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

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**FORM 10-Q**

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(Mark One)

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

For the Quarterly Period Ended: September 30, 2016  
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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**30-0740483**  
(I.R.S. Employer  
Identification Number)

**8020 Park Lane, Suite 200**  
**Dallas, TX 75231**  
(Address of principal executive offices, including zip code)  
**(832) 234-3600**  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

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

The registrant had 95,565,620 common units representing limited partner interests and 16,410,780 Class C units representing limited partner interests outstanding at November 7, 2016 .

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**FORM 10-Q**  
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**PART I – FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**SUNOCO LP**  
**CONSOLIDATED BALANCE SHEETS**  
*(in thousands, except units)*  
(unaudited)

	September 30, 2016	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 80,565	\$ 72,627
Advances to affiliates	—	365,536
Accounts receivable, net	385,497	308,285
Accounts receivable from affiliates	8,790	8,074
Inventories, net	488,780	467,291
Other current assets	97,621	46,080
Total current assets	1,061,253	1,267,893
Property and equipment, net	3,322,718	3,154,826
Other assets:		
Goodwill	3,236,398	3,111,262
Intangible assets, net	1,290,764	1,259,440
Other noncurrent assets	85,868	48,398
Total assets	<u>\$ 8,997,001</u>	<u>\$ 8,841,819</u>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 439,950	\$ 433,988
Accounts payable to affiliates	31,635	14,988
Advances from affiliates	62,716	—
Accrued expenses and other current liabilities	321,349	307,939
Current maturities of long-term debt	5,010	5,084
Total current liabilities	860,660	761,999
Revolving line of credit	958,236	450,000
Long-term debt, net	3,515,194	1,502,531
Deferred tax liability	694,995	694,383
Other noncurrent liabilities	160,675	170,169
Total liabilities	6,189,760	3,579,082
Commitments and contingencies (Note 11)		
Equity:		
Limited partners:		
Common unitholders - public (49,588,960 units issued and outstanding as of September 30, 2016 and December 31, 2015)	1,745,339	1,768,890
Common unitholders - affiliated (45,750,826 units issued and outstanding as of September 30, 2016 and 37,776,746 units issued and outstanding as of December 31, 2015)	1,061,902	1,275,558
Class A unitholders - held by subsidiary (no units issued and outstanding as of September 30, 2016 and 11,018,744 units issued and outstanding as of December 31, 2015)	—	—
Class C unitholders - held by subsidiary (16,410,780 units issued and outstanding as of September 30, 2016 and no units issued and outstanding as of December 31, 2015)	—	—
Total partners' capital	2,807,241	3,044,448
Predecessor equity	—	2,218,289
Total equity	2,807,241	5,262,737
Total liabilities and equity	<u>\$ 8,997,001</u>	<u>\$ 8,841,819</u>

