

**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, 2019  
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**

(State or other jurisdiction of incorporation or organization)

**30-0740483**

(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)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging Growth company	<input type="checkbox"/>

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 ☒

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
<b>Common Units Representing Limited Partner Interests</b>	<b>SUN</b>	<b>New York Stock Exchange (NYSE)</b>

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 82,748,987 common units representing limited partner interests and 16,410,780 Class C units representing limited partner interests outstanding at May 3, 2019 .

**SUNOCO LP**  
**FORM 10-Q**  
**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>PART I – FINANCIAL INFORMATION</b>	
<a href="#"><u>Item 1. Financial Statements</u></a>	1
<a href="#"><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	18
<a href="#"><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></a>	25
<a href="#"><u>Item 4. Controls and Procedures</u></a>	26
<b>PART II – OTHER INFORMATION</b>	
<a href="#"><u>Item 1. Legal Proceedings</u></a>	27
<a href="#"><u>Item 1A. Risk Factors</u></a>	27
<a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	27
<a href="#"><u>Item 3. Defaults Upon Senior Securities</u></a>	27
<a href="#"><u>Item 4. Mine Safety Disclosures</u></a>	27
<a href="#"><u>Item 5. Other Information</u></a>	27
<a href="#"><u>Item 6. Exhibits</u></a>	27

# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### SUNOCO LP CONSOLIDATED BALANCE SHEETS (unaudited)

	March 31, 2019	December 31, 2018
	<i>(in millions, except units)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 23	\$ 56
Accounts receivable, net	490	374
Receivables from affiliates	2	37
Inventories, net	392	374
Other current assets	75	64
Assets held for sale	28	—
Total current assets	1,010	905
Property and equipment	2,066	2,133
Accumulated depreciation	(604)	(587)
Property and equipment, net	1,462	1,546
Other assets:		
Lease right-of-use assets, net	542	—
Goodwill	1,560	1,559
Intangible assets	915	915
Accumulated amortization	(221)	(207)
Intangible assets, net	694	708
Other non-current assets	155	161
Total assets	\$ 5,423	\$ 4,879
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 482	\$ 412
Accounts payable to affiliates	30	149
Accrued expenses and other current liabilities	225	299
Operating lease current liabilities	24	—
Current maturities of long-term debt	6	5
Total current liabilities	767	865
Operating lease non-current liabilities	527	—
Revolving line of credit	150	700
Long-term debt, net	2,879	2,280
Advances from affiliates	81	24
Deferred tax liability	90	103
Other non-current liabilities	120	123
Total liabilities	4,614	4,095
Commitments and contingencies (Note 12)		
Equity:		
Limited partners:		
Common unitholders (82,725,202 units issued and outstanding as of March 31, 2019 and 82,665,057 units issued and outstanding as of December 31, 2018)	809	784
Class C unitholders - held by subsidiaries (16,410,780 units issued and outstanding as of March 31, 2019 and December 31, 2018)	—	—
Total equity	809	784
Total liabilities and equity	\$ 5,423	\$ 4,879



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

	Three Months Ended March 31,	
	2019	2018
	<i>(in millions, except unit and per unit amounts)</i>	
<b>Revenues:</b>		
Motor fuel sales	\$ 3,583	\$ 3,551
Non motor fuel sales	74	176
Lease income	35	22
<b>Total revenues</b>	<b>3,692</b>	<b>3,749</b>
<b>Cost of sales and operating expenses:</b>		
Cost of sales	3,322	3,453
General and administrative	27	35
Other operating	84	98
Lease expense	14	15
Loss on disposal of assets and impairment charges	48	3
Depreciation, amortization and accretion	45	49
<b>Total cost of sales and operating expenses</b>	<b>3,540</b>	<b>3,653</b>
<b>Operating income</b>	<b>152</b>	<b>96</b>
<b>Other expenses:</b>		
Interest expense, net	42	34
Loss on extinguishment of debt and other	3	109
Income (loss) from continuing operations before income taxes	107	(47)
Income tax expense (benefit)	(2)	31
Income (loss) from continuing operations	109	(78)
Loss from discontinued operations, net of income taxes	—	(237)
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 109</b>	<b>\$ (315)</b>
<b>Net income (loss) per common unit - basic:</b>		
Continuing operations - common units	\$ 1.08	\$ (1.11)
Discontinued operations - common units	0.00	(2.63)
<b>Net income (loss) - common units</b>	<b>\$ 1.08</b>	<b>\$ (3.74)</b>
<b>Net income (loss) per common unit - diluted:</b>		
Continuing operations - common units	\$ 1.07	\$ (1.11)
Discontinued operations - common units	0.00	(2.63)
<b>Net income (loss) - common units</b>	<b>\$ 1.07</b>	<b>\$ (3.74)</b>
<b>Weighted average limited partner units outstanding:</b>		
Common units - basic	82,711,188	89,753,950
Common units - diluted	83,380,167	90,271,751
<b>Cash distributions per unit</b>	<b>\$ 0.8255</b>	<b>\$ 0.8255</b>

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

**SUNOCO LP**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(unaudited, in millions)

	Preferred Units- Affiliated	Common Units	Total Equity
<b>Balance at December 31, 2018</b>	\$ —	\$ 784	\$ 784
Cash distribution to unitholders	—	(87)	(87)
Unit-based compensation	—	3	3
Partnership net income	—	109	109
<b>Balance at March 31, 2019</b>	<u>\$ —</u>	<u>\$ 809</u>	<u>\$ 809</u>
<b>Balance at December 31, 2017</b>	\$ 300	\$ 1,947	\$ 2,247
Common unit repurchase	—	(540)	(540)
Redemption of preferred units	(300)	—	(300)
Cash distribution to unitholders	—	(107)	(107)
Dividend 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)
<b>Balance at March 31, 2018</b>	<u>\$ —</u>	<u>\$ 932</u>	<u>\$ 932</u>

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

**SUNOCO LP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	Three Months Ended March 31,	
	2019	2018
	<i>(in millions)</i>	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 109	\$ (315)
Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities:		
Loss from discontinued operations	—	237
Depreciation, amortization and accretion	45	49
Amortization of deferred financing fees	1	2
Loss on disposal of assets and impairment charges	48	3
Loss on extinguishment of debt and other	3	109
Non-cash unit based compensation expense	3	3
Deferred income tax	(13)	29
Inventory valuation adjustment	(93)	(25)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(116)	90
Receivable from affiliates	35	(5)
Inventories	67	17
Other assets	9	10
Accounts payable	74	(143)
Accounts payable to affiliates	(62)	(28)
Accrued expenses and other current liabilities	(73)	403
Other non-current liabilities	—	4
Net cash provided by continuing operating activities	37	440
<b>Cash flows from investing activities:</b>		
Capital expenditures	(26)	(19)
Purchase of intangible assets	—	(1)
Other acquisition	(5)	—
Proceeds from disposal of property and equipment	6	3
Net cash used in investing activities	(25)	(17)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	600	2,200
Payments on long-term debt	(2)	(3,447)
Payments for debt extinguishment costs	—	(93)
Revolver borrowings	693	414
Revolver repayments	(1,243)	(1,179)
Loan origination costs	(6)	(24)
Common unit repurchase	—	(540)
Redemption of preferred units from ETE	—	(303)
Distributions to unitholders	(87)	(121)
Net cash used in financing activities	(45)	(3,093)
<b>Cash flows from discontinued operations:</b>		
Operating activities	—	(485)
Investing activities	—	3,214
Changes in cash included in current assets held for sale	—	11
Net increase in cash and cash equivalents of discontinued operations	—	2,740
Net increase (decrease) in cash	(33)	70
Cash and cash equivalents at beginning of period	56	28
Cash and cash equivalents at end of period	\$ 23	\$ 98

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





**SUNOCO LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

**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 a Delaware master limited partnership. We are managed by our general partner, Sunoco GP LLC (“General Partner”), which is owned by Energy Transfer Operating, L.P. (“ETO”), a consolidated subsidiary of Energy Transfer LP (“ET”). As of March 31, 2019, ETO and its subsidiaries owned 100% of the membership interests in our General Partner, all of our incentive distribution rights (“IDRs”) and approximately 34.4% of our common units, which constitutes a 28.7% limited partner interest in us.

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 retail stores in Hawaii and New Jersey.

Our primary operations are conducted by the following consolidated 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, Texas, Arkansas and New York.
- Sunoco Retail LLC (“Sunoco Retail”), a Pennsylvania limited liability company, owns and operates retail stores that sell motor fuel and merchandise primarily in New Jersey.
- Aloha Petroleum LLC, a Delaware limited liability company, distributes motor fuel and operates terminal facilities on the Hawaiian Islands.
- Aloha Petroleum, Ltd. (“Aloha”), a Hawaii corporation, owns and operates retail 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, 2018 filed with the SEC on February 22, 2019.

***Significant Accounting Policies***

As of March 31, 2019, 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, 2018, was the adoption of Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, described under *Change in Accounting Principle*.

***Motor Fuel and Sales Taxes***

For bulk sales, 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 direct sales to dealer and commercial customers is to exclude the collected motor fuel tax from sales and cost of sales.

For other locations where the Partnership holds inventory, including commission agent arrangements and Partnership-operated retail locations, motor fuel sales and motor fuel cost of sales include motor fuel taxes. Such amounts were \$94 million and \$53 million for the three months ended March 31, 2019 and 2018, 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).

### ***Assets Held for Sale***

Assets held for sale are written down to the lower of cost or estimated net realizable value at the time we offer them for sale. When we have determined that an asset is more likely than not to be sold in the next twelve months, that asset is classified as assets held for sale and included in other current assets. As of March 31, 2019 the Partnership had \$28 million classified as assets held for sale related to the pending sale of the Partnership's ethanol plant, including the grain malting operation, in Fulton, New York. Based on the sale price of the pending sale the Partnership wrote down the assets held for sale and recorded a \$47 million charge during the three months ended March 31, 2019.

### ***Change in Accounting Principle***

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, which amends the FASB Accounting Standards Codification ("ASC") and creates Topic 842, Leases. On January 1, 2019, we adopted ASC Topic 842, which is effective for interim and annual reporting periods beginning on or after December 15, 2018. This Topic requires Balance Sheet recognition of lease assets and lease liabilities for leases classified as operating leases under previous GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Partnership elected the modified retrospective approach to adopt Topic 842. This approach involves recognition of an opening cumulative catch-up adjustment to the the balance sheet in the period of adoption, January 1, 2019. We have completed a detailed review of contracts representative of our business and assessed the terms under the new standard. Adoption of the standard had a material impact on our consolidated balance sheet, but did not have a material impact on our consolidated statement of operations and comprehensive income or consolidated cash flows. The most significant impact was the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged.

As a result of the evaluation performed, we have recorded adjustments resulting in a net increase to assets and liabilities of approximately \$547 million as of January 1, 2019. In addition to the evaluation performed, we have made appropriate design and implementation updates to our business processes, systems, and internal controls to support the on-going reporting requirements under the new standard.

Topic 842 provides for certain practical expedients that companies can elect to apply for purposes of adoption and implementation of the new standard. The practical expedients utilized by the Partnership are as follows: 1) no reassessment of whether existing contracts contain a lease, 2) no reassessment of the classification of existing leases, 3) no reassessment of initial direct costs for existing leases, 4) exclusion of leases with terms of 12 months or less from evaluation, 5) use of the portfolio approach to determine discount rates, 6) election to not separate non-lease components from lease components in existing lease agreements, and 7) election to not apply the use of hindsight to the active lease population.

The cumulative effect of the changes made to our consolidated January 1, 2019 balance sheet for the adoption of ASU No. 2016-02 was as follows:

Classification	Balance at December 31, 2018	Adjustments Due to Topic 842	Balance at January 1, 2019
	(in millions)		
<b>Assets</b>			
Property and equipment, net	\$ 1,546	\$ (1)	\$ 1,545
Lease right-of-use assets	—	548	548
<b>Liabilities</b>			
Accrued expenses and other current liabilities	299	(1)	298
Current maturities of long term debt	5	1	6
Operating lease current liabilities	—	25	25
Long term debt, net	2,280	6	2,286
Operating lease non-current liabilities	—	528	528
Other non-current liabilities	123	(12)	111

### **3. Acquisitions**

On January 18, 2019, we acquired certain convenience store locations from Speedway LLC for approximately \$5 million plus working capital adjustments. We subsequently converted the acquired convenience store locations to commission agent locations.

### **4. Discontinued Operations**

On April 6, 2017, certain subsidiaries of the Partnership (collectively, the “Sellers”) entered into an Asset Purchase Agreement (the “7-Eleven 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 7-Eleven Purchase Agreement to reflect commercial agreements and updates made by the parties in connection with consummation of the transactions contemplated by the 7-Eleven Purchase Agreement. Under the 7-Eleven 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”). 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 7-Eleven Purchase Agreement, we entered into a Distributor Motor Fuel Agreement dated as of January 23, 2018, as amended (the “Supply Agreement”), with 7-Eleven and SEI Fuel. The Supply Agreement consists of a 15-year take-or-pay fuel supply arrangement. For the period from January 1, 2018 through January 22, 2018, we recorded sales to the sites that were subsequently sold to 7-Eleven of \$199 million that were eliminated in consolidation. We received payments on trade receivables from 7-Eleven of \$782 million and \$612 million during the three months ended March 31, 2019, and the 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, 51 have been sold, one is under contract to be sold and four 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 are operated by a commission agent. 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. All other footnotes present results of the continuing operations.

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.

The Partnership had no assets or liabilities associated with discontinued operations as of March 31, 2019 or December 31, 2018.

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

	Three Months Ended March 31,	
	2019	2018
	<i>(in millions)</i>	
<b>Revenues:</b>		
Motor fuel sales	\$ —	\$ 256
Non motor fuel sales (1)	—	93
Total revenues	—	349
<b>Cost of sales and operating expenses:</b>		
Cost of sales	—	305
General and administrative	—	2
Other operating	—	57
Lease expense	—	4
Loss on disposal of assets	—	23
Total cost of sales and operating expenses	—	391
<b>Operating loss</b>	—	(42)
Interest expense, net	—	2
Loss on extinguishment of debt	—	20
Loss from discontinued operations before income taxes	—	(64)
Income tax expense	—	173
<b>Loss from discontinued operations, net of income taxes</b>	<u>\$ —</u>	<u>\$ (237)</u>

(1) Non motor fuel sales includes merchandise sales totaling \$89 million for the three months ended March 31, 2018 .

#### 5. Accounts Receivable, net

Accounts receivable, net, consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(in millions)</i>	
Accounts receivable, trade	\$ 350	\$ 299
Credit card receivables	117	49
Vendor receivables for rebates, branding, and other	1	1
Other receivables	24	27
Allowance for doubtful accounts	(2)	(2)
Accounts receivable, net	<u>\$ 490</u>	<u>\$ 374</u>

#### 6. Inventories, net

Inventories, net, consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(in millions)</i>	
Fuel	\$ 380	\$ 363
Other	12	11
Inventories, net	<u>\$ 392</u>	<u>\$ 374</u>

## 7. Accrued Expenses and Other Current Liabilities

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

	March 31, 2019	December 31, 2018
	<i>(in millions)</i>	
Wage and other employee-related accrued expenses	\$ 20	\$ 41
Accrued tax expense	67	91
Accrued insurance	35	31
Accrued interest expense	23	47
Dealer deposits	18	18
Accrued environmental expense	6	6
Other	56	65
Total	<u>\$ 225</u>	<u>\$ 299</u>

## 8. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(in millions)</i>	
Sale leaseback financing obligation	\$ 106	\$ 107
2018 Revolver	150	700
4.875% Senior Notes Due 2023	1,000	1,000
5.500% Senior Notes Due 2026	800	800
6.000% Senior Notes Due 2027	600	—
5.875% Senior Notes Due 2028	400	400
Other	7	1
Total debt	3,063	3,008
Less: current maturities	6	5
Less: debt issuance costs	28	23
Long-term debt, net of current maturities	<u>\$ 3,029</u>	<u>\$ 2,980</u>

### 2019 Private Offering of Senior Notes

On March 14, 2019, we, our General Partner and Sunoco Finance Corp. (together with the Partnership, the “2027 Notes Issuers”) completed a private offering of \$600 million in aggregate principal amount of 6.000% senior notes due 2027 (the “2027 Notes”).

The terms of the 2027 Notes is governed by an indenture dated March 14, 2019, among the 2027 Notes Issuers, certain subsidiaries of the Partnership (the “2027 Notes Guarantors”) and U.S. Bank National Association, as trustee. The 2027 Notes will mature on April 15, 2027 and interest on the 2027 Notes is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2019. The 2027 Notes are senior obligations of the 2027 Notes Issuers and are guaranteed on a senior basis by all of the Partnership’s current subsidiaries (other than Sunoco Finance Corp.) that guarantee its obligations under the 2018 Revolver (as defined below) and certain of its future subsidiaries. The 2027 Notes and guarantees are unsecured and rank equally with all of the 2027 Notes Issuers’ and each 2027 Notes Guarantor’s existing and future senior obligations. The 2027 Notes and guarantees are effectively subordinated to the 2027 Notes Issuers’ and each 2027 Notes Guarantor’s secured obligations, including obligations under the 2018 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 2027 Notes.

The Partnership used the proceeds from the private offering to repay a portion of the outstanding borrowings under our 2018 Revolver (as defined below).

### Revolving Credit Agreement

On July 27, 2018, we entered into a new Amended and Restated Credit Agreement 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 (the “2018 Revolver”). Borrowings under the 2018 Revolver were used to pay off the Partnership’s previous revolving credit facility.

As of March 31, 2019 , the balance on the 2018 Revolver was \$150 million , and \$8 million in standby letters of credit were outstanding. The unused availability on the 2018 Revolver at March 31, 2019 was \$1.3 billion . The weighted average interest rate on the total amount outstanding at March 31, 2019 was 4.49%. The Partnership was in compliance with all financial covenants at March 31, 2019 .

### ***Fair Value of Debt***

The estimated fair value of debt is calculated using Level 2 inputs. The fair value of debt as of March 31, 2019 , is estimated to be approximately \$3.1 billion , based on outstanding balances as of the end of the period using current interest rates for similar securities.

## **9. Other Non-current Liabilities**

Other non-current liabilities consisted of the following:

	March 31, 2019	December 31, 2018
	<i>(in millions)</i>	
Reserve for underground storage tank removal	\$ 66	\$ 54
Reserve for environmental remediation	28	29
Unfavorable lease liability	15	16
Accrued straight-line rent	—	12
Other	11	12
Total	<u>\$ 120</u>	<u>\$ 123</u>

## **10. Related-Party Transactions**

We are party to fee-based commercial agreements with various affiliates of ETO for pipeline, terminalling and storage services. We also have agreements with subsidiaries of ETO for the purchase and sale of fuel. In addition, we are party to 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 ETO, owns a noncontrolling interest in the parent of PES. Beginning in the third quarter of 2018, PES was no longer considered an affiliate of ETO as ETO was no longer considered to have any significant influence over PES’s management or operations.

### ***Summary of Transactions***

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

- Net advances from affiliates were \$81 million and \$24 million as of March 31, 2019 and December 31, 2018 , respectively. 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 \$2 million and \$37 million as of March 31, 2019 and December 31, 2018 , respectively, which are primarily related to motor fuel sales to affiliates.
- Net accounts payable to affiliates were \$30 million and \$149 million as of March 31, 2019 and December 31, 2018 , respectively, which are related to operational expenses.
- Motor fuel sales to affiliates were \$1 million and \$12 million for the three months ended March 31, 2019 and 2018 , respectively.
- Bulk fuel purchases from affiliates were \$171 million and \$777 million for the three months ended March 31, 2019 and 2018 , respectively, which is included in motor fuel cost of sales in our Consolidated Statements of Operations and Comprehensive Income (Loss).

## **11. Revenue**

### ***Disaggregation of Revenue***

We operate our business in two primary segments, fuel distribution and marketing and all other. We disaggregate revenue within the segments by channels.

The following table depicts the disaggregation of revenue by channel within each segment:

	Three Months Ended March 31,	
	2019	2018
	(in millions)	
<b>Fuel Distribution and Marketing Segment</b>		
Dealer	\$ 778	\$ 800
Distributor	1,639	1,623
Unbranded wholesale	650	562
Commission agent	375	121
Non motor fuel sales	19	14
Lease income	32	19
<b>Total</b>	<b>3,493</b>	<b>3,139</b>
<b>All Other Segment</b>		
Motor fuel	141	445
Non motor fuel sales	55	162
Lease income	3	3
<b>Total</b>	<b>199</b>	<b>610</b>
<b>Total revenue</b>	<b>\$ 3,692</b>	<b>\$ 3,749</b>

#### ***Contract Balances with Customers***

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 balances of the Partnership's contract assets and contract liabilities as of March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
	(in millions)	
Contract balances		
Contract asset	\$ 84	\$ 75
Accounts receivable from contracts with customers	\$ 467	\$ 348
Contract liability	\$ 1	\$ 1

The amount of revenue recognized in the three months ended March 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the each period was \$0.1 million and \$0.1 million, respectively. 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 the Partnership's performance and the customer's payment.

#### ***Performance Obligations***

As of March 31, 2019, the aggregate amount of revenue expected to be recognized related to unsatisfied or partially satisfied franchise fee performance obligations (contract liabilities) is approximately \$0.3 million for the remainder of 2019, \$0.2 million in 2020, \$0.1 million in 2021, 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 current assets and other non-current assets and are amortized as a reduction of revenue on a systematic basis consistent with the pattern of transfer of the goods or services to which such costs relate. The amount of amortization on these capitalized costs that the Partnership recognized for the three months ended March 31, 2019 and 2018 was \$4 million and \$3 million, respectively. 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.

## 12. Commitments and Contingencies

### Lessee Accounting

The Partnership leases retail stores, other property, and equipment 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. At the inception of each, we determine if the arrangement is a lease or contains an embedded lease and review the facts and circumstances of the arrangement to classify leased assets as operating or finance under Topic 842. The Partnership has elected not to record any leases with terms of 12 months or less on the balance sheet.

At this time, the majority of active leases within our portfolio are classified as operating leases under the new standard. Operating leases are included in lease right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in our consolidated balance sheet. Finance leases represent a small portion of the active lease agreements and are included in ROU assets, other current liabilities, and other long-term liabilities in our consolidated balance sheet. The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make minimum lease payments arising from the lease for the duration of the lease term.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 20 years or greater. The exercise of lease renewal options is typically at our discretion. Additionally many leases contain early termination clauses, however early termination typically requires the agreement of both parties to the lease. At lease inception, all renewal options reasonably certain to be exercised are considered when determining the lease term. At this time the Partnership does not have leases that include options to purchase or automatic transfer of ownership of the leased property to the Partnership. The depreciable life of leased assets and leasehold improvements are limited by the expected lease term.

To determine the present value of future minimum lease payments, we use the implicit rate when readily determinable. At this time, many of our leases do not provide an implicit rate, therefore to determine the present value of minimum lease payments we use our incremental borrowing rate based on the information available at lease commencement date. The ROU assets also include any lease payments made and exclude lease incentives.

Minimum rent payments are expensed on a straight-line basis over the term of the lease. In addition, some leases may require additional contingent or variable lease payments based on factors specific to the individual agreement. Variable lease payments we are typically responsible for include payment of real estate taxes, maintenance expenses and insurance.

The Partnership maintains a small number of active related party leases.

The components of lease expense consisted of the following:

<u>Lease cost</u>	<u>Classification</u>	<u>Three Months Ended March 31, 2019</u>
		<i>(in millions)</i>
Operating lease cost	Lease expense	\$ 12
Finance lease cost		
Amortization of leased assets	Depreciation, amortization, and accretion	—
Interest on lease liabilities	Interest expense	—
Short term lease cost	Lease expense	1
Variable lease cost	Lease expense	1
Sublease income	Lease income	(10)
Net lease cost		\$ 4

<u>Lease Term and Discount Rate</u>	<u>March 31, 2019</u>
Weighted-average remaining lease term (years)	
Operating leases	25 years
Finance leases	10 years
Weighted-average discount rate (%)	
Operating leases	6%
Finance leases	8%



**Other information****Three Months Ended  
March 31, 2019***(in millions)*

(Gain) Loss on sale and leaseback transactions, net	\$	—
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	(12)
Operating cash flows from finance leases	\$	—
Financing cash flows from finance leases	\$	—
Leased assets obtained in exchange for new finance lease liabilities	\$	—
Leased assets obtained in exchange for new operating lease liabilities	\$	8

Maturities of lease liabilities as of March 31, 2019 are as follows:

<u>Maturity of lease liabilities</u>	Operating leases		Finance leases		Total
	(in millions)				
2019 (remainder)	\$	41	\$	1	\$ 42
2020		52		1	53
2021		46		1	47
2022		44		1	45
2023		43		1	44
Thereafter		834		6	840
Total lease payment		1,060		11	1,071
Less: interest		509		4	513
Present value of lease liabilities	\$	551	\$	7	\$ 558

**Lessor Accounting**

The Partnership leases or subleases a portion of its real estate portfolio to third party companies as a stable source of long-term revenue. Our lessor and sublease portfolio consists mainly of operating leases with convenience store operators. At this time, most lessor agreements contain 5-year terms with renewal options to extend and early termination options based on established terms specific to the individual agreement.

**Three Months Ended  
March 31, 2019***(in millions)*

Fuel Distribution & Marketing lease income	\$	32
All Other lease income		3
Total lease income	\$	35

Minimum future lease payments receivable are as follows:

**March 31, 2019***(in millions)*

2019 (remainder)	\$	68
2020		72
2021		59
2022		53
2023		3
Thereafter		5
Total undiscounted cash flow	\$	260

### 13. Interest Expense, net

Components of net interest expense were as follows:

	Three Months Ended March 31,	
	2019	2018
	(in millions)	
Interest expense	\$ 42	\$ 34
Amortization of deferred financing fees	1	2
Interest income	(1)	(2)
Interest expense, net	\$ 42	\$ 34

### 14. 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 of 21% to net income tax expense (benefit) is as follows:

	Three Months Ended March 31,	
	2019	2018
	(in million)	
Income tax expense (benefit) at statutory federal rate	\$ 22	\$ (10)
Partnership earnings not subject to tax	(26)	9
Statutory tax rate changes	—	29
Other	2	3
Net income tax expense (benefit)	\$ (2)	\$ 31

### 15. Partners' Capital

As of March 31, 2019, ETO and ET or their subsidiaries owned 28,463,967 common units, which constitutes 34.4% of our outstanding common units, and the public owned 54,261,235 common units. As of March 31, 2019, our consolidated subsidiaries owned all of the 16,410,780 Class C units representing limited partner interests in the Partnership (the "Class C Units").

#### Common Units

The change in our outstanding common units for the three months ended March 31, 2019 is as follows:

	Number of Units
Number of common units at December 31, 2018	82,665,057
Phantom unit vesting	60,145
Number of common units at March 31, 2019	82,725,202

#### 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 ETO.

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

	Three Months Ended March 31,	
	2019	2018
<b>Attributable to Common Units</b>		
Distributions (a)	\$ 68	\$ 68
Distributions in excess of net income	21	(404)
Limited partners' interest in net income (loss)	\$ 89	\$ (336)
(a) Distributions declared per unit to unitholders as of record date	\$ 0.8255	\$ 0.8255

#### 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 2019 were as follows:

Payment Date	Limited Partners		Distribution to IDR Holders
	Per Unit Distribution	Total Cash Distribution	
	(in millions, except per unit amounts)		
May 15, 2019	\$ 0.8255	\$ 68	\$ 18
February 14, 2019	\$ 0.8255	\$ 68	\$ 18

#### 16. Unit-Based Compensation

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

	Number of Phantom Units	Weighted-Average Grant Date Fair Value
<b>Outstanding at December 31, 2017</b>	1,777,301	\$ 31.89
Granted	1,072,600	27.67
Vested	(414,472)	32.92
Forfeited	(311,417)	31.26
<b>Outstanding at December 31, 2018</b>	2,124,012	29.15
Granted	35,061	28.79
Vested	(89,238)	26.14
Forfeited	(47,076)	29.54
<b>Outstanding at March 31, 2019</b>	2,022,759	\$ 28.97

#### 17. Segment Reporting

Our financial statements reflect two reportable segments, fuel distribution & marketing and all other. After the Retail Divestment and the conversion of 207 retail sites to commission agent sites, the Partnership has renamed the former Wholesale segment to Fuel Distribution and Marketing and the former Retail segment is renamed to All Other.

We report Adjusted EBITDA by segment as a measure of segment performance. We define Adjusted EBITDA as net income before net interest expense, income tax expense and depreciation, amortization and accretion expense, non-cash compensation expense, gains and losses on disposal of assets and impairment charges, unrealized gains and losses on commodity derivatives, inventory adjustments, and certain other operating expenses reflected in net income that we do not believe are indicative of ongoing core operations.

The following tables present financial information by segment for the three months ended March 31, 2019 and 2018 :

Three Months Ended March 31,								
	2019				2018			
	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals	Fuel Distribution and Marketing	All Other	Intercompany Eliminations	Totals
<i>(in millions)</i>								
<b>Revenue</b>								
Motor fuel sales	\$ 3,442	\$ 141		\$ 3,583	\$ 3,106	\$ 445		\$ 3,551
Non motor fuel sales	19	55		74	14	162		176
Lease income	32	3		35	19	3		22
Intersegment sales	364	32	(396)	—	404	34	(438)	—
Total revenue	3,857	231	(396)	3,692	3,543	644	(438)	3,749
<b>Gross profit (1)</b>								
Motor fuel	258	27		285	161	44		205
Non motor fuel	17	33		50	10	59		69
Lease	32	3		35	19	3		22
Total gross profit	307	63		370	190	106		296
Total operating expenses	135	83		218	119	81		200
<b>Operating income</b>	172	(20)		152	71	25		96
Interest expense, net	36	6		42	19	15		34
Loss on extinguishment of debt and other	(3)	6		3	109	—		109
<b>Income (loss) from continuing operations before income taxes</b>	139	(32)		107	(57)	10		(47)
Income tax expense (benefit)	2	(4)		(2)	1	30		31
<b>Income (loss) from continuing operations</b>	137	(28)		109	(58)	(20)		(78)
Loss from discontinued operations, net of income taxes (See Note 4)	—	—		—	—	(237)		(237)
<b>Net income (loss) and comprehensive income (loss)</b>	\$ 137	\$ (28)		\$ 109	\$ (58)	\$ (257)		\$ (315)
Depreciation, amortization and accretion (2)	34	11		45	28	21		49
Interest expense, net (2)	36	6		42	19	17		36
Income tax expense (benefit) (2)	2	(4)		(2)	1	203		204
<b>EBITDA</b>	209	(15)		194	(10)	(16)		(26)
Non-cash compensation expense (2)	3	—		3	—	3		3
Loss on disposal of assets and impairment charges (2)	4	44		48	3	23		26
Loss on extinguishment of debt and other (2)	(3)	6		3	109	20		129
Unrealized gain on commodity derivatives (2)	(6)	—		(6)	—	—		—
Inventory adjustments (2)	(93)	—		(93)	(25)	(1)		(26)
Other non-cash adjustments	4	—		4	3	—		3
<b>Adjusted EBITDA</b>	\$ 118	\$ 35		\$ 153	\$ 80	\$ 29		\$ 109
Capital expenditures (2)	\$ 20	\$ 6		\$ 26	\$ 12	\$ 7		\$ 19
Total assets at period end	\$ 4,101	\$ 1,322		\$ 5,423	\$ 3,878	\$ 1,001		\$ 4,879

(1) Excludes depreciation, amortization and accretion.

(2) Includes amounts from discontinued operations for the three months ended March 31, 2018.

# 18. Net Income per Unit

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

	Three Months Ended March 31,	
	2019	2018
	<i>(in millions, except units and per unit amounts)</i>	
<b>Income (loss) from continuing operations</b>	\$ 109	\$ (78)
Less:		
Distributions on Series A Preferred units	—	2
Incentive distribution rights	18	18
Distributions on nonvested phantom unit awards	2	1
<b>Limited partners' interest in net income (loss) from continuing operations</b>	\$ 89	\$ (99)
<b>Loss from discontinued operations</b>	\$ —	\$ (237)
<b>Weighted average limited partner units outstanding:</b>		
Common - basic	82,711,188	89,753,950
Common - equivalents	668,979	517,801
Common - diluted	83,380,167	90,271,751
<b>Income (loss) from continuing operations per limited partner unit:</b>		
Common - basic	\$ 1.08	\$ (1.11)
Common - diluted	\$ 1.07	\$ (1.11)
<b>Loss from discontinued operations per limited partner unit:</b>		
Common - basic	\$ 0.00	\$ (2.63)
Common - diluted	\$ 0.00	\$ (2.63)

## 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, 2018.*

*Adjusted EBITDA and Distributable Cash Flow, as adjusted 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 Adjusted EBITDA and Distributable Cash Flow, as adjusted 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:

- our ability to make, complete and integrate acquisitions from affiliates or third-parties;
- business strategy and operations of Energy Transfer Operating, L.P. and Energy Transfer LP and their respective 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 retail store industry;
- changing customer preferences for alternate fuel sources or improvement in fuel efficiency;
- changes in our credit rating, as assigned by rating agencies;
- a deterioration in the credit and/or capital markets;
- 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 ability to manage growth and/or control costs;
- 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, 2018. 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 primarily engaged in the distribution of motor fuels to independent dealers, distributors, and other customers and the distribution of motor fuels to end customers at retail sites operated by commission agents. In addition, we receive rental income through the leasing or subleasing of real estate used in the retail distribution of motor fuels. We also operate 75 retail stores located in Hawaii and New Jersey.

We are managed by Sunoco GP LLC, our General Partner. As of March 31, 2019, Energy Transfer Operating, L.P. (“ETO”), a consolidated subsidiary of Energy Transfer LP (“ET”), owned 100% of the membership interests in our General Partner, all of our incentive distribution rights and approximately 34.4% of our common units, which constitutes a 28.7% limited partner interest in us.

We believe we are one of the largest independent motor fuel distributors by gallons in the United States 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.

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:

- 75 company owned and operated retail stores;
- 554 independently operated commission agent locations where we sell motor fuel to retail customers under commission arrangements with such operators;
- 6,776 retail stores operated by independent operators, which we refer to as “dealers” or “distributors,” pursuant to long-term distribution agreements; and
- 2,450 other commercial customers, including unbranded retail stores, other fuel distributors, school districts, municipalities and other industrial customers.

As of March 31, 2019, we operated 75 retail stores. Our retail 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.

### Recent Developments

On March 11, 2019, we completed a private offering of \$600 million in aggregate principal amount of 6.000% senior notes due 2027. We used the proceeds to repay a portion of the outstanding borrowings under our 2018 Revolver.

On January 18, 2019, we announced the execution of a definitive asset purchase agreement with Attis Industries Inc. (NASDAQ: ATIS) (“Attis”) for the sale of our ethanol plant, including the grain malting operation, in Fulton, New York. As part of the transaction, we will enter into a 10-year ethanol offtake agreement with Attis. Total consideration for the divestiture is \$20 million in cash plus certain working capital adjustments. The transaction is subject to regulatory clearances and customary closing conditions and is expected to close in the second quarter of 2019.

On January 18, 2019, we acquired certain convenience store locations from Speedway LLC for approximately \$5 million plus working capital adjustments. We subsequently converted the acquired convenience store locations to commission agent locations.

### 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:

- *Motor fuel gallons sold*. One of the primary drivers of our business is the total volume of motor fuel sold through our channels. Fuel distribution contracts with our 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, gross profit is directly tied to the volume of motor fuel that we distribute. Total motor fuel gross profit dollars earned from the product of gross profit per gallon and motor fuel gallons sold are used by Management to evaluate business performance.
- *Gross profit per gallon*. Gross profit per gallon is calculated as the gross profit on motor fuel (excluding non-cash inventory 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 retail stores, supermarkets, club stores and other retail formats, which varies based on the market.
- *Adjusted EBITDA and Distributable Cash Flow, as adjusted*. Adjusted EBITDA as used throughout this document, is defined as earnings before net interest expense, income taxes, depreciation, amortization and accretion expense, allocated non-cash compensation expense, unrealized gains and losses on commodity derivatives and inventory 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, 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, as adjusted are non-GAAP financial measures. For a reconciliation of Adjusted EBITDA and Distributable Cash Flow, as adjusted to their most directly comparable financial measure calculated and presented in accordance with GAAP, read “Key Operating Metrics” below.

We believe Adjusted EBITDA and Distributable Cash Flow, as adjusted 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, as adjusted 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.

Adjusted EBITDA and Distributable Cash Flow, as adjusted 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. Adjusted EBITDA and Distributable Cash Flow, as adjusted 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 Adjusted EBITDA does not reflect cash requirements for such replacements; and
- as not all companies use identical calculations, our presentation of Adjusted EBITDA and Distributable Cash Flow, as adjusted 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.

Key operating metrics set forth below are presented as of and for the three months ended March 31, 2019 and 2018 and have been derived from our historical consolidated financial statements.



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

Three Months Ended March 31,												
2019					2018							
Fuel Distribution and Marketing	All Other	Total	Fuel Distribution and Marketing	All Other	Total							
(dollars and gallons in millions, except gross profit per gallon)												
Revenues:												
Motor fuel sales	\$	3,442	\$	141	\$	3,583	\$	3,106	\$	445	\$	3,551
Non motor fuel sales		19		55		74		14		162		176
Lease income		32		3		35		19		3		22
Total revenues	\$	3,493	\$	199	\$	3,692	\$	3,139	\$	610	\$	3,749
Gross profit (1):												
Motor fuel sales	\$	258	\$	27	\$	285	\$	161	\$	44	\$	205
Non motor fuel sales		17		33		50		10		59		69
Lease		32		3		35		19		3		22
Total gross profit	\$	307	\$	63	\$	370	\$	190	\$	106	\$	296
Income (loss) from continuing operations		137		(28)		109		(58)		(20)		(78)
Loss from discontinued operations, net of taxes		—		—		—		—		(237)		(237)
Net income (loss) and comprehensive income (loss)	\$	137	\$	(28)	\$	109	\$	(58)	\$	(257)	\$	(315)
Adjusted EBITDA (2)	\$	118	\$	35	\$	153	\$	80	\$	29	\$	109
Distributable Cash Flow, as adjusted (2)					\$	99					\$	85
Operating Data:												
Total motor fuel gallons sold (3)					1,941							1,857
Motor fuel gross profit cents per gallon (3) (4)					9.9¢							10.5¢

(1) Excludes depreciation, amortization and accretion.

(2) We define Adjusted EBITDA and Distributable Cash Flow, as adjusted as described above under “Key Measures Used to Evaluate and Assess Our Business.”

(3) Includes amounts from discontinued operations.

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

The following table presents a reconciliation of Adjusted EBITDA to net income (loss), and Adjusted EBITDA to Distributable Cash Flow, as adjusted for the three months ended March 31, 2019 and 2018 :

	Three Months Ended March 31,		
	2019	2018	Change
	(in millions)		
<b>Segment Adjusted EBITDA</b>			
Fuel distribution and marketing	\$ 118	\$ 80	\$ 38
All other	35	29	6
Total	153	109	44
Depreciation, amortization and accretion (1)	(45)	(49)	4
Interest expense, net (1)	(42)	(36)	(6)
Non-cash compensation expense (1)	(3)	(3)	—
Loss on disposal of assets and impairment charges (1)	(48)	(26)	(22)
Loss on extinguishment of debt and other (1)	(3)	(129)	126
Unrealized gain on commodity derivatives (1)	6	—	6
Inventory adjustments (1)	93	26	67
Other non-cash adjustments	(4)	(3)	(1)
<b>Income (loss) before income tax expense (1)</b>	107	(111)	218
Income tax benefit (expense) (1)	2	(204)	206
<b>Net income (loss) and comprehensive income (loss)</b>	<u>\$ 109</u>	<u>\$ (315)</u>	<u>\$ 424</u>
<b>Adjusted EBITDA</b>	\$ 153	\$ 109	\$ 44
Cash interest expense (1)	40	34	6
Current income tax expense (1)	12	468	(456)
Transaction-related income taxes (2)	—	(480)	480
Maintenance capital expenditures (1)	4	3	1
<b>Distributable Cash Flow</b>	97	84	13
Transaction-related expenses (1)	2	3	(1)
Series A Preferred distribution	—	(2)	2
<b>Distributable Cash Flow, as adjusted</b>	<u>\$ 99</u>	<u>\$ 85</u>	<u>\$ 14</u>

(1) Includes amounts from discontinued operations for the three ended March 31, 2018.

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

### Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

The following discussion of results compares the operations for the three months ended March 31, 2019 and 2018 .

**Segment Adjusted EBITDA.** Total segment adjusted EBITDA for the three months ended March 31, 2019 was \$153 million , an increase of \$44 million from the three months ended March 31, 2018 . The increase is primarily attributable to the following changes:

- a decrease in the gross profit on motor fuel sales of \$8 million, primarily due to a 6.0%, or \$0.006, decrease in cents per gallons sold as a result of the change in mix of gallons sold from higher gross profit company-operated fuel sites to supplying lower gross profit fuel distribution and marketing gallons as a result of the divestment of 1,030 company-operated fuel sites to 7-Eleven on January 23, 2018;
- a decrease in non motor fuel sales gross profit of \$34 million, primarily related to lower merchandise gross profit as a result of the divestment of 1,030 company-operated fuel sites to 7-Eleven on January 23, 2018 and the conversion of 207 retail sites to commission agent sites during April 2018; offset by
- a decrease in operating costs of \$86 million, as a result of the divestment of 1,030 company-operated fuel sites to 7-Eleven on January 23, 2018 and the conversion of 207 retail sites to commission agent sites during April 2018. These expenses include other operating expense, general and administrative expense and lease expense.

**Depreciation, Amortization and Accretion .** Depreciation, amortization and accretion was \$45 million for the three months ended March 31, 2019 , a decrease of \$4 million from the three months ended March 31, 2018 . The decrease is primarily due to a decrease in accretion expense during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. This decrease is primarily attributable to an one-time accretion expense adjustment during the three months ended March 31, 2018.

**Interest Expense .** Interest expense for the three months ended March 31, 2019 was \$42 million , an increase of \$6 million from the three months ended March 31, 2018 . This increase is primarily attributable to an increase in total long-term debt.

**Non-Cash Compensation Expense.** Non-cash compensation expense was \$3 million for the three months ended March 31, 2019 and the three months ended March 31, 2018.

**Loss on Disposal of Assets and Impairment Charges .** Loss on disposal of assets and impairment charges for the three months ended March 31, 2019 is primarily attributable to a \$47 million write-down on assets held for sale related to our ethanol plant in Fulton, New York. Loss on disposal of assets and impairment charges for the three months ended March 31, 2018 was primarily attributable to the divestment of 1,030 company-operated fuel sites to 7-Eleven on January 23, 2018.

**Loss on extinguishment of debt and other .** Loss on extinguishment of debt and other for the three months ended March 31, 2019 was \$3 million, a decrease of \$126 million from the three months ended March 31, 2018 which was primarily attributable to a \$126 million loss recognized from the redemption of our senior notes during the three months ended March 31, 2018.

**Income Tax Expense.** Income tax benefit for the three months ended March 31, 2019 was \$2 million , a decrease of \$206 million from income tax expense of \$204 million for the three months ended March 31, 2018 . This change is primarily attributable to the tax impact of the divestment of 1,030 company-operated fuel sites to 7-Eleven on January 23, 2018.

### 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, 2018 may also significantly impact our liquidity.

As of March 31, 2019 , we had \$23 million of cash and cash equivalents on hand and borrowing capacity of \$1.3 billion under the 2018 Revolver. The Partnership was in compliance with all financial covenants at March 31, 2019 . Based on our current estimates, we

expect to utilize capacity under the 2018 Revolver, along with cash from operations, to fund our announced growth capital expenditures and working capital needs for 2019; 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,	
	2019	2018
	(in millions)	
<b>Net cash provided by (used in)</b>		
Operating activities - continuing operations	\$ 37	\$ 440
Investing activities - continuing operations	(25)	(17)
Financing activities - continuing operations	(45)	(3,093)
Discontinued operations	—	2,740
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (33)</b>	<b>\$ 70</b>

**Cash Flows Provided by 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 operations was \$37 million and \$440 million for the three months of 2019 and 2018, respectively. The decrease in cash flows provided by operations was primarily due to changes in operating assets and liabilities of \$414 million compared to the three months ended March 31, 2018; partially offset by a \$11 million increase in cash basis net income compared to the three months ended March 31, 2018.

**Cash Flows Used in Investing Activities - Continuing Operations.** Net cash used in investing activities was \$25 million and \$17 million for the first three months of 2019 and 2018, respectively. Capital expenditures were \$26 million and \$19 million for the first three months of 2019 and 2018, respectively.

**Cash Flows Used in Financing Activities - Continuing Operations.** Net cash used in financing activities was \$45 million and \$3.1 billion for the first three months of 2019 and 2018, respectively. During the three months ended March 31, 2019, we:

- issued \$600 million of 6.000% Senior Notes due 2027;
- borrowed \$693 million and repaid \$1.2 billion under our 2018 Revolver to fund daily operations; and
- paid \$87 million in distributions to our unitholders, of which \$41 million was paid to ETO.

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 25, 2019, 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, 2019, excluding distributions to Class C unitholders. The declared distribution will be paid on May 15, 2019 to unitholders of record on May 7, 2019.

### Capital Expenditures

Included in our capital expenditures for the first three months of 2019 was \$4 million in maintenance capital and \$22 million in growth capital. Growth capital relates primarily to dealer supply contracts.

Excluding acquisitions, we currently expect to spend approximately \$90 million on growth capital and approximately \$45 million on maintenance capital for the full year 2019.

### Contractual Obligations and Commitments

**Contractual Obligations.** We have contractual obligations that are required to be settled in cash. As of March 31, 2019, we have \$150 million borrowed on the 2018 Revolver compared to \$700 million borrowed on the 2018 Revolver at December 31, 2018. Further, as of March 31, 2019, we had \$2.8 billion outstanding under our Senior Notes. See Note 8 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 390 positions, representing 16 million gallons, outstanding at March 31, 2019 with an aggregated unrealized gain of \$0.04 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, 2019 :

	Owned	Leased
Dealer and commission agent sites	630	321
Company-operated retail stores	6	69
Warehouses, offices and other	64	84
Total	700	474

### 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, 2018 .

### 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 \$150 million outstanding borrowings on the 2018 Revolver as of March 31, 2019 . The annualized effect of a one percentage point change in floating interest rates on our variable rate debt obligations outstanding at March 31, 2019 would be a \$2 million 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 2019 or 2018 .

#### 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 \$23 million at March 31, 2019 .

Sunoco LLC holds working inventories of refined petroleum products, renewable fuels, gasoline blendstocks and transmix in storage. As of March 31, 2019 , Sunoco LLC held approximately \$314 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 2018 fiscal year, Sunoco LLC maintained an average eleven 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 390 positions, representing 16 million gallons with an aggregate unrealized gain of \$0.04 million outstanding at March 31, 2019 .

#### **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 842 effective January 1, 2019, 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 842 is discussed in Note 2 and Note 12 to the consolidated financial statements included in “Item 1. Financial Statements.”

There have been no changes, other than those discussed above, in our internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) of the Exchange Act) that occurred during the three months ended March 31, 2019 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**

T here have been no material changes from the risk factors described in Part I - Item 1A in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on February 22, 2019.

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

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

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

## **EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
4.1	<a href="#"><u>Indenture, dated as of March 14, 2019, by and among Sunoco LP, Sunoco Finance Corp., the Guarantors party thereto and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 4.1 of the current report on Form 8-K filed by the registrant on March 14, 2019)</u></a>
4.2	<a href="#"><u>Registration Rights Agreement, dated as of March 14, 2019, among Sunoco LP, Sunoco Finance Corp., the Guarantors party thereto, Goldman Sachs &amp; Co. LLC and Mizuho Securities USA LLC, as representative of the Initial Purchasers named therein (Incorporated by reference to Exhibit 4.2 of the current report on Form 8-K filed by the registrant on March 14, 2019)</u></a>
10.1 *	<a href="#"><u>First Amendment, dated as of March 29, 2019, to Distributor Motor Fuel Agreement by and between Sunoco, LLC and 7-Eleven, Inc. and SEI Fuel Services, Inc. dated as of January 23, 2018 (asterisks located within the exhibit denote information which has been redacted)</u></a>
31.1 *	<a href="#"><u>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</u></a>
31.2 *	<a href="#"><u>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</u></a>
32.1 **	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act</u></a>
32.2 **	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act</u></a>
99.1 *	<a href="#"><u>Information Related to ETC M-A Acquisition LLC</u></a>
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.

Date: May 9, 2019

### SUNOCO LP

By Sunoco GP LLC, its general partner

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/ Camilla A. Harris

Camilla A. Harris

Vice President, Controller and

Principal Accounting Officer

(In her capacity as principal accounting officer)

REDACTED VERSION

**FIRST AMENDMENT TO  
DISTRIBUTOR MOTOR FUEL AGREEMENT**

THIS FIRST AMENDMENT TO DISTRIBUTOR MOTOR FUEL AGREEMENT is dated as of March 29, 2019 (this “Amendment”) and amends that certain the Distributor Motor Fuel Agreement dated as of January 23, 2018 (the “Agreement”), by and between Sunoco, LLC (“Company”), and 7-Eleven, Inc. and SEI Fuel Services, Inc. (collectively, “Distributor”).

Background :

A. The Parties wish to enter into this Amendment to amend and modify the Agreement, as more particularly provided herein.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend the Agreement as follows:

1. Waiver of Make-Up Payment. The Parties have agreed that any Make-Up Payment otherwise due from Distributor to Company for the first Contract Year shall be waived. The difference between the Expected Annual Supply Margin for the first Contract Year and the actual Annual Supply Margin attained for the first Contract Year shall be added (as, and not in addition to, the Shortfall amount) to the Expected Annual Supply Margin for the second Contract Year as of April 1, 2019. The Parties agree to work together to find the means to ramp up growth volume in the second Contract Year to a level sufficient to avoid having Make-Up Payments in the future.

2. Bulk Sales of Fuel. The Parties agree that to help Distributor satisfy its Expected Annual Supply Margin obligations pursuant to this Agreement, Distributor may elect to purchase motor fuel in bulk from Company at Company’s cost plus [\*\*\*] (the “Bulk Volume”). Bulk Volume purchased during this period shall be applied to Distributor’s Expected Annual Supply Margin obligations for the Contract Year in which the purchases occur. Volumes, locations, and timing requested of Bulk Volume purchases by Distributor will be evaluated by Company and approved in Company’s commercially reasonable discretion. Upon the agreement by Company and Distributor with respect to timing, location and volumes of Bulk Volume purchases, Distributor commits to purchasing the Bulk Volume that has been nominated. Company’s general terms and conditions applicable to bulk fuel sales will apply for all purchases of Bulk Volume hereunder unless the Parties agree otherwise in writing.

3. Expected Annual Supply Margins. Section 1.6(b) of the Agreement is hereby amended to provide that (a) for the second Contract Year, the Expected Annual Supply Margin shall [\*\*\*], (b) for the third Contract Year and for each Contract Year thereafter, the Expected Annual Supply Margin shall be [\*\*\*].

4. Additional Locations. Section 1.9(b) of the Agreement is hereby amended to add the followings sentences at the end of such section:

“Notwithstanding the foregoing, Distributor may add an unlimited number of additional Locations (the “Additional Locations”) with the consent of Company, which consent shall not be unreasonably withheld, conditioned or delayed and may only be withheld if (A) such Additional Location will create a potential conflict with any other existing Company supplied retail gasoline station, or (B) Company is unable to supply such proposed Additional Location on a commercially reasonable basis. All Additional Locations will have a Supply Margin of [\*\*\*] per gallon. The addition of any Additional Locations will not increase the Expected Annual Supply Margin of [\*\*\*] attributable to the Base Locations (as such amount is adjusted in accordance with this Agreement).”

5. Transportation Services Agreement. The Parties agree that, by July 1, 2019, the Transportation Agreement dated as of January 23, 2018, between Distributor and Sunoco Retail LLC, an affiliate of Company, shall be amended to [\*\*\*].

6. No Other Changes.

Except as expressly provided herein, the Agreement is not amended, modified or otherwise affected by this Amendment, and the Agreement and the rights and obligations of the parties thereunder, as amended hereby, are hereby ratified and confirmed in all respects.

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7. Governing Law.

This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of Texas, excluding conflict of law rules and principles.

8. Counterparts.

This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall collectively constitute one and the same instrument. Execution and delivery of this Amendment by delivery of a facsimile or electronic copy bearing the facsimile signature of a party shall constitute a valid and binding execution and delivery of this Amendment by such party. Such facsimile copies shall constitute enforceable original documents.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first written above.

DISTRIBUTOR:

7-ELEVEN, INC.                      SEI FUEL SERVICES, INC.

By: /s/Marc Clough                      By: /s/Marc Clough

Title: Vice President                      Title: President

COMPANY:

SUNOCO, LLC

By: /s/ Karl Fails  
President

**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 9, 2019

/s/ Joseph Kim

Joseph Kim

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

**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 9, 2019

/s/ Thomas R. Miller

Thomas R. Miller

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

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, 2019 , 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 9, 2019

*/s/ Joseph Kim*

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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.

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, 2019 , 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 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 9, 2019

*/s/ Thomas R. Miller*

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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.

# **ETC M-A Acquisition LLC**

## **Financial Statements**

**As of March 31, 2019 and December 31, 2018**

**Three Months Ended March 31, 2019 and 2018**

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**ETC M-A Acquisition LLC**  
**Table of Contents**

	<u>Page</u>
Balance Sheets	1
Statements of Operations	2
Statements of Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b><u>ASSETS</u></b>		
Current assets:		
Advances to affiliated companies	\$ 95	\$ 87
Total current assets	95	87
Investment in unconsolidated affiliate	468	210
Total assets	<u>\$ 563</u>	<u>\$ 297</u>
<b><u>LIABILITIES AND EQUITY</u></b>		
Current liabilities:		
Accrued and other current liabilities	\$ 3	\$ 3
Total current liabilities	3	3
Commitments and contingencies		
Equity:		
Member's equity	560	294
Total equity	560	294
Total liabilities and equity	<u>\$ 563</u>	<u>\$ 297</u>

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Income (loss) from unconsolidated affiliate	\$ 11	\$ (45)
Net income (loss)	\$ 11	\$ (45)

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

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

	<b>Total</b>
<b>Balance, December 31, 2018</b>	<b>\$ 294</b>
Net income	11
Contribution from ETO	255
<b>Balance, March 31, 2019</b>	<b>\$ 560</b>
<b>Balance, December 31, 2017</b>	<b>\$ 331</b>
Net loss	(45)
<b>Balance, March 31, 2018</b>	<b>\$ 286</b>

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,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 11	\$ (45)
Reconciliation of net loss to net cash provided by operating activities:		
(Income) loss from unconsolidated affiliate	(11)	45
Distributions from unconsolidated affiliate	8	9
Net cash provided by operating activities	8	9
<b>Cash flows from financing activities:</b>		
Advances to Sunoco, Inc.	(8)	(9)
Net cash used in financing activities	(8)	(9)
Change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	\$ —	\$ —

	Three Months Ended March 31,	
	2019	2018
<b>Supplemental disclosure of non-cash financing and investing activities:</b>		
Contribution of Sunoco LP common units from ETO	\$ 255	\$ —

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 Operating, L.P. (“ETO”).

**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 26,200,809 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:**

On March 31, 2019, ETO contributed 15,710,865 Sunoco LP common units to the Company.

As of March 31, 2019 and December 31, 2018, the Company’s investment in unconsolidated affiliate consisted of 26,200,809 and 10,489,944 Sunoco LP common units, respectively. The Company’s investment represented approximately 32% and 13% of the total outstanding Sunoco LP common units at March 31, 2019 and December 31, 2018, respectively.

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 Operating, L.P.

**4. Commitments and Contingencies:**

**ETC M-A Acquisition LLC Guarantee of Sunoco LP Notes**

In connection with previous transactions, the Company has guaranteed collection with respect to the payment of principal amounts of the following senior notes issued by Sunoco LP:

- \$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.