wholesale gross profit is directly tied to the volume of motor fuel that we distribute.
- *Gross profit per gallon* . Gross profit per gallon is calculated as the gross profit on motor fuel (excluding non-cash fair value adjustments) divided by the number of gallons sold, and is typically expressed as cents per gallon. Our gross profit per gallon varies amongst our third-party relationships and is impacted by the availability of certain discounts and rebates from suppliers. Retail gross profit per gallon is heavily impacted by volatile pricing and intense competition from convenience stores, supermarkets, club stores and other retail formats, which varies based on the market.
- *Merchandise gross profit and margin* . Merchandise gross profit is calculated as the gross sales price of merchandise less direct cost of goods and shortages, including bad merchandise and theft. Merchandise margin is calculated as merchandise gross profit as a percentage of merchandise sales. We do not include gross profit from ancillary products and services in the calculation of merchandise gross profit. We do not anticipate that merchandise gross profit and margin will be used by management as a key measure to analyze our future business performance as we have transitioned primarily into a wholesale fuel distribution business.
- *EBITDA, Adjusted EBITDA and distributable cash flow* . EBITDA as used throughout this document, is defined as earnings before net interest expense, income taxes, depreciation, amortization and accretion expense. Adjusted EBITDA is further adjusted to exclude allocated non-cash compensation expense, unrealized gains and losses on commodity derivatives and inventory fair value adjustments, and certain other operating expenses reflected in net income that we do not believe are indicative of ongoing core operations, such as gain or loss on disposal of assets and non-cash impairment charges. We define distributable cash flow as Adjusted EBITDA less cash interest expense, including the accrual of interest expense related to our long-term debt which is paid on a semi-annual basis, Series A Preferred distribution, current income tax expense, maintenance capital expenditures and other non-cash adjustments.

Adjusted EBITDA and distributable cash flow are not financial measures calculated in accordance with GAAP. For a reconciliation of Adjusted EBITDA and distributable cash flow to their most directly comparable financial measure calculated and presented in accordance with GAAP, read "Key Operating Metrics" below.

We believe EBITDA, Adjusted EBITDA and distributable cash flow are useful to investors in evaluating our operating performance because:

- Adjusted EBITDA is used as a performance measure under our revolving credit facility;
- securities analysts and other interested parties use such metrics as measures of financial performance, ability to make distributions to our unitholders and debt service capabilities;
- our management uses them for internal planning purposes, including aspects of our consolidated operating budget, and capital expenditures; and
- distributable cash flow provides useful information to investors as it is a widely accepted financial indicator used by investors to compare partnership performance, and as it provides investors an enhanced perspective of the operating performance of our assets and the cash our business is generating.

EBITDA, Adjusted EBITDA and distributable cash flow are not recognized terms under GAAP and do not purport to be alternatives to net income (loss) as measures of operating performance or to cash flows from operating activities as a measure of liquidity. EBITDA, Adjusted EBITDA and distributable cash flow have limitations as analytical tools, and one should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect our total cash expenditures, or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- they do not reflect interest expense or the cash requirements necessary to service interest or principal payments on our revolving credit facility or term loan;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements; and
- as not all companies use identical calculations, our presentation of EBITDA, Adjusted EBITDA and distributable cash flow may not be comparable to similarly titled measures of other companies.

Key Operating Metrics

The following information is intended to provide investors with a reasonable basis for assessing our historical operations but should not serve as the only criteria for predicting our future performance. We operate our business in two primary operating divisions, wholesale and retail, both of which are included as reportable segments.

Key operating metrics set forth below are presented as of and for the three months ended March 31, 2018 and 2017 and have been derived from our historical consolidated financial statements.

The operating results for the discontinued operations are shown in the retail operations segment for the purposes of presenting the key operating metrics.

The following table sets forth, for the periods indicated, information concerning key measures we rely on to gauge our operating performance:

	For the Three Months Ended March 31,					
	2018			2017		
	Wholesale	Retail	Total	Wholesale	Retail	Total
	(dollars and gallons in millions, except gross profit per gallon)					
Revenues:						
Retail motor fuel	$ —	$ 445	$ 445	$ —	$ 353	$ 353
Wholesale motor fuel sales to third parties	3,094	—	3,094	2,244	—	2,244
Wholesale motor fuel sale to affiliates	12	—	12	21	—	21
Merchandise	—	135	135	—	131	131
Rental income	19	3	22	19	3	22
Other	14	27	41	13	24	37
Total revenues	$ 3,139	$ 610	$ 3,749	$ 2,297	$ 511	$ 2,808
Gross profit:						
Retail motor fuel	$ —	$ 44	$ 44	$ —	$ 36	$ 36
Wholesale motor fuel	161	—	161	122	—	122
Merchandise	—	42	42	—	43	43
Rental and other	29	20	49	28	27	55
Total gross profit	$ 190	$ 106	$ 296	$ 150	$ 106	$ 256
Income (loss) from continuing operations	(58)	(20)	(78)	38	(26)	12
Loss from discontinued operations, net of taxes	—	(237)	(237)	—	(11)	(11)
Net income (loss) and comprehensive income (loss)	$ (58)	$ (257)	$ (315)	$ 38	$ (37)	$ 1
Adjusted EBITDA (2)	$ 80	$ 29	$ 109	$ 91	$ 64	$ 155
Distributable cash flow, as adjusted (2)			$ 85			$ 77
Operating Data:						
Total motor fuel gallons sold:						
Retail (3)		245	245		595	595
Wholesale	1,612		1,612	1,313		1,313
Motor fuel gross profit cents per gallon (1):						
Retail (3)		24.4¢	24.4¢		23.1¢	23.1¢
Wholesale	8.4¢		8.4¢	10.6¢		10.6¢
Volume-weighted average for all gallons (3)			10.5¢			14.5¢
Retail merchandise margin (3)		29.7%			31.6%	

(1) Includes other non-cash adjustments and excludes the impact of inventory adjustments consistent with the definition of Adjusted EBITDA.

(2) We define EBITDA, Adjusted EBITDA, and distributable cash flow as described above under “Key Measures Used to Evaluate and Assess Our Business.”

(3) Includes amounts from discontinued operations.

The following table presents a reconciliation of net income to EBITDA, Adjusted EBITDA and distributable cash flow for the three months ended March 31, 2018 and 2017 :

	For the Three Months Ended March 31,					
	2018			2017		
	Wholesale	Retail	Total	Wholesale	Retail	Total
	(in millions)					
Net income (loss) and comprehensive income (loss)	$ (58)	$ (257)	$ (315)	$ 38	$ (37)	$ 1
Depreciation, amortization and accretion (1)	28	21	49	22	65	87
Interest expense, net (1)	19	17	36	20	44	64
Income tax expense (benefit) (1)	1	203	204	1	(18)	(17)
EBITDA	$ (10)	$ (16)	$ (26)	$ 81	$ 54	$ 135
Non-cash compensation expense (1)	—	3	3	—	4	4
Loss on disposal of assets (1)	3	23	26	2	5	7
Loss on extinguishment of debt and other (1)	109	20	129	—	—	—
Unrealized gain on commodity derivatives (1)	—	—	—	(5)	—	(5)
Inventory adjustments (1)	(25)	(1)	(26)	13	1	14
Other non-cash adjustments	3	—	3	—	—	—
Adjusted EBITDA	$ 80	$ 29	$ 109	$ 91	$ 64	$ 155
Cash interest expense (1)			34			60
Current income tax expense (1)			468			—
Transaction-related income taxes (2)			(480)			—
Maintenance capital expenditures (1)			3			18
Distributable cash flow			$ 84			$ 77
Transaction-related expenses (1)			3			—
Series A Preferred distribution			(2)			—
Distributable cash flow, as adjusted			$ 85			$ 77

(1) Includes amounts from discontinued operations.

(2) Transaction-related income taxes primarily related to the 7-Eleven Transaction.

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

The following discussion of results compares the operations for the three months ended March 31, 2018 and 2017 .

Revenue. Total revenue attributable to continuing operations for the three months ended March 31, 2018 was $3.7 billion , an increase of $941 million from the three months ended March 31, 2017 . The increase is primarily attributable to the following:

- an increase in wholesale motor fuel revenue of $841 million due to a 11.8% , or a $0.20 , increase in the sales price per wholesale motor fuel gallon, and an increase in wholesale motor fuel gallons sold of approximately 299 million ;
- an increase in retail motor fuel revenue of $92 million due to 32.2% , or a $0.77 , increase in the sales price per retail motor fuel gallon, offset by a decrease in retail motor fuel gallons sold of approximately 7 million ; and
- a net increase in merchandise revenue, rental income and other revenue of $8 million .

Gross Profit . Gross profit attributable to continuing operations for the three months ended March 31, 2018 was $296 million , an increase of $40 million from the three months ended March 31, 2017 . The increase in gross profit is primarily attributable to the following:

- an increase in the gross profit on wholesale motor fuel of $39 million primarily due to a $38 million favorable change in the inventory adjustment compared to the prior year. Excluding the inventory adjustment change, we had a 20.8% , or a $0.022 , decrease in the gross profit per wholesale motor fuel gallon and an increase in wholesale motor fuel gallons sold of approximately 299 million ; and
- an increase in the gross profit on retail motor fuel of $8 million primarily due to a 23.6% , or a $0.060 , increase in the gross profit per retail motor fuel gallon, offset by a decrease in retail motor fuel gallons sold of approximately 7 million ; offset by
- a net decrease in other gross profit consisting of merchandise, rental and other of $7 million .

Total Operating Expenses . Total operating expenses attributable to continuing operations for each of the three months ended March 31, 2018 and 2017 were $200 million , reflecting the net impacts of the following:

- an increase in general and administrative expenses and other operating expenses of $9 million primarily attributable to higher salary, insurance and maintenance expenses; and
- an increase in loss on disposal of assets of $1 million ; offset by
- a net decrease in rent expense and depreciation, amortization and accretion expense of $10 million .

Interest Expense . Interest expense attributable to continuing operations for the three months ended March 31, 2018 was $34 million , a decrease of $24 million from the three months ended March 31, 2017 . This decrease is primarily attributable to the repayment in full of our term loan agreement that we entered into on March 31, 2016 (“Term Loan”), and the decrease in borrowings under our revolving credit facility that we entered into on September 25, 2014 (the “2014 Revolver”).

Loss on extinguishment of debt and other . Loss on extinguishment of debt and other for the three months ended March 31, 2018 was $109 million , which was primarily attributable to $106 million loss recognized from the redemption of our senior notes, and $3 million related to the early redemption penalty of our Series A Preferred Units previously held by ETE.

Income Tax Expense (Benefit). Income tax expense attributable to continuing operations for the three months ended March 31, 2018 was $31 million , a change of $45 million from income tax benefit of $(14) million for the three months ended March 31, 2017 . This change is primarily attributable to higher earnings from the Partnership’s consolidated corporate subsidiaries and a state income tax statutory rate change.

Discontinued Operations. Net loss from discontinued operations increased by $226 million , which was primarily attributable to an increase of $176 million in income tax expense, a $20 million loss on extinguishment of debt related to the discontinued operations and a increase of $18 million in loss on disposal of assets caused by the completion of the majority of the Retail Divestment during the three months ended March 31, 2018 . The increase of net loss from discontinued operations was also impacted by a decrease of $203 million in the gross profit, and partially offset by a decrease of $187 million in operating expenses excluding the loss on disposal of assets and a decrease of $4 million in interest expense. These changes were primarily attributable to a partial period for the majority of the Retail Divestment during the three months ended March 31, 2018 . See Note 4 of the consolidated financial statements for the results from the discontinued operations.

Liquidity and Capital Resources

Liquidity

Our principal liquidity requirements are to finance current operations, to fund capital expenditures, including acquisitions from time to time, to service our debt and to make distributions. We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and the issuance of additional long-term debt or partnership units as appropriate

given market conditions. We expect that these sources of funds will be adequate to provide for our short-term and long-term liquidity needs.

Our ability to meet our debt service obligations and other capital requirements, including capital expenditures and acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control. As a normal part of our business, depending on market conditions, we will from time to time consider opportunities to repay, redeem, repurchase or refinance our indebtedness. Changes in our operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may cause us to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. In addition, any of the items discussed in detail under "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2017 may also significantly impact our liquidity.

We had $98 million and $28 million of cash and cash equivalents on hand as of March 31, 2018 and December 31, 2017 , respectively, all of which were unrestricted. As of March 31, 2018 , the balance under the 2014 Revolver was zero , and $ 8 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at March 31, 2018 was $ 1.5 billion . The Partnership was in compliance with all financial covenants at March 31, 2018 . Based on our current estimates, we expect to utilize capacity under the 2014 Revolver, along with cash from operations, to fund our announced growth capital expenditures and working capital needs for 2018; however, we may issue debt or equity securities prior to that time as we deem prudent to provide liquidity for new capital projects or other partnership purposes.

Cash Flows

	For the Three Months Ended March 31,	
	2018	**2017**
	(in millions)	
Net cash provided by (used in)		
Operating activities - continuing operations	$ 440	$ (14)
Investing activities - continuing operations	(17)	(37)
Financing activities - continuing operations	(3,093)	(96)
Discontinued operations	2,740	101
Net increase (decrease) in cash and cash equivalents	$ 70	$ (46)

Cash Flows Provided by (Used in) Operating Activities - Continuing Operations. Our daily working capital requirements fluctuate within each month, primarily in response to the timing of payments for motor fuels, motor fuels tax and rent. Net cash provided by (used in) operations was $440 million and $(14) million for the first three months of 2018 and 2017 , respectively. The increase in cash flows used in operations was primarily impacted by changes in operating assets and liabilities of $437 million , a loss on extinguishment of debt of $109 million and changes in deferred income taxes expense of $43 million , partially offset by changes in net income from continuing operations of $90 million , changes in inventory valuation adjustments of $38 million , and change in deprecation, amortization and accretion of $7 million .

Cash Flows Used in Investing Activities - Continuing Operations. Net cash used in investing activities was $17 million and $37 million for the first three months of 2018 and 2017 , respectively. Capital expenditures were $19 million and $24 million for the first three months of 2018 and 2017 , respectively.

Cash Flows Used in Financing Activities - Continuing Operations. Net cash used in financing activities was $3.1 billion and $96 million for the first three months of 2018 and 2017 , respectively. During the three months ended March 31, 2018 , we:

- borrowed $2.2 billion under our 2018 Senior Notes offering, comprised of $1.0 billion in aggregate principal amount of 4.875% senior notes due 2023, $800 million in aggregate principal amount of 5.500% senior notes due 2026 and $400 million in aggregate principal amount of 5.875% senior notes due 2028;
- borrowed $414 million and repaid $1.2 billion under our 2014 Revolver to fund daily operations;
- redeemed $2.2 billion of our existing senior notes as of December 31, 2017, comprised of $800 million in aggregate principal amount of 6.250% senior notes due 2021, $600 million in aggregate principal amount of 5.500% senior notes due 2020, and $800 million in aggregate principal amount of 6.375% senior notes due 2023;
- repaid $1.2 billion Term Loan in full and terminated it;
- redeemed the outstanding Series A Preferred Units held by ETE for $300 million and a call premium of $3 million;

- repurchased 17,286,859 SUN common units owned by ETP for aggregate cash consideration of approximately $540 million ; and
- paid $121 million in distributions to our unitholders, of which $69 million was paid to ETP and ETE collectively.

We intend to pay cash distributions to the holders of our common units and Class C units representing limited partner interests in the Partnership ("Class C Units") on a quarterly basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our General Partner and its affiliates. Class C unitholders receive distributions at a fixed rate equal to $0.8682 per quarter for each Class C Unit outstanding. There is no guarantee that we will pay a distribution on our units. On April 26, 2018 , we declared a quarterly distribution totaling $68 million , or $0.8255 per common unit based on the results for the three months ended March 31, 2018 , excluding distributions to Class C unitholders. The declared distribution will be paid on May 15, 2018 to unitholders of record on May 7, 2018.

Cash Flows Provided by Discontinued Operations.

Cash provided by discontinued operations was $2.7 billion for the first three months of 2018 and $101 million for the first three months of 2017 . Cash provided by (used in) discontinued operations for operating activities was $(485) million for the first three months of 2018 and $142 million for the first three months of 2017 . Cash provided by (used in) discontinued operations for investing activities was $3.2 billion for the first three months of 2018 and $(40) million for the first three months of 2017 , of which $3.2 billion for 2018 was proceeds from 7-Eleven Transaction. Changes in cash included in current assets held for sale was $11 million for the first three months of 2018 and $(1) million for the first three months of 2017 .

Capital Expenditures

Included in our capital expenditures for the continuing and discontinued operations for the first three months of 2018 was $3 million in maintenance capital and $16 million in growth capital. Growth capital relates primarily to dealer supply contracts.

We currently expect to spend approximately $90 million on growth capital and approximately $40 million on maintenance capital for the full year 2018 .

Contractual Obligations and Commitments

Contractual Obligations . We have contractual obligations that are required to be settled in cash. As of March 31, 2018 , we have zero borrowed on the 2014 Revolver compared to $765 million borrowed at December 31, 2017 . Further, as of March 31, 2018 , we had $2.2 billion outstanding under our Senior Notes. See Note 10 in the accompanying Notes to Consolidated Financial Statements for more information on our debt transactions.

We periodically enter into derivatives, such as futures and options, to manage our fuel price risk on inventory in the distribution system. Fuel hedging positions are not significant to our operations. We had 347 positions, representing 15 million gallons, outstanding at March 31, 2018 with an aggregated unrealized loss of $1 million .

Properties . Most of our leases are net leases requiring us to pay taxes, insurance and maintenance costs. We believe that no individual site is material to us. The following table summarizes the number of owned and leased properties as of March 31, 2018 :

	Owned	Leased
Wholesale dealer and consignment sites	473	242
Company-operated convenience stores and fuel outlets	147	137
Warehouses, offices and other	82	84
Total	702	463

Estimates and Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting policies are those we believe are both most important to the portrayal of our financial condition and results of operations, and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Our significant accounting policies are described in Note 2 in the accompanying Notes to Consolidated Financial Statements and in our Annual Report on Form 10-K for the year ended December 31, 2017 .

The following information is provided to supplement the previous disclosure specifically related to revenue recognition.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* , as a new Topic, Accounting Standards Codification ("ASC") Topic 606. On January 1, 2018 we adopted ASC Topic 606, which is effective for annual reporting periods beginning on or after December 15, 2017. The new standard requires us to recognize revenue when a customer obtains control rather than when we have transferred substantially all risks and rewards of a good or service and requires expanded disclosures. It also outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes ASC 605 - Revenue Recognition and industry-specific guidance.

For contracts in scope of the new revenue standard as of January 1, 2018, we recognized a cumulative effect adjustment to retained earnings to account for the differences in timing of revenue recognition. The comparative information has not been restated under the modified retrospective method and continues to be reported under the accounting standards in effect for those periods.

The material adjustments to the opening balance sheet primarily relate to a change in timing of revenue recognition for variable consideration, such as incentives paid to customers, as well as a change in timing of revenue recognition for franchise fee revenue. Historically, an asset was recognized related to the contract incentives which was amortized over the life of the agreement. Under the new standard, the timing of the recognition of incentives changed due to application of the expected value method to estimate variable consideration. Additionally, under the new standard the change in timing of franchise fee revenue is due to the treatment of revenue recognition from the symbolic license over the term of the agreement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates based on our financing, investing and cash management activities. We had no outstanding borrowings on the 2014 Revolver as of March 31, 2018 . The annualized effect of a one percentage point change in floating interest rates on our variable rate debt obligations outstanding at March 31, 2018 would be no change to interest expense. Our primary exposure relates to:

- interest rate risk on short-term borrowings; and
- the impact of interest rate movements on our ability to obtain adequate financing to fund future acquisitions.

While we cannot predict or manage our ability to refinance existing debt or the impact interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis. From time to time, we may enter into interest rate swaps to reduce the impact of changes in interest rates on our floating rate debt. We had no interest rate swaps in effect during the first three months of 2018 or 2017 .

Commodity Price Risk

Aloha has terminals on all four major Hawaiian Islands that hold purchased fuel until it is delivered to customers (typically over a two to three week period). Commodity price risks relating to this inventory are not currently hedged. The terminal inventory balance was $ 26 million at March 31, 2018 .

Sunoco LLC holds working inventories of refined petroleum products, renewable fuels, gasoline blendstocks and transmix in storage. As of March 31, 2018 , Sunoco LLC held approximately $ 332 million of such inventory. While in storage, volatility in the market price of stored motor fuel could adversely impact the price at which we can later sell the motor fuel. However, Sunoco LLC uses futures, forwards and other derivative instruments to hedge a variety of price risks relating to deviations in that inventory from a target base operating level established by management. Derivative instruments utilized consist primarily of exchange-traded futures contracts traded on the NYMEX, CME and ICE as well as over-the-counter transactions (including swap agreements) entered into with established financial institutions and other credit-approved energy companies. Sunoco LLC's policy is generally to purchase only products for which there is a market and to structure sales contracts so that price fluctuations do not materially affect profit. Sunoco LLC also engages in controlled trading in accordance with specific parameters set forth in a written risk management policy. For the 2017 fiscal year, Sunoco LLC maintained an average thirteen day working inventory. While these derivative instruments represent economic hedges, they are not designated as hedges for accounting purposes.

On a consolidated basis, the Partnership had 347 positions, representing 15 million gallons with an aggregate unrealized loss of $1 million outstanding at March 31, 2018 .

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by paragraph (b) of Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded, as of the end of the period covered by this report, that our disclosure controls and procedures were effective at the reasonable assurance level for which they were designed in that the information required to be disclosed by the Partnership in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the Partnership's adoption of ASC 606 effective January 1, 2018, we have made appropriate design and implementation updates to our business processes, systems and internal controls to support recognition and disclosure under the new standard. The Partnership's adoption and implementation of ASC 606 is discussed in Note 2 to the consolidated financial statements included in "Item 1. Financial Statements."

There have been no changes in our internal control, other than those discussed above, over financial reporting (as defined in Rule 13(a)–15(f) or Rule 15d–15(f) of the Exchange Act) that occurred during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are party to any litigation that will have a material adverse impact.

Item 1A. Risk Factors

You should carefully consider the risks described below, and described in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017 as well as the section within this report entitled "Forward-Looking Statements" under Part I. Financial Information - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, before making any investment decision with respect to our securities. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, could negatively impact our results of operations or financial condition in the future. If any of such risks actually occur, our business, financial condition or results of operations could be materially adversely affected.

Unitholders may be subject to limitations on their ability to deduct interest expense we incur.

Pursuant to recently enacted legislation our ability to deduct business interest expense will be limited for U.S. federal income tax purposes to an amount equal to our business interest income and 30% of our "adjusted taxable income" during the taxable year computed without regard to any business interest income or expense, and in the case of taxable years beginning before 2022, any deduction allowable for depreciation, amortization, or depletion. Business interest expense that we are not entitled to fully deduct will be allocated to each unitholder as excess business interest and can be carried forward by the unitholder to successive taxable years and used to offset any excess taxable income allocated by us to the unitholder. Any excess business interest expense allocated to a unitholder will reduce the unitholder's tax basis in its partnership interest in the year of the allocation even if the expense does not give rise to a deduction to the unitholder in that year.

Non-U.S. unitholders will be subject to U.S. federal income taxes and withholding with respect to income and gain from owning our common units.

Non-U.S. persons are generally taxed and subject to U.S. federal income tax filing requirements on income effectively connected with a U.S. trade or business. Income allocated to our unitholders and, under recently enacted legislation, any gain from the sale of our units will generally be considered to be "effectively connected" with a U.S. trade or business. As a result, distributions to a non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a non-U.S. unitholder who sells or otherwise disposes of a common unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit.

Recently enacted legislation also imposes a U.S. federal income tax withholding obligation of 10% of the amount realized upon a non-U.S. person's sale or exchange of an interest in a partnership that is engaged in a U.S. trade or business. However, application of this withholding rule to dispositions of publicly traded partnership interests has been temporarily suspended by the IRS until regulations or other guidance have been issued. Non-U.S. persons should consult a tax advisor before investing in our common units.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table presents our common unit repurchase activity for the quarter ended March 31, 2018:

Period	Total number of shares purchased	Average Price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plan or program
January 1, 2018 to January 31, 2018	—	$ —	—	$ —
February 1, 2018 to February 28, 2018	17,286,859	31.2376	17,286,859	—
March 1, 2018 to March 31, 2018	—	—	—	—
Total	17,286,859	$ 31.2376	17,286,859	$ —

(1) On February 7, 2018, subsequent to the record date for SUN's fourth quarter 2017 distribution, the Partnership repurchased 17,286,859 SUN common units owned by ETP for aggregate cash consideration of approximately $540 million. The repurchase price per common unit was $31.2376, which is equal to the volume weighted average trading price of SUN common units on the New York Stock Exchange for the ten trading days ending on January 23, 2018. The Partnership funded the repurchase with cash on hand.

See Note 17, “Partners Capital”, in the accompanying Notes to Consolidated Financial Statements for more information.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The Partnership is including information in this Part II. Item 5. in order to: (i) file Exhibit 99.2 hereto to replace in its entirety the section under the heading “Material Income Tax Consequences” that appears in the Partnership’s Registration Statement on Form S-3 (Registration File No. 333-213057), as filed with the SEC on August 10, 2016 (as so filed and as so amended, the “Registration Statement”), to provide updated disclosure regarding the material tax considerations associated with the Partnership’s operations; and (ii) provide the legal opinion of Hunton Andrews Kurth LLP relating to certain tax matters, a copy of which is filed as Exhibit 8.1 hereto in connection with the Registration Statement.

In addition, effective May 8, 2018, each of the Partnership and Sunoco GP LLC, the general partner of the Partnership (the “General Partner”), changed its principal office to 8111 Westchester Drive, Suite 400, Dallas, Texas 75225 from 8020 Park Lane, Suite 200, Dallas, Texas 75231. Accordingly, on May 8, 2018, the General Partner filed with the Delaware Secretary of State an Amended and Restated Certificate of Limited Partnership (the “Certificate”) and executed Amendment No. 6 (the “LP Agreement Amendment”) to the First Amended and Restated Agreement of Limited Partnership of the Partnership to reflect such changes. Additionally, on May 8, 2018, the General Partner’s sole member executed Amendment No. 3 (the “LLC Agreement Amendment”) to the Amended and Restated Limited Liability Company Agreement of the General Partner to reflect the above mentioned changes to the General Partner’s principal office address.

The Certificate, the LP Agreement Amendment and the LLC Agreement Amendment are attached hereto as Exhibits 3.1, 3.2 and 3.3, respectively.

Item 6. Exhibits

The list of exhibits attached to this Quarterly Report on Form 10-Q is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
3.1 *	Amended and Restated Certificate of Limited Partnership of Sunoco LP dated as of May 8, 2018.
3.2 *	Amendment No. 6 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP dated as of May 8, 2018.
3.3 *	Amendment No. 3 to the Amended and Restated Limited Liability Company Agreement of Sunoco GP LLC dated as of May 8, 2018.
8.1 *	Opinion of Hunton Andrews Kurth LLP related to tax matters
12.1 *	Statement of Computation of Ratio of Earnings to Fixed Charges
23.1 *	Consent of Hunton Andrews Kurth LLP (included in Exhibit 8.1 hereto)
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
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
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
99.1 *	Information Related to ETC M-A Acquisition LLC
99.2 *	Material Tax Consequences
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation
101.DEF *	XBRL Taxonomy Extension Definition
101.LAB *	XBRL Taxonomy Extension Label Linkbase
101.PRE *	XBRL Taxonomy Extension Presentation

* - Filed herewith.

** - Furnished herewith

SIGNATURES

Pursuant to the requirements 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.

SUNOCO LP

By Sunoco GP LLC, its general partner

Date: May 10, 2018

By */s/ Thomas R. Miller*

Thomas R. Miller

Chief Financial Officer
(On behalf of the registrant and in his capacity as chief financial officer)

By /s/ *Leta McKinley*

Leta McKinley

Vice President, Controller and
Principal Accounting Officer
(In her capacity as principal accounting officer)

Exhibit 3.1

Second Amended and Restated
Certificate of Limited Partnership
of
Sunoco LP

This Second Amended and Restated Certificate of Limited Partnership of Sunoco LP (the " Partnership ") is executed and filed pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act (the " Act "), by Sunoco GP LLC, a Delaware limited liability company (the " General Partner "), as the general partner of the Partnership. The General Partner DOES HEREBY CERTIFY as follows:

1. The name of the limited partnership is Sunoco LP.

2. The original Certificate of Limited Partnership of the Partnership was filed under the name of Susser Petroleum Partners LP with the Secretary of State of the State of Delaware on June 11, 2012, and a Certificate of Amendment changing the name of the Partnership to Sunoco LP was filed with the Secretary of State of the State of Delaware on October 15, 2014.

3. The Amended and Restated Certificate of Limited Partnership of the Partnership was filed with the Secretary of State of the State of Delaware on June 6, 2016.

4. The Amended and Restated Certificate of Limited Partnership of the Partnership is being amended and restated to reflect the change of address of the General Partner of the Partnership.

5. The Amended and Restated Certificate of Limited Partnership of the Partnership is hereby amended and restated to read in its entirety as follows:

    1. The name of the limited partnership is Sunoco LP.

    2. The address of the registered office of the Partnership in the State of Delaware is 251 Little Falls Drive, Wilmington, Delaware, County of New Castle 19808, and the name of the registered agent at such address is Corporation Service Company.

    3. The name and business address of the General Partner of the Partnership are as follows:

    Sunoco GP LLC

    8111 Westchester Drive

    Suite 400

    Dallas, Texas 75225

IN WITNESS WHEREOF, this Second Amended and Restated Certificate of Limited Partnership has been duly executed as of the 8th day of May, 2018 and is being filed in accordance with Section 17-210 of the Act by the General Partner.

GENERAL PARTNER

Sunoco GP LLC

By: /s/Joseph Kim
Name: Joseph Kim
Title: President and Chief Executive Officer

Exhibit 3.2

AMENDMENT NO. 6
TO
FIRST AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP
OF SUNOCO LP
May 8, 2018

This Amendment No. 6 (this " ***Amendment No.6*** ") to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (the " ***Partnership*** "), dated as of September 25, 2012, as amended by Amendment No. 1 thereto dated as of October 27, 2014, Amendment No. 2 thereto dated as of July 31, 2015, Amendment No. 3 thereto dated as of January 1, 2016, Amendment No. 4 thereto dated as of June 6, 2016 and Amendment No. 5 thereto dated as of March 30, 2017 (as so amended, the " ***Partnership Agreement*** ") is hereby adopted effective as of May 8, 2018, by Sunoco GP LLC, a Delaware limited liability company (the " ***General Partner*** "), as general partner of the Partnership. Capitalized terms used but not defined herein have the meaning given such terms in the Partnership Agreement.

WHEREAS , Section 2.3 of the Partnership Agreement provides that, among other things, the General Partner may change the principal office of the Partnership at any time and from time to time by notice to the Limited Partners;

WHEREAS , the General Partner, without the approval of any Partner, may amend any provision of the Partnership Agreement pursuant to Section 13.1(a) of the Partnership Agreement to reflect, among other things, a change in the location of the principal place of business of the Partnership;

WHEREAS , the board of directors of the General Partner has authorized and instructed the General Partner to take any actions necessary, desirable or appropriate to change the principal office of the Partnership;

WHEREAS , effective as of the date hereof, the principal office of the Partnership and the address of the General Partner each are 8111 Westchester Drive, Suite 400, Dallas, Texas 75225;

WHEREAS , the General Partner deems it in the best interest of the Partnership to effect this Amendment No. 6 to change the principal office of the Partnership and address of the General Partner to 8111 Westchester Drive, Suite 400, Dallas, Texas 75225, as it occurs throughout the Partnership Agreement, and shall provide notice to the Limited Partners of such changes;

NOW THEREFORE , the General Partner does hereby amend the Partnership Agreement as follows:

Section 1. Amendment. Section 2.3 of the Partnership Agreement is hereby amended and restated to read as follows:

> Section 2.3 *Registered Office; Registered Agent; Principal Office; Other Offices* . Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 251 Little Falls Drive, Wilmington, Delaware, 19808, and the registered agent for service of process of the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be located at 8111 Westchester Drive, Suite 400, Dallas, Texas 75225, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner determines to be necessary or appropriate. The address of the General Partner shall be 8111 Westchester Drive, Suite 400, Dallas, Texas 75225, or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

Section 2. Except as hereby amended, the Partnership Agreement shall remain in full force and effect.

Section 3. If any provision or part of a provision of this Amendment No. 6 is or becomes for any reason, invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions and/or parts thereof contained herein shall not be affected thereby and this Amendment No. 6 shall, to the fullest extent permitted by law, be reformed and construed as if such invalid, illegal or unenforceable provision, or part of a provision, had never been contained herein, and such provision or part reformed so that it would be valid, legal and enforceable to the maximum extent possible.

Section 4. This Amendment No. 6 shall be governed by, and interpreted in accordance with, the laws of the State of Delaware, all rights and remedies being governed by such laws without regard to principles of conflicts of laws.

[Signature page follows]

IN WITNESS WHEREOF , this Amendment No. 6 has been executed as of the date first above written.

GENERAL PARTNER:

SUNOCO GP LLC

_ /s/Joseph Kim
Name: Joseph Kim
Title: President and Chief Executive Officer

Exhibit 3.3

AMENDMENT NO. 3
TO
AMENDED AND RESTATED LIMITED LIABILITY
COMPANY AGREEMENT
OF
SUNOCO GP LLC
May 8, 2018

This Amendment No. 3 (this " ***Amendment No. 3*** ") to the Amended and Restated Limited Liability Company Agreement of Sunoco GP LLC (the " ***Company*** "), dated as of September 25, 2012, as amended by Amendment No. 1 thereto dated as of October 27, 2014 and Amendment No. 2 thereto dated as of June 6, 2016 (as so amended, the " ***LLC Agreement*** "), is hereby adopted effective as of May 8, 2018 by Energy Transfer Partners, L.L.C., as the sole member of the Company (the " ***Sole Member*** "). Capitalized terms used but not defined herein have the meaning given such terms in the LLC Agreement.

WHEREAS , Section 2.3 of the LLC Agreement provides, among other things, that the Company's board of directors may change the principal office of the Company at any time and from time to time;

WHEREAS , on April 27, 2017, ETE Sigma Holdco, LLC (" ***ETE Holdco*** ") merged with and into the Sole Member and the Sole Member was admitted as the sole member of the Company;

WHEREAS , effective as of the date hereof, the principal place of business of the Company is 8111 Westchester Drive, Suite 400, Dallas, Texas 75225;

WHEREAS , the Sole Member deems it advisable and in the best interests of the Company to make certain amendments to the LLC Agreement to reflect (i) the changes in the principal office of the Company and (ii) the merger of ETE Holdco with and into the Sole Member on April 27, 2017;

NOW THEREFORE , the Sole Member does hereby amend the LLC Agreement as follows:

Section 1. Amendment.

a. Section 2.3 of the LLC Agreement is hereby amended and restated to read as follows:

Section 2.3. *Registered Office; Registered Agent; Principal Office; Other Offices* . Unless and until changed by the Board, the registered office of the Company in the State of Delaware shall be located at 251 Little Falls Drive, Wilmington, Delaware, 19808, and the registered agent for service of process of the Company in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Company shall be located at 8111 Westchester Drive, Suite 400, Dallas, Texas 75225, or such other place as the Board may from time to time designate. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Board determines to be necessary or appropriate.

b. The second paragraph of Section 9.1 of the LLC Agreement is hereby replaced with the following:

"If to the Sole Member:
Energy Transfer Partners, L.L.C.
8111 Westchester Drive
Suite 600
Dallas, Texas 75225
Attention: General Counsel
Telephone: (214) 981-0700"

Section 2. Except as hereby amended, the LLC Agreement shall remain in full force and effect.

Section 3. The appropriate officers of the Sole Member and/or the Company are hereby authorized to make such clarifying and conforming changes as they deem necessary or appropriate, and to interpret the Partnership Agreement, to give effect to the intent and purpose of this Amendment No. 3.

Section 4. This Amendment No. 3 shall be governed by, and interpreted in accordance with, the laws of the State of Delaware, all rights and remedies being governed by such laws without regard to principles of conflicts of laws.

[Signature page follows]

IN WITNESS WHEREOF , this Amendment No. 3 has been executed as of the date first above written.

SOLE MEMBER:

Energy Transfer Partners, L.L.C.

By: /s/ Matthew S. Ramsey
Name: Matthew S. Ramsey
Title: President & Chief Operating Officer

Exhibit 8.1

May 9, 2018

Sunoco GP LLC
Sunoco LP
8020 Park Lane, Suite 200
Dallas, Texas 75231

Ladies and Gentlemen:

We have acted as special counsel to Sunoco LP, a Delaware limited partnership (the " Partnership "), in connection with the preparation of a prospectus supplement dated October 4, 2016 (the " Prospectus Supplement ") forming a part of the registration statement on Form S-3 (the " Registration Statement "), filed with the Securities and Exchange Commission (the " SEC ") and declared effective on August 24, 2016 and amended as of the date hereof, relating to the offering and sale (the " Offering ") of common units representing limited partner interests in the Partnership (the " Units ") having an aggregate offering price of up to $400,000,000 from time to time pursuant to Rule 415 of the Securities Act of 1933, as amended (the " Act ").

In connection therewith, we have participated in the preparation of the discussion set forth in the Registration Statement under the caption "Material Income Tax Consequences" as modified by the statements in the Prospectus Supplement under the caption "Material Tax Considerations" as amended in Form 10-Q under the heading "Material Tax Considerations" (the " Discussion "). The Discussion, subject to the qualifications and assumptions stated in the Discussion and the limitations and qualifications set forth herein, constitutes our opinion as to the material United States federal income tax consequences for purchasers of the Units pursuant to the Offering.

This opinion letter is limited to the matters set forth herein, and no opinions are intended to be implied or may be inferred beyond those expressly stated herein. Our opinion is rendered as of the date hereof, and we assume no obligation to update or supplement this opinion or any matter related to this opinion to reflect any change of fact, circumstances, or law after the date hereof. In addition, our opinion is based on the assumption that the matter will be properly presented to the applicable court.

Furthermore, our opinion is not binding on the Internal Revenue Service or a court. In addition, we must note that our opinion represents merely our best legal judgment on the matters presented and that others may disagree with our conclusion. There can be no assurance that the Internal Revenue Service will not take a contrary position or that a court would agree with our opinion if litigated.

We hereby consent to the filing of this opinion as an exhibit to a Form 10-Q of the Partnership and to the references to our firm and this opinion contained in the Discussion. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act, or under the rules and regulations of the SEC relating thereto, with respect to any part of the Prospectus Supplement forming a part of the Registration Statement, as amended, including this exhibit to the Form 10-Q.

Very truly yours,

/s/ Hunton Andrews Kurth LLP

Exhibit 12.1

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(UNAUDITED)

	Three Months Ended March 31, 2018	Year Ended December 31,				
		2017	2016	2015	2014 (1)	2013
		(in millions, except ratios)				
Fixed charges:						
Interest cost and debt expense	$ 37	$ 249	$ 191	$ 89	$ 17	$ 3
Interest allocable to rental expense (2)	6	46	47	47	14	1
Total	$ 43	$ 295	$ 238	$ 136	$ 31	$ 4
Earnings:						
Consolidated pretax income (loss) from continuing operations	$ (47)	$ 20	$ (16)	$ 185	$ 22	$ 37
Fixed charges	43	295	238	136	31	4
Interest capitalized	(1)	(4)	(2)	(1)	(1)	—
Total	$ (5)	$ 311	$ 220	$ 320	$ 52	$ 41
Ratio of Earnings to Fixed Charges (3)	•	1.05	•	2.35	1.68	10.25

(1) For the year ended December 31, 2014, we have combined the Predecessor Period and the Successor Period and presented the unaudited financial data on a combined basis for comparative purposes.

(2) Represents one-third of the total operating lease rental expense, which is that portion deemed to be interest.

(3) The ratios of coverage in 2016 and the three months ended March 31, 2018 were less than 1:1. The Partnership would have needed to generate additional earnings from continuing operations of $18 million and $48 million to achieve a coverage of 1:1 in 2016 and the three months ended March 31, 2018 .

Exhibit 31.1

CERTIFICATION

I, Joseph Kim , certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2018

/s/ Joseph Kim

Joseph Kim

President and Chief Executive Officer of Sunoco GP LLC, the general partner of Sunoco LP

Exhibit 31.2

CERTIFICATION

I, Thomas R. Miller , certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2018

/s/ Thomas R. Miller

Thomas R. Miller

Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Sunoco LP (the "Partnership") for the quarter ended March 31, 2018 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Kim , as President and Chief Executive Officer of Sunoco GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: May 10, 2018

/s/ *Joseph Kim*

Joseph Kim

President and Chief Executive Officer of Sunoco GP LLC, the general partner of Sunoco LP

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Sunoco LP (the "Partnership") for the quarter ended March 31, 2018 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas R. Miller , as Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: May 10, 2018

/s/ *Thomas R. Miller*

Thomas R. Miller

Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 99.1

ETC M-A Acquisition LLC

Financial Statements
As of March 31, 2018 and December 31, 2017
Three Months Ended March 31, 2018 and 2017

ETC M-A Acquisition LLC
Table of Contents

ETC M-A Acquisition LLC
Balance Sheets
(Dollars in millions)
(unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Advances to affiliated companies	$ 61	$ 52
Total current assets	61	52
Investment in unconsolidated affiliate	228	282
Total assets	$ 289	$ 334
LIABILITIES AND EQUITY		
Current Liabilities:		
Accrued and other current liabilities	$ 3	$ 3
Total current liabilities	3	3
Commitments and contingencies		
Equity:		
Member's equity	286	331
Total equity	286	331
Total liabilities and equity	$ 289	$ 334

The accompanying notes are an integral part of these financial statements.

ETC M-A Acquisition LLC
Statements of Operations
(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Loss from unconsolidated affiliate	$ (45)	$ (2)
Net loss	$ (45)	$ (2)

The accompanying notes are an integral part of these financial statements.

ETC M-A Acquisition LLC
Statement of Equity
(Dollars in millions)
(unaudited)

	Total
Balance, December 31, 2017	$ 331
Net loss	(45)
Balance, March 31, 2018	$ 286

The accompanying notes are an integral part of these financial statements.

ETC M-A Acquisition LLC
Statements of Cash Flows
(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$ (45)	$ (2)
Reconciliation of net loss to net cash provided by (used in) operating activities:		
Loss from unconsolidated affiliate	45	2
Distributions from unconsolidated affiliate	9	9
Net cash provided by operating activities	9	9
Cash flows from financing activities:		
Advances to Sunoco, Inc.	(9)	(9)
Net cash used in financing activities	(9)	(9)
Change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ —

The accompanying notes are an integral part of these financial statements.

ETC M-A Acquisition LLC
Notes to Financial Statements
(unaudited)

1. Operations and Organization:

ETC M-A Acquisition LLC, a Delaware limited liability company formed in August 2013, (the "Company") is an indirect wholly-owned subsidiary of Energy Transfer Partners, L.P. ("ETP").

2. Summary of Significant Accounting Policies:

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

For purposes of these financial statements, the aggregate total of 10,489,944 Sunoco LP common units are presented as the investment in unconsolidated affiliate held by the Company.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash

The Company considers cash and cash equivalents to include liquid investments with original maturities of three months or less.

Investment in Unconsolidated Affiliate

The Company owns an interest in Sunoco LP which is accounted for by the equity method for which the Company exercises significant influence over, but does not control, the investee's operating and financial policies.

Fair Value of Financial Instruments

The carrying amounts recorded for advances to affiliated companies and accrued and other current liabilities in the financial statements approximate fair value because of the short-term maturity of the instruments.

3. Investment in Unconsolidated Affiliate:

During the periods presented, the Company's investment in unconsolidated affiliate reflected 10,489,944 Sunoco LP common units. The Company's investment represented approximately 13% of the total outstanding Sunoco LP common units at March 31, 2018. The Company's investment in Sunoco LP is accounted for in our financial statements using the equity method, because the Company is presumed to have significant influence over Sunoco LP due to the affiliate relationship resulting from both entities being under the common control of Energy Transfer Equity, L.P., the parent of ETP and Sunoco LP.

4. Commitments and Contingencies:

ETC M-A Acquisition LLC Guarantee of Sunoco LP Notes

On January 23, 2018, Sunoco LP redeemed the previously guaranteed senior notes and issued the following senior notes, for which the Company has guaranteed collection with respect to the payment of principal amounts:

- $1 billion of 4.875% senior notes due 2023;
- $800 million of 5.5% senior notes due 2026; and
- $400 million of 5.875% senior notes due 2028.

Under the guarantee of collection, the Company would have the obligation to pay the principal of each series of notes once all remedies, including in the context of bankruptcy proceedings, have first been fully exhausted against Sunoco LP with respect to such payment obligation, and holders of the notes are still owed amounts in respect of the principal of such notes. The Company will not otherwise be subject to the covenants of the indenture governing the notes.

MATERIAL TAX CONSIDERATIONS

The tax consequences to you of an investment in our common units will depend in part on your own tax circumstances. This section should be read in conjunction with the risk factors included under the caption "Tax Risks to Common Unitholders" in our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and those that may be included in any applicable prospectus supplement. This section summarizes the material U.S. federal income tax consequences that may be relevant to prospective unitholders who are individual citizens or residents of the United States and, unless otherwise noted in the following discussion, is the opinion of Hunton Andrews Kurth LLP ("Hunton Andrews Kurth"), our tax counsel, insofar as it relates to legal conclusions with respect to matters of U.S. federal income tax law. This section is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), existing and proposed Treasury regulations promulgated thereunder (the "Treasury Regulations") and current administrative rulings and court decisions, all of which are subject to change. Changes in these authorities may cause the U.S. federal income tax consequences to a prospective unitholder to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "us" or "we" are references to Sunoco LP and our operating subsidiaries.

The following discussion does not address all U.S. federal income tax matters that affect us or our unitholders and does not describe the application of the alternative minimum tax that may be applicable to certain unitholders. To the extent that this section relates to taxation by a state, local or other jurisdiction within the U.S., such discussion is intended to provide only general information. Moreover, the discussion focuses on unitholders who are individual citizens or residents of the U.S. and has only limited application to corporations, estates, trusts, nonresident aliens or other unitholders subject to specialized tax treatment, such as tax-exempt institutions, foreign persons, individual retirement accounts (IRAs), real estate investment trusts (REITs), employee benefit plans or mutual funds. Accordingly, we encourage each prospective unitholder to consult the unitholder's own tax advisor in analyzing the U.S. federal, state, local and non-U.S. tax consequences particular to that unitholder of the ownership or disposition of the common units and potential changes in applicable tax laws.

We are relying on the opinions and advice of Hunton Andrews Kurth with respect to the matters described herein. An opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made in this discussion may not be sustained by a court if contested by the IRS. Any contest of this sort with the IRS may materially and adversely impact the market for the common units and the prices at which the common units trade. In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders because the costs will reduce our cash available for distribution. Furthermore, the tax consequences of an investment in us may be significantly modified by future legislative or administrative changes or court decisions, which may be retroactively applied.

Hunton Andrews Kurth has not rendered an opinion on the state, local or foreign tax consequences of an investment in us, and, for the reasons described below, has not rendered an opinion with respect to the following U.S. federal income tax issues: (i) the treatment of 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) (please read "-Tax Consequences of Unit Ownership-Treatment of Short Sales"); (ii) whether our monthly convention for allocating taxable income and losses is permitted by existing Treasury Regulations (please read "-Disposition of Common Units-Allocations Between Transferors and Transferees"); and (iii) whether our method for taking into account Section 743 adjustments is sustainable in certain cases (please read "-Tax Consequences of Unit Ownership-Section 754 Election" and "-Uniformity of Common Units").

Partnership Status

Based on the opinion of Hunton Andrews Kurth, we expect to be treated as a partnership for U.S. federal income tax purposes and, therefore, subject to the discussion below under "-Administrative Matters-Information Returns and Audit Procedures" and with the exception of PropCo and companies owned directly or indirectly by PropCo, we generally are not liable for entity-level U.S. federal income taxes. Instead, as described below, each unitholder is required to take into account that unitholder's share of our items of income, gain, loss and deduction in computing the unitholder's U.S. federal income tax liability even if we make no cash distributions to the unitholder. Distributions we make to a unitholder are generally not taxable to the unitholder unless the amount of cash distributed exceeds the unitholder's adjusted tax basis in his common units.

Section 7704 of the Internal Revenue Code generally provides that a publicly traded partnership will be taxed as a corporation for U.S. federal income tax purposes. However, if 90% or more of a partnership's gross income for every taxable year it is publicly-traded consists of "qualifying income," the partnership may continue to be treated as a partnership for U.S. federal income tax purposes (the "Qualifying Income Exception"). Qualifying income includes income and gains derived from the transportation, storage, processing and marketing

of crude oil, natural gas and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. We estimate that less than [5]% of our current gross income is not qualifying income; however, this estimate could change from time to time.

No ruling has been or will be sought from the IRS with respect to our classification as a partnership for U.S. federal income tax purposes or as to the classification of our operating subsidiaries. Instead, we will rely on the opinion of Hunton Andrews Kurth that, based upon the Internal Revenue Code, the Treasury Regulations, published revenue rulings and court decisions and the representations described below, we will be treated as a partnership and each of our operating subsidiaries, with the exception of PropCo and any companies owned directly or indirectly by PropCo, will be treated as a partnership or disregarded as an entity separate from us for U.S. federal income tax purposes. In rendering its opinion, Hunton Andrews Kurth has relied on factual representations made by us and our general partner, including, without limitation:

- With the exception of PropCo and any companies owned directly or indirectly by PropCo, neither we nor our operating subsidiaries have elected or will elect to be treated as a corporation; and
- For each taxable year, more than 90% of our gross income has been and will be income that Hunton Andrews Kurth has opined or will opine is "qualifying income" within the meaning of Section 7704(d) of the Internal Revenue Code.

We believe that these representations have been true in the past and expect that these representations will continue to be true in the future.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery (in which case the IRS may also require us to make adjustments with respect to our unitholders or pay other amounts), we will be treated as transferring all of our assets, subject to all of our liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then as distributing that stock to our unitholders in liquidation of their interests in us. This deemed contribution and liquidation should not result in the recognition of taxable income by our unitholders or us so long as at that time, the aggregate amount of our liabilities do not exceed the adjusted tax basis of our assets. Thereafter, we would be treated as a corporation for U.S. federal income tax purposes.

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. For example, from time to time members of Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect certain publicly traded partnerships, including the elimination of partnership tax treatment for publicly traded partnerships. Further, Treasury regulations under Section 7704 of the Code that apply to taxable years beginning on or after January 19, 2017, interpret the scope of the qualifying income requirements for publicly traded partnerships by providing industry specific guidance. We believe the income we treat as qualifying satisfies the requirements under these regulations.

It is possible that a change in law could affect us and may be applied retroactively. Any such changes could negatively impact the value of an investment in our common units. If for any reason we are taxable as a corporation for U.S. federal income tax purposes in any taxable year, our items of income, gain, loss and deduction would be taken into account by us in determining the amount of our liability for U.S. federal income tax, rather than being passed through to our unitholders.

Our taxation as a corporation would result in a material reduction in a unitholder's cash flow and after-tax return and thus would likely result in a substantial reduction of the value of the common units. Any distribution made to a unitholder at a time when we are treated as a corporation would be treated as taxable dividend income, to the extent of our current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the unitholder's tax basis in the partner's common units, or taxable capital gain, after the unitholder's tax basis in the partner's common units is reduced to zero.

The remainder of this discussion is based on Hunton Andrews Kurth's opinion that Sunoco LP will be treated as a partnership for U.S. federal income tax purposes.

Tax Consequences of Unit Ownership

Tax Treatment of Income Earned Through Certain Subsidiaries

Hunton Andrews Kurth is unable to opine as to the qualifying nature of the income generated by certain portions of our operations. As a result, we currently conduct a portion of our business related to these operations in a separate subsidiary PropCo, and its subsidiaries including Aloha and Susser. Each of PropCo, Aloha and Susser is classified, or has elected to be treated, as an association taxable as a corporation for U.S. federal income tax purposes. These subsidiaries file a consolidated federal corporate income tax return and are subject to corporate-level federal income tax on their taxable income at the corporate tax rate, which is currently a maximum of 21%.

These subsidiaries will also likely pay state income tax at varying rates on their taxable income. Any such entity level taxes will reduce the cash available for distribution to our unitholders. An individual unitholder's share of interest and dividend income from PropCo and its subsidiaries will constitute portfolio income that cannot be offset by the unitholder's share of our other losses or deductions. Interest income from PropCo will be taxed to unitholders at rates applicable to ordinary income. Distributions from PropCo will generally be taxed to unitholders as qualified dividend income to the extent of current and accumulated earnings and profits of PropCo.

Limited Partner Status

Unitholders who are admitted as limited partners of Sunoco LP will be treated as partners of Sunoco LP for U.S. federal income tax purposes. Also, unitholders whose common units are held in street name or by a nominee and who have the right to direct the nominee in the exercise of all substantive rights attendant to the ownership of their common units will be treated as partners of Sunoco LP for U.S. federal income tax purposes.

A beneficial owner of common units whose units have been transferred to a short seller to complete a short sale would appear to lose the unitholder's status as a partner with respect to those units for U.S. federal income tax purposes. Please read "-Treatment of Short Sales."

Items of our income, gain, loss or deduction would not appear to be reportable by a unitholder who is not a partner for U.S. federal income tax purposes, and any cash distributions received by a unitholder who is not a partner for U.S. federal income tax purposes would therefore appear to be fully taxable as ordinary income. These holders are urged to consult their own tax advisors with respect to their tax consequences of holding common units in Sunoco LP for U.S. federal income tax purposes. The references to "unitholders" in the discussion that follows are to persons who are treated as partners in Sunoco LP for U.S. federal income tax purposes.

Flow-Through of Taxable Income

Subject to the discussion below under "-Entity-Level Collections of Unitholder Taxes" and "-Administrative Matters-Information Returns and Audit Procedures", and aside from any taxes paid by PropCo, our subsidiary treated as parent of the federal consolidated group of corporations, including Aloha and Susser, we do not pay any U.S. federal income tax. Instead, each unitholder will be required to report on the unitholder's income tax return the unitholder's share of our income, gains, losses and deductions without regard to whether we make cash distributions to the unitholder. Consequently, we may allocate income to a unitholder even if that unitholder has not received a cash distribution. Each unitholder will be required to include in income the unitholder's allocable share of our income, gains, losses and deductions for our taxable year or years ending with or within the unitholder's taxable year. Our taxable year ends on December 31.

Treatment of Distributions

Distributions made by us to a unitholder generally will not be taxable to the unitholder for U.S. federal income tax purposes, except to the extent the amount of any such cash distribution exceeds the unitholder's tax basis in the unitholder's common units immediately before the distribution, in which case the unitholder generally will recognize gain taxable in the manner described below under "-Disposition of Common Units."

Any reduction in a unitholder's share of our "nonrecourse liabilities" for which no partner bears the economic risk of loss, will be treated as a distribution by us of cash to that unitholder. To the extent our distributions cause a unitholder's "at risk" amount to be less than zero at the end of any taxable year, he must recapture any losses deducted in previous years. Please read "-Limitations on Deductibility of Losses."

A decrease in a unitholder's percentage interest in us because of our issuance of additional common units will decrease the unitholder's share of our nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property, including a deemed distribution as a result of the reallocation of our nonrecourse liabilities described above, may result in ordinary income to a unitholder, regardless of the unitholder's tax basis in the unitholder's common units, if the distribution reduces the unitholder's share of our "unrealized receivables," including depreciation recapture, and/or substantially appreciated "inventory items," both as defined in Section 751 of the Internal Revenue Code, and collectively, "Section 751 Assets." To the extent of such reduction, the unitholder would be deemed to receive its proportionate share of the Section 751 Assets and then deemed to exchange those assets with us in return for a portion of the non-pro rata distribution. This deemed exchange will generally result in the unitholder's realization of ordinary income in an amount equal to the excess of the non-pro rata portion of that distribution over the unitholder's tax basis (generally zero) in the Section 751 Assets deemed relinquished in the exchange.

Basis of Common Units

A unitholder's tax basis in its common units will initially be the amount paid for those common units increased by the unitholder's initial allocable share of our liabilities. That basis generally will be (i) increased by the unitholder's share of our income and by any increases in the unitholder's share of our liabilities, and (ii) decreased, but not below zero, by the amount of all distributions to the unitholder, by the unitholder's share of our losses, by any decreases in the unitholder's share of our liabilities and by the amount of any excess business interest allocated to the unitholder. The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all of those interests.

Limitations on Deductibility of Losses

The deduction by a unitholder of that unitholder's share of our losses will be limited to the tax basis the unitholder has in the unitholder's common units and, in the case of an individual, estate, trust or certain types of closely-held corporations, to the amount for which the unitholder is considered to be "at risk" with respect to our activities, if that amount is less than the unitholder's tax basis. A unitholder subject to these limitations must recapture losses deducted in previous years to the extent that distributions cause the unitholder's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a unitholder or recaptured as a result of these limitations will carry forward and will be allowable as a deduction in a later year to the extent that the unitholder's tax basis or at risk amount, whichever is the limiting factor, is subsequently increased, provided such losses are otherwise allowable. Upon the taxable disposition of a unit, any gain recognized by a unitholder can be offset by losses that were previously suspended by the at risk limitation but may not be offset by losses suspended by the basis limitation. Any loss previously suspended by the at risk limitation in excess of that gain would no longer be utilizable.

In general, a unitholder will be at risk to the extent of the tax basis of the unitholder's common units, excluding any portion of that basis attributable to the unitholder's share of our nonrecourse liabilities, reduced by (i) any portion of that basis representing amounts otherwise protected against loss because of a guarantee, stop-loss agreement or other similar arrangement and (ii) any amount of money he borrows to acquire or hold the unitholder's common units, if the lender of those borrowed funds owns an interest in us, is related to another unitholder or can look only to the common units for repayment. A unitholder's at risk amount will increase or decrease as the tax basis of the unitholder's units increases or decreases, other than tax basis increases or decreases attributable to increases or decreases in the unitholder's share of our nonrecourse liabilities.

In addition to the basis and at risk limitations on the deductibility of losses, the passive loss limitations generally provide that individuals, estates, trusts and some closely-held corporations and personal service corporations are permitted to deduct losses from passive activities, which are generally trade or business activities in which the taxpayer does not materially participate, only to the extent of the taxpayer's income from those passive activities. The passive loss limitations are applied separately with respect to each publicly traded partnership. Consequently, any passive losses we generate will only be available to offset our passive income generated in the future and will not be available to offset income from other passive activities or investments, including our investments or a unitholder's investments in other publicly traded partnerships, or a unitholder's salary or active business income. Passive losses that are not deductible because they exceed a unitholder's share of income we generate may be deducted in full when the unitholder disposes of the unitholder's entire investment in us in a fully taxable transaction with an unrelated party. The passive loss limitations are applied after other applicable limitations on deductions, including the at risk rules and the basis limitation.

A unitholder's share of our net income may be offset by any of our suspended passive losses, but it may not be offset by any other current or carryover losses from other passive activities, including those attributable to other publicly traded partnerships.

For taxpayers other than corporations in taxable years beginning after December 31, 2017, and before January 1, 2026, an "excess business loss" limitation further limits the deductibility of losses by such taxpayers. An excess business loss is the excess (if any) of a taxpayer's aggregate deductions for the taxable year that are attributable to the trades or businesses of such taxpayer (determined without regard to the excess business loss limitation) over the aggregate gross income or gain of such taxpayer for the taxable year that is attributable to such trades or businesses plus a threshold amount. The threshold amount is equal to $250,000 or $500,000 for taxpayers filing a joint return. Disallowed excess business losses are treated as a net operating loss carryover to the following tax year. Any losses we generate that are allocated to a unitholder and not otherwise limited by the basis, at risk, or passive loss limitations will be included in the determination of such unitholder's aggregate trade or business deductions. Consequently, any losses we generate that are not otherwise limited will only be available to offset a unitholder's other trade or business income plus an amount of non-trade or business income equal to the applicable threshold amount. Thus, except to the extent of the threshold amount, our losses that are not otherwise limited may not offset a unitholder's non-trade or business income (such as salaries, fees, interest, dividends and capital gains). This excess business loss limitation will be applied after the passive activity loss limitation.

Limitations on Interest Deductions

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during

our taxable year. However, our deduction for this "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest or business interest income, and in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion. This limitation is first applied at the partnership level and any deduction for business interest is taken into account in determining our non-separately stated taxable income or loss. Then, in applying this business interest limitation at the partner level, the adjusted taxable income of each of our unitholders is determined without regard to such unitholder's distributive share of any of our items of income, gain, deduction, or loss and is increased by such unitholder's distributive share of our excess taxable income, which is generally equal to the excess of 30% of our adjusted taxable income over the amount of our deduction for business interest for a taxable year.

To the extent our deduction for business interest is not limited, we will allocate the full amount of our deduction for business interest among our unitholders in accordance with their percentage interests in us. To the extent our deduction for business interest is limited, the amount of any disallowed deduction for business interest will also be allocated to each unitholder in accordance with their percentage interest in us, but such amount of "excess business interest" will not be currently deductible. Subject to certain limitations and adjustments to a unitholder's basis in its units, this excess business interest may be carried forward and deducted by a unitholder in a future taxable year.

The deductibility of a non-corporate taxpayer's "investment interest expense" is generally limited to the amount of that taxpayer's "net investment income." Investment interest expense includes:

- interest on indebtedness properly allocable to property held for investment;
- our interest expense attributed to portfolio income; and
- the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income.

The computation of a unitholder's investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment or qualified dividend income (if applicable). A unitholder's share of a publicly traded partnership's portfolio income and, according to the IRS, net passive income will be treated as investment income for purposes of the investment interest expense limitation.

Entity-Level Collections of Unitholder Taxes

If we are required or elect under applicable law to pay any U.S. federal, state, local or non-U.S. income tax on behalf of any current or former unitholder, we are authorized to treat the payment as a distribution of cash to the relevant unitholder. Where the tax is payable on behalf of all unitholders or we cannot determine the specific unitholder on whose behalf the tax is payable, we are authorized to treat the payment as a distribution to all current unitholders. We are authorized to amend our partnership agreement in the manner necessary to maintain uniformity of intrinsic tax characteristics of common units and to adjust later distributions, so that after giving effect to these distributions, the priority and characterization of distributions otherwise applicable under our partnership agreement is maintained as nearly as is practicable. Payments by us as described above could give rise to an overpayment of tax on behalf of an individual unitholder in which event the unitholder would be required to file a claim in order to obtain a credit or refund.

Allocation of Income, Gain, Loss and Deduction

In general, if we have a net profit, our items of income, gain, loss and deduction will be allocated among our unitholders, other than holders of our Class C Units, in accordance with their percentage interests in us. At any time that incentive distributions are made, gross income will be allocated to the recipients to the extent of these distributions. If we have a net loss, that loss will be allocated to the unitholders, other than holders of our Class C Units, in accordance with their percentage interests in us, subject to any limitations on the allocation of net loss as provided in the applicable Treasury Regulations.

Specified items of our income, gain, loss and deduction generally will be allocated under Section 704(c) of the Code (or the principles of Section 704(c) of the Code) to account for any difference between the tax basis and fair market value of our assets at the time such assets are contributed to us and at the time of any subsequent offering of our common units (a "Book-Tax Disparity"). As a result, the U.S. federal income tax burden associated with any Book-Tax Disparity immediately prior to an offering generally will be borne by the partners holding interests in us prior to such offering. In addition, items of recapture income will be specially allocated to the extent possible to the unitholder who was allocated the deduction giving rise to the treatment of that gain as recapture income in order to minimize the recognition of ordinary income by other unitholders. Finally, although we do not expect that our operations will result in the creation of negative capital accounts, if negative capital accounts nevertheless result, items of our income and gain will be allocated in such amount

and manner as is needed to eliminate the negative balance as quickly as possible.

An allocation of items of our income, gain, loss or deduction, other than an allocation required by the Internal Revenue Code to eliminate a Book-Tax Disparity, will generally be given effect for U.S. federal income tax purposes in determining a partner's share of an item of income, gain, loss or deduction only if the allocation has substantial economic effect. In any other case, a partner's share of an item will be determined on the basis of the unitholder's interest in us, which will be determined by taking into account all the facts and circumstances including (i) the partner's relative contributions to us, (ii) the interests of all the partners in profits and losses, (iii) the interest of all the partners in cash flow and (iv) the rights of all the partners to distributions of capital upon liquidation. Hunton Andrews Kurth is of the opinion that, with the exception of the issues described in "-Section 754 Election" and "-Disposition of Common Units-Allocations Between Transferors and Transferees," allocations under our partnership agreement will be given effect for U.S. federal income tax purposes in determining a partner's share of an item of income, gain, loss or deduction.

Treatment of Short Sales

A unitholder whose common units are the subject of a securities loan (for example, a loan to a "short seller" to cover a short sale of common units) may be treated having disposed of those units. If so, such unitholder 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. As a result, during this period:

- any of our income, gain, loss or deduction with respect to those common units would not be reportable by the unitholder;
- any cash distributions received by the unitholder as to those common units would be fully taxable; and
- all of these distributions may be subject to tax as ordinary income.

Hunton Andrews Kurth has not rendered an opinion regarding the tax treatment of a unitholder whose common units are loaned to a short seller to cover a short sale of common units; therefore, 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 borrowing and loaning their common units. The IRS has previously announced that it is studying issues relating to the tax treatment of short sales of partnership interests. Please also read "-Disposition of Common Units-Recognition of Gain or Loss."

Tax Rates

Under current law, the highest marginal U.S. federal income tax rates for individuals applicable to ordinary income and long-term capital gains (generally, gains from the sale or exchange of certain investment assets held for more than one year) are 37% and 20%, respectively. These rates are subject to change by new legislation at any time.

For taxable years beginning after December 31, 2017 and ending on or before December 31, 2025, an individual unitholder is entitled to a deduction equal to 20% of the unitholder's allocable share of our "qualified business income." For purposes of this deduction, our "qualified business income" is equal to the sum of:

- the net amount of our U.S. items of income, gain, deduction, and loss to the extent such items are included or allowed in the determination of taxable income for the year, *excluding* , however, certain specified types of passive investment income (such as capital gains and dividends, which are taxed at a rate of 20%) and certain payments made to the unitholder for services rendered to us; and
- any gain recognized upon a disposition of our units to the extent such gain is attributable to Section 751 Assets, such as depreciation recapture and our "inventory items," and is thus treated as ordinary income under Section 751 of the Internal Revenue Code.

In addition, a 3.8% net investment income tax, or NIIT, applies to certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes a unitholder's allocable share of our income and gain realized by a unitholder from a sale of common units. In the case of an individual, the tax will be imposed on the lesser of (i) the unitholder's net investment income or (ii) the amount by which the unitholder's modified adjusted gross income exceeds specified threshold levels depending on a unitholder's U.S. federal income tax filing status. In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins. Prospective unitholders are urged to consult with their tax advisors as to the impact of the NIIT on an investment in our common units.

Section 754 Election

We have made the election permitted by Section 754 of the Internal Revenue Code. That election is irrevocable without the consent of the IRS. The election will generally permit us to adjust a common unit purchaser's tax basis in our assets ("inside basis") under Section

743(b) of the Internal Revenue Code to reflect the unitholder's purchase price. The Section 743(b) adjustment separately applies to any transferee of a unitholder who purchases outstanding common units from the unitholder based upon the values and tax bases of our assets at the time of the transfer to the transferee. The Section 743(b) adjustment does not apply to a person who purchases common units directly from us, and belongs only to the purchaser and not to other unitholders. For purposes of this discussion, a unitholder's basis in our assets will be considered to have two components: (i) the unitholder's share of our tax basis in our assets ("common basis") and (ii) the unitholder's Section 743(b) adjustment to that basis.

Under our partnership agreement, we are authorized to take a position to preserve the uniformity of units even if that position is not consistent with applicable Treasury Regulations. A literal application of Treasury Regulations governing a Section 743(b) adjustment attributable to properties depreciable under Section 167 of the Internal Revenue Code may give rise to differences in the taxation of unitholders purchasing units from us and unitholders purchasing from other unitholders. If we have any such properties, we intend to adopt methods employed by other publicly traded partnerships to preserve the uniformity of units, even if inconsistent with existing Treasury Regulations, and Hunton Andrews Kurth has not opined on the validity of this approach. Please read "-Uniformity of Common Units."

The IRS may challenge the positions we adopt with respect to depreciating or amortizing the Section 743(b) adjustment we take to preserve the uniformity of units due to lack of controlling authority. Because a unitholder's adjusted tax basis in its units is reduced by its share of our items of deduction or loss, any position we take that understates deductions will overstate a unitholder's basis in its units and may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read "-Disposition of Common Units-Recognition of Gain or Loss." If a challenge to such treatment were sustained, the gain from the sale of units may be increased without the benefit of additional deductions.

The calculations involved in the Section 754 election are complex and will be made on the basis of assumptions as to the value of our assets and other matters. For example, the allocation of the Section 743(b) adjustment among our assets must be made in accordance with the Internal Revenue Code. The IRS could seek to reallocate some or all of any Section 743(b) adjustment we allocated to our tangible assets to goodwill instead. Goodwill, an intangible asset, is generally nonamortizable or amortizable over a longer period of time or under a less accelerated method than our tangible assets. We cannot assure you that the determinations we make will not be successfully challenged by the IRS and that the deductions resulting from them will not be reduced or disallowed altogether. Should the IRS require a different basis adjustment to be made, and should, in our opinion, the expense of compliance exceed the benefit of the election, we may seek permission from the IRS to revoke our Section 754 election. If permission is granted, a subsequent purchaser of units may be allocated more income than he would have been allocated had the election not been revoked.

Tax Treatment of Operations

Accounting Method and Taxable Year

We use the year ending December 31 as our taxable year and the accrual method of accounting for U.S. federal income tax purposes. Each unitholder will be required to include in income the unitholder's share of our income, gain, loss and deduction for our taxable year or years ending within or with the unitholder's taxable year. In addition, a unitholder who has a taxable year ending on a date other than December 31 and who disposes of all of the unitholder's common units following the close of our taxable year but before the close of the unitholder's taxable year must include the unitholder's share of our income, gain, loss and deduction in income for the unitholder's taxable year, with the result that he will be required to include in income for the unitholder's taxable year the unitholder's share of more than one year of our income, gain, loss and deduction. Please read "-Disposition of Common Units-Allocations Between Transferors and Transferees."

Tax Basis, Depreciation and Amortization

The tax basis of each of our assets is used for purposes of computing depreciation and cost recovery deductions and, ultimately, gain or loss on the disposition of these assets. The U.S. federal income tax burden associated with the difference between the fair market value of our assets and their tax basis immediately prior to the time we issue common units in an offering will be borne by our partners holding interests in us prior to such offering. Please read "-Tax Consequences of Unit Ownership-Allocation of Income, Gain, Loss and Deduction."

To the extent allowable, we may elect to use the depreciation and cost recovery methods, including bonus depreciation to the extent applicable, that will result in the largest deductions being taken in the early years after assets subject to these allowances are placed in service. Property we subsequently acquire or construct may be depreciated using accelerated methods permitted by the Internal Revenue Code.

If we dispose of depreciable property by sale, foreclosure or otherwise, all or a portion of any gain, determined by reference to the amount

of depreciation previously deducted and the nature of the property, may be subject to the recapture rules and taxed as ordinary income rather than capital gain. Similarly, a unitholder who has taken cost recovery or depreciation deductions with respect to property we own will likely be required to recapture some or all of those deductions as ordinary income upon a sale of the unitholder's interest in us. Please read "-Tax Consequences of Unit Ownership-Allocation of Income, Gain, Loss and Deduction" and "-Disposition of Common Units-Recognition of Gain or Loss."

The costs we incur in offering and selling our common units (called "syndication expenses") must be capitalized and cannot be deducted currently, ratably or upon our termination. While there are uncertainties regarding the classification of costs as organization expenses, which may be amortized by us, and as syndication expenses, which may not be amortized by us, the underwriting discount we incur will be treated as syndication expenses.

Valuation and Tax Basis of Our Properties

The U.S. federal income tax consequences of the ownership and disposition of common units will depend in part on our estimates of the relative fair market values, and the tax bases, of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we will make many of the relative fair market value estimates ourselves. These estimates and determinations of tax basis are subject to challenge and will not be binding on the IRS or the courts. If the estimates of fair market value or basis are later found to be incorrect, the character and amount of items of income, gain, loss or deduction previously reported by unitholders could change, and unitholders could be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Disposition of Common Units

Recognition of Gain or Loss

A unitholder will be required to recognize gain or loss on a sale of common units equal to the difference between the unitholder's amount realized and the unitholder's tax basis for the common units sold. A unitholder's amount realized will equal the sum of the cash or the fair market value of other property the unitholder receives plus the unitholder's share of our liabilities attributable to the common units sold. Because the amount realized includes a unitholder's share of our liabilities, the gain recognized on the sale of common units could result in a tax liability in excess of any cash received from the sale.

Prior distributions from us that in the aggregate were in excess of the cumulative net taxable income for a common unit and, therefore, decreased a unitholder's tax basis in that common unit will, in effect, become taxable income if the common unit is sold at a price greater than the unitholder's tax basis in that common unit, even if the price received is less than the unitholder's original cost.

Except as noted below, gain or loss recognized by a unitholder, other than a "dealer" in units, on the sale or exchange of a common unit will generally be taxable as capital gain or loss. Capital gain recognized by an individual on the sale of units held for more than one year will generally be taxed at the U.S. federal income tax rate applicable to long-term capital gains. However, a portion of this gain or loss, which will likely be substantial, will be separately computed and taxed as ordinary income or loss under Section 751 of the Internal Revenue Code to the extent attributable to assets giving rise to depreciation recapture or other "unrealized receivables" or "inventory items" that we own. The term "unrealized receivables" includes potential recapture items, including depreciation recapture. Ordinary income attributable to unrealized receivables, inventory items and depreciation recapture may exceed net taxable gain realized on the sale of a common unit and may be recognized even if there is a net taxable loss realized on the sale of a unit. Thus, a unitholder may recognize both ordinary income and a capital loss upon a sale of units. Capital losses may offset capital gains and no more than $3,000 of ordinary income each year, in the case of individuals, and may only be used to offset capital gains in the case of corporations. Both ordinary income and capital gain recognized by a unitholder on the sale or exchange of a common unit may be subject to the NIIT in certain circumstances. Please read "-Tax Consequences of Unit Ownership -Tax Rates."

The IRS has ruled that a partner who acquires interests in a partnership in separate transactions must combine those interests and maintain a single adjusted tax basis for all those interests. Upon a sale or other disposition of less than all of those interests, a portion of that tax basis must be allocated to the interests sold using an "equitable apportionment" method, which generally means that the tax basis allocated to the interest sold equals an amount that bears the same relation to the partner's tax basis in the unitholder's entire interest in the partnership as the value of the interest sold bears to the value of the partner's entire interest in the partnership. Treasury Regulations under Section 1223 of the Internal Revenue Code allow a selling unitholder who can identify common units transferred with an ascertainable holding period to elect to use the actual holding period of the common units transferred. Thus, according to the ruling discussed above, a common unitholder will be unable to select high or low basis common units to sell as would be the case with corporate stock, but, according to the Treasury Regulations, may designate specific common units sold for purposes of determining the holding period of common units transferred. A unitholder electing to use the actual holding period of common units transferred must consistently use that identification

method for all subsequent sales or exchanges of common units. A unitholder considering the purchase of additional common units or a sale of common units purchased in separate transactions is urged to consult the unitholder's tax advisor as to the possible consequences of this ruling and application of the Treasury Regulations.

Specific provisions of the Internal Revenue Code affect the taxation of some financial products and securities, including partnership interests, by treating a taxpayer as having sold an "appreciated" partnership interest, one in which gain would be recognized if it were sold, assigned or terminated at its fair market value, if the taxpayer or related persons enter(s) into:

- a short sale;
- an offsetting notional principal contract; or
- a futures or forward contract;

in each case, with respect to the partnership interest or substantially identical property.

Moreover, if a taxpayer has previously entered into a short sale, an offsetting notional principal contract or a futures or forward contract with respect to the partnership interest, the taxpayer will be treated as having sold that position if the taxpayer or a related person then acquires the partnership interest or substantially identical property. The Secretary of the Treasury is also authorized to issue regulations that treat a taxpayer that enters into transactions or positions that have substantially the same effect as the preceding transactions as having constructively sold the financial position.

Allocations Between Transferors and Transferees

In general, our taxable income or loss will be determined annually, will be prorated on a monthly basis and will be subsequently apportioned among the unitholders in proportion to the number of common units owned by each of them as of the opening of the applicable exchange on the first business day of the month, which we refer to in this discussion as the "Allocation Date." However, gain or loss realized on a sale or other disposition of our assets other than in the ordinary course of business will be allocated among the unitholders on the Allocation Date in the month in which that gain or loss is recognized. As a result, a unitholder transferring common units may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Internal Revenue Code and most publicly traded partnerships use similar simplifying conventions, existing Treasury Regulations do not specifically authorize all aspects of the proration method we have adopted. Accordingly, Hunton Andrews Kurth is unable to opine on the validity of this method of allocating income and deductions between transferee and transferor unitholders. If the IRS determines that this method is not allowed under the Treasury Regulations our taxable income or losses could be reallocated among our unitholders. We are authorized to revise our method of allocation between transferee and transferor unitholders, as well as among unitholders whose interests vary during a taxable year, to conform to a method permitted under the Treasury Regulations.

A unitholder who owns common units at any time during a quarter and who disposes of them prior to the record date set for a cash distribution for that quarter will be allocated items of our income, gain, loss and deduction attributable to the month of disposition but will not be entitled to receive that cash distribution.

Notification Requirements

A unitholder who sells any of the unitholder's common units is generally required to notify us in writing of that sale within 30 days after the sale (or, if earlier, January 15 of the year following the sale). A purchaser of common units who purchases common units from another unitholder is also generally required to notify us in writing of that purchase within 30 days after the purchase. Upon receiving such notifications, we are required to notify the IRS of that transaction and to furnish specified information to the transferor and transferee. Failure to notify us of a transfer of common units may, in some cases, lead to the imposition of penalties. However, these reporting requirements do not apply to a sale by an individual who is a citizen of the U.S. and who effects the sale or exchange through a broker who will satisfy such requirements.

Uniformity of Common Units

Because we cannot match transferors and transferees of common units and for other reasons, we must maintain uniformity of the economic and tax characteristics of the common units to a purchaser of these units. As a result of the need to preserve uniformity, we may be unable to completely comply with a number of U.S. federal income tax requirements. Any non-uniformity could have a negative impact on the value of our units. Please read "-Tax Consequences of Unit Ownership-Section 754 Election."

Our partnership agreement permits our general partner to take positions in filing our tax returns that preserve the uniformity of our units.

These positions may include reducing the depreciation, amortization or loss deductions to which a unitholder would otherwise be entitled or reporting a slower amortization of Section 743(b) adjustments for some unitholders than that to which they would otherwise be entitled. Hunton Andrews Kurth is unable to opine as to the validity of such filing positions. A unitholder's adjusted tax basis in units is reduced by its share of our deductions (whether or not such deductions were claimed on an individual income tax return) so that any position that we take that understates deductions will overstate the unitholder's basis in its units, and may cause the unitholder to understate gain or overstate loss on any sale of such units. Please read "-Disposition of Common Units-Recognition of Gain or Loss" and "-Tax Consequences of Unit Ownership-Section 754 Election" above. The IRS may challenge one or more of any positions we take to preserve the uniformity of our units. If such a challenge were sustained, the uniformity of units might be affected, and, under some circumstances, the gain from any sale of our units might be increased without the benefit of additional deductions.

Tax-Exempt Organizations and Other Investors

Ownership of common units by employee benefit plans and other tax-exempt organizations, as well as by non-resident aliens, non-U.S. corporations and other non-U.S. persons (collectively "non-U.S. unitholders") raises issues unique to those investors and, as described below to a limited extent, may have substantially adverse tax consequences to them. Tax-exempt entities and non-U.S unitholders are encouraged to consult their tax advisors before investing in our common units.

Employee benefit plans and most other organizations exempt from U.S. federal income tax, including individual retirement accounts and other retirement plans, are subject to U.S. federal income tax on unrelated business taxable income. Virtually all of our income allocated to a unitholder that is a tax-exempt organization will be unrelated business taxable income and will be taxable to it.

Non-U.S. unitholders are generally taxed by the United States on income effectively connected with a U.S. trade or business ("effectively connected income") and on certain types of U.S.-source non-effectively connected income (such as dividends), unless exempted or further limited by an income tax treaty. Each non-U.S. unitholder will be considered to be engaged in business in the United States because of its ownership of our units. Furthermore, it is probable that non-U.S. unitholders will be deemed to conduct such activities through a permanent establishment in the United States within the meaning of an applicable tax treaty. Consequently, each non-U.S. unitholder will be required to file U.S. federal tax returns to report its share of our income, gain, loss or deduction and pay U.S. federal income tax on its share of our net income or gain. Moreover, under rules applicable to publicly-traded partnerships, distributions to non-U.S. unitholders are subject to withholding at the highest applicable effective tax rate. Each non-U.S. unitholder must obtain a taxpayer identification number from the IRS and submit that number to our transfer agent on a Form W-8BEN or W-8BEN-E (or other applicable or successor form) in order to obtain credit for these withholding taxes. A change in applicable law may require us to change these procedures.

In addition, because a non-U.S. corporation that owns common units will be treated as engaged in a U.S. trade or business, that corporation may be subject to the U.S. branch profits tax at a rate of 30%, in addition to regular U.S. federal income tax, on its share of our income and gain, as adjusted for changes in the non-U.S. corporation's "U.S. net equity," which is effectively connected with the conduct of a U.S. trade or business. That tax may be reduced or eliminated by an income tax treaty between the U.S. and the country in which the non-U.S. corporate unitholder is a "qualified resident." In addition, this type of unitholder is subject to special information reporting requirements under Section 6038C of the Internal Revenue Code.

A non-U.S. unitholder who sells or otherwise disposes of a common unit will be subject to U.S. federal income tax on gain realized from the sale or disposition of that unit to the extent the gain is effectively connected with a U.S. trade or business of the non-U.S. unitholder. Gain realized by a non-U.S. unitholder from the sale of its interest in a partnership that is engaged in a trade or business in the United States will be considered to be "effectively connected" with a U.S. trade or business to the extent that gain that would be recognized upon a sale by the partnership of all of its assets would be "effectively connected" with a U.S. trade or business. Thus, all of a non-U.S. unitholder's gain from the sale or other disposition of our common units would be treated as effectively connected with a unitholder's indirect U.S. trade or business constituted by its investment in us and would be subject to U.S. federal income tax. As a result of the effectively connected income rules described above, the exclusion from U.S. taxation under the Foreign Investment in Real Property Tax Act for gain from the sale of partnership units regularly traded on an established securities market will not prevent a non-U.S. unitholder from being subject to U.S. federal income tax on gain from the sale or disposition of its units.

Recently enacted legislation generally requires the transferee of an interest in a partnership that is engaged in a U.S. trade or business to withhold 10% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person, and we are required to deduct and withhold from the transferee amounts that should have been withheld by the transferees but were not withheld. Because the "amount realized" includes a unitholder's share of our liabilities, 10% of the amount realized could exceed the total cash purchase price for the common units. For this and other reasons, the IRS has temporarily suspended the application of this withholding rule to open market transfers of interests in publicly traded partnerships pending the issuance of regulations or other guidance.

Administrative Matters

Information Returns and Audit Procedures

We intend to furnish to each unitholder, within 90 days after the close of each taxable year, specific tax information, including a Schedule K-1, which describes the unitholder's share of our income, gain, loss and deduction for our preceding taxable year. In preparing this information, which will not be reviewed by counsel, we will take various accounting and reporting positions, some of which have been mentioned earlier, to determine each unitholder's share of income, gain, loss and deduction. We cannot assure you that those positions will yield a result that conforms to the requirements of the Internal Revenue Code, Treasury Regulations or administrative interpretations of the IRS.

The IRS may audit our U.S. federal income tax information returns. Neither we nor Hunton Andrews Kurth can assure prospective unitholders that the IRS will not successfully challenge the positions we adopt, and such a challenge could adversely affect the value of our units. Adjustments resulting from an IRS audit may require each unitholder to adjust a prior year's tax liability, and may result in an audit of the unitholder's own return. Any audit of a unitholder'' return could result in adjustments unrelated to our returns.

Partnerships are generally treated as entities separate from their owners for purposes of U.S. federal income tax audits, judicial review of administrative adjustments by the IRS and tax settlement proceedings. The tax treatment of partnership items of income, gain, loss and deduction are determined in a partnership proceeding rather than in separate proceedings for each of the partners. For taxable years beginning prior to January 1, 2018, the Internal Revenue Code requires that one partner be designated as the "Tax Matters Partner" for these purposes, and our partnership agreement designates our general partner as our Tax Matters Partner.

The Tax Matters Partner can extend the statute of limitations for assessment of tax deficiencies against unitholders for items in our tax returns. The Tax Matters Partner may bind a unitholder with less than a 1% profits interest in us to a settlement with the IRS unless that unitholder elects, by filing a statement with the IRS, not to give that authority to the Tax Matters Partner. The Tax Matters Partner may seek judicial review, by which all the unitholders are bound, of a final partnership administrative adjustment and, if the Tax Matters Partner fails to seek judicial review, judicial review may be sought by any unitholder having at least a 1% interest in profits or by any group of unitholders having in the aggregate at least a 5% interest in profits. However, only one action for judicial review may go forward, and each unitholder with an interest in the outcome may participate in that action.

A unitholder must file a statement with the IRS identifying the treatment of any item on its U.S. federal income tax return that is not consistent with the treatment of the item on our return. Intentional or negligent disregard of this consistency requirement may subject a unitholder to substantial penalties.

Legislation applicable to partnership tax years beginning after December 31, 2017, alters the procedures for auditing large partnerships and for assessing and collecting taxes due (including any applicable penalties and interest) as a result of a partnership-level U.S. federal income tax audit. Under these rules, if the IRS makes audit adjustments to our partnership tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us, unless we elect to have our unitholders and former unitholders take any audit adjustment into account in accordance with their interests in us during the taxable year under audit. Similarly, for such taxable years, if the IRS makes audit adjustments to income tax returns filed by an entity in which we are a member or partner, it may assess and collect any taxes (including penalties and interest) resulting from such audit adjustment directly from such entity.

Although our general partner may elect to have our unitholders and former unitholders take any audit adjustment into account in accordance with their interests in us during the taxable year under audit , there can be no assurance that such election will be practical, permissible or effective in all circumstances. If we are unable to have our unitholders and former unitholders take such audit adjustment into account in accordance with their interests in us during the taxable year under audit, our then current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own our units during the taxable year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties or interest, our cash available for distribution to our unitholders might be substantially reduced. These rules are not applicable for taxable years beginning on or prior to December 31, 2017. Accordingly, the manner in which these rules may apply to us in the future is uncertain.

Additionally, the Internal Revenue Code will no longer require that we designate a Tax Matters Partner. Instead, for taxable years beginning after December 31, 2017, we will be required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative ("Partnership Representative"). The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. We currently anticipate that we will designate our general partner as the Partnership Representative. Further, any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and all of our unitholders.

Nominee Reporting

Persons who hold an interest in us as a nominee for another person are required to furnish to us:

(a) the name, address and taxpayer identification number of the beneficial owner and the nominee,

(b) a statement regarding whether the beneficial owner is:

(1) a person that is not a U.S. person;

(2) a non-U.S. government, an international organization or any wholly owned agency or instrumentality of either of the foregoing; or

(3) a tax-exempt entity;

(c) the amount and description of common units held, acquired or transferred for the beneficial owner; and

(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on common units they acquire, hold or transfer for their own account. A penalty of $270 per failure, up to a maximum of $3,282,500 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished to us.

Accuracy-Related Penalties

Certain penalties may be imposed under the Internal Revenue Code as a result of an underpayment of tax that is attributable to one or more specified causes, including negligence or disregard of rules or regulations, substantial understatements of income tax and substantial valuation misstatements. No penalty will be imposed, however, for any portion of an underpayment if it is shown that there was a reasonable cause for the underpayment of that portion and that the taxpayer acted in good faith regarding the underpayment of that portion. We do not anticipate that any accuracy-related penalties will be assessed against us.

State, Local and Other Tax Considerations

In addition to U.S. federal income taxes, unitholders may be subject to other taxes, such as state and local income taxes, unincorporated business taxes, and estate, inheritance or intangible taxes that may be imposed by the various jurisdictions in which we do business or own property or in which you are a resident. We currently own property or conduct business in various states, most of which impose personal income taxes on individuals. Most of these states also impose an income tax on corporations and other entities. Moreover, we may also own property or do business in other jurisdictions in the future that impose income or similar taxes on nonresident individuals. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on the unitholder's investment in us.

A unitholder may be required to file state income tax returns and to pay state income taxes in many of these states in which we do business or own property and may be subject to penalties for failure to comply with those requirements. In some states, tax losses may not produce a tax benefit in the year incurred and may not be available to offset income in subsequent taxable years. We determine our depreciation and cost recovery allowances using U.S. federal income tax methods and may use methods that result in the largest deductions being taken in the early years after assets are placed in service. Some of the jurisdictions in which we do business or own property may not conform to these federal depreciation methods. A successful challenge to these methods could adversely affect the amount of taxable income or loss being allocated to our unitholders for state tax purposes. It also could affect the amount of gain from a unitholder's sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to the unitholder's state tax returns.

Some of the states may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the state. Withholding, the amount of which may be greater or less than a particular unitholder's income tax liability to the state, generally does not relieve a nonresident unitholder from the obligation to file an income tax return. Amounts withheld will be treated as if distributed to unitholders for purposes of determining the amounts distributed by us. Please read "-Tax Consequences of Unit Ownership-Entity-Level Collections." Based on current law and our estimate of our future operations, our general partner

anticipates that any amounts required to be withheld will not be material.

It is the responsibility of each unitholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, of the unitholder's investment in us. Accordingly, each prospective unitholder is urged to consult, and depend on, the unitholder's own tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each unitholder to file all state, local and non-U.S., as well as U.S. federal tax returns, that may be required of it. Hunton Andrews Kurth has not rendered an opinion on the state, local, alternative minimum tax or non-U.S. tax consequences of an investment in us.