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



**SUNOCO LP**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
*(in thousands, except unit and per unit amounts)*  
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Revenues</b>				
Retail motor fuel	\$ 1,401,830	\$ 1,580,815	\$ 3,876,542	\$ 4,597,670
Wholesale motor fuel sales to third parties	2,026,454	2,664,186	5,544,905	7,946,323
Wholesale motor fuel sales to affiliates	28,226	3,779	45,065	8,718
Merchandise	605,275	589,299	1,705,963	1,633,102
Rental income	22,883	20,949	67,582	61,265
Other	52,649	47,744	151,740	136,630
Total revenues	4,137,317	4,906,772	11,391,797	14,383,708
<b>Cost of sales</b>				
Retail motor fuel	1,222,827	1,384,813	3,428,659	4,114,463
Wholesale motor fuel	1,916,511	2,591,791	5,136,083	7,623,330
Merchandise	412,983	404,179	1,160,001	1,122,970
Other	7,609	1,231	10,357	3,744
Total cost of sales	3,559,930	4,382,014	9,735,100	12,864,507
<b>Gross profit</b>	577,387	524,758	1,656,697	1,519,201
<b>Operating expenses</b>				
General and administrative	82,774	61,547	201,688	167,747
Other operating	276,401	266,681	792,194	759,713
Rent	36,231	36,447	105,327	105,564
Loss on disposal of assets	203	747	2,918	894
Depreciation, amortization and accretion	77,628	65,984	234,418	202,927
Total operating expenses	473,237	431,406	1,336,545	1,236,845
<b>Income from operations</b>	104,150	93,352	320,152	282,356
Interest expense, net	54,289	28,517	132,565	57,692
Income before income taxes	49,861	64,835	187,587	224,664
Income tax expense	5,310	30,124	8,890	47,113
<b>Net income and comprehensive income</b>	44,551	34,711	178,697	177,551
Less: Net income and comprehensive income attributable to noncontrolling interest	—	852	—	2,545
Less: Preacquisition income allocated to general partner	—	6,315	—	117,728
<b>Net income and comprehensive income attributable to partners</b>	\$ 44,551	\$ 27,544	\$ 178,697	\$ 57,278
<b>Net income per limited partner unit:</b>				
Common (basic and diluted)	\$ 0.24	\$ 0.30	\$ 1.25	\$ 0.96
Subordinated (basic and diluted)	\$ —	\$ 0.52	\$ —	\$ 1.21
<b>Weighted average limited partner units outstanding:</b>				
Common units - public (basic)	49,588,960	24,340,677	49,588,960	21,486,878
Common units - public (diluted)	49,663,618	24,340,793	49,663,618	21,486,994
Common units - affiliated (basic and diluted)	45,750,826	19,431,349	43,131,603	9,507,137
Subordinated units - affiliated	—	10,939,436	—	10,939,436
<b>Cash distribution per common unit</b>	\$ 0.8255	\$ 0.7454	\$ 2.4683	\$ 2.0838

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

**SUNOCO LP**  
**CONSOLIDATED STATEMENT OF EQUITY**  
*(in thousands)*  
(unaudited)

	Common Units- Public	Common Units- Affiliated	Predecessor Equity	Total Equity
<b>Balance at December 31, 2015</b>	<u>\$ 1,768,890</u>	<u>\$ 1,275,558</u>	<u>\$ 2,218,289</u>	<u>\$ 5,262,737</u>
Contribution of Sunoco Retail & Sunoco LLC from ETP	—	—	(2,200,000)	(2,200,000)
Equity issued to ETP	—	194,000	—	194,000
Equity issued to ETE, net of issuance costs	—	60,944	—	60,944
Contribution of assets between entities under common control above historic cost	—	(373,531)	(18,289)	(391,820)
Cash distribution to unitholders	(122,666)	(163,229)	—	(285,895)
Cash distribution to ETP	—	(50,000)	—	(50,000)
Unit-based compensation	4,918	4,537	—	9,455
Other	(786)	29,909	—	29,123
Net income	94,983	83,714	—	178,697
<b>Balance at September 30, 2016</b>	<u>\$ 1,745,339</u>	<u>\$ 1,061,902</u>	<u>\$ —</u>	<u>\$ 2,807,241</u>

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

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

	<b>For the Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 178,697	\$ 177,551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	234,418	202,927
Amortization of deferred financing fees	7,608	2,291
Loss on disposal of assets	2,918	894
Non-cash unit based compensation	9,455	5,886
Deferred income tax	21,056	10,848
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(63,366)	(69,526)
Accounts receivable from affiliates	1,946	(20,752)
Inventories, net	(7,394)	84,224
Other assets	(81,629)	(3,344)
Accounts payable	16,722	9,942
Accounts payable to affiliates	16,647	(21,520)
Accrued expenses and other current liabilities	5,556	(41,086)
Other noncurrent liabilities	(2,006)	11,252
Net cash provided by operating activities	340,628	349,587
<b>Cash flows from investing activities:</b>		
Capital expenditures	(290,560)	(342,429)
Purchase of intangible assets	(38,608)	(41,516)
Acquisition of Sunoco LLC and Sunoco Retail LLC	(2,200,000)	(775,000)
Acquisition of Susser	—	(966,855)
Other acquisitions, net of cash acquired	(288,957)	(58,185)
Proceeds from disposal of property and equipment	11,444	11,531
Net cash used in investing activities	(2,806,681)	(2,172,454)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	2,835,000	1,400,000
Payments on long-term debt	(799,055)	(240,388)
Revolver, borrowings	2,200,460	959,668
Revolver, repayments	(1,692,224)	(513,046)
Debt issuance costs	(30,124)	(21,437)
Advances from affiliates	230,432	214,968
Equity issued to ETE , net of issuance costs	60,944	—
Proceeds from issuance of common units, net of offering costs	—	213,139
Distributions to Parent	(50,000)	(204,182)
Other cash from financing activities, net	4,453	(14)
Distributions to unitholders	(285,895)	(64,798)
Net cash provided by financing activities	2,473,991	1,743,910
Net increase (decrease) in cash	7,938	(78,957)
Cash and cash equivalents at beginning of period	72,627	136,581
Cash and cash equivalents at end of period	\$ 80,565	\$ 57,624

*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**

The Partnership was formed in June 2012 by Susser Holdings Corporation (“Susser”) and its wholly owned subsidiary, Sunoco GP LLC (formerly known as Susser Petroleum Partners GP LLC), our general partner (“General Partner”). On September 25, 2012, we completed our initial public offering (“IPO”) of 10,925,000 common units representing limited partner interests.

On April 27, 2014, Susser entered into an Agreement and Plan of Merger with Energy Transfer Partners, L.P. (“ETP”) and certain other related entities, under which ETP acquired the outstanding common shares of Susser (the “ETP Merger”). The ETP Merger was completed on August 29, 2014. By acquiring Susser, ETP acquired 100% of the non-economic general partner interest and incentive distribution rights (“IDRs”) in the Partnership, which have subsequently been distributed to Energy Transfer Equity, L.P. (“ETE”). Additionally, ETP directly and indirectly acquired approximately 11.0 million common and subordinated units in the Partnership (representing approximately 50.1% of the then outstanding units). Unvested phantom units that were outstanding on April 27, 2014 vested upon completion of the ETP Merger. See Note 15 for further information.

Effective October 27, 2014, the Partnership changed its name from Susser Petroleum Partners LP (NYSE: SUSP) to Sunoco LP (“SUN”, NYSE: SUN). This change aligned the Partnership's legal and marketing name with that of ETP's iconic brand, Sunoco. As used in this document, 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.

The consolidated financial statements are composed of Sunoco LP, a publicly traded Delaware limited partnership, our majority-owned subsidiaries, and variable interest entities (“VIE”s) in which we were the primary beneficiary (through December 23, 2015). We distribute motor fuels across more than 30 states throughout the East Coast, Midwest, and Southeast regions of the United States from Maine to Florida and from Florida to New Mexico, as well as Hawaii. We are also an operator of convenience retail stores across more than 20 states, primarily in Texas, Pennsylvania, New York, Virginia, Florida, and Hawaii.

On October 1, 2014, we acquired 100% of the membership interest of Mid-Atlantic Convenience Stores, LLC (“MACS”). On April 1, 2015, we acquired a 31.58% membership interest and 50.1% voting interest in Sunoco, LLC (“Sunoco LLC”). On July 31, 2015, we acquired 100% of the issued and outstanding shares of capital stock of Susser. Finally, on March 31, 2016 (effective January 1, 2016), we acquired the remaining 68.42% membership interest and 49.9% voting interest in Sunoco LLC as well as 100% of the membership interest in Sunoco Retail LLC (“Sunoco Retail”).

Results of operations for the MACS, Sunoco LLC, Susser, and Sunoco Retail acquisitions, deemed transactions between entities under common control, have been included in our consolidated results of operations since September 1, 2014, the date of common control.

We operate our business as two segments, which are primarily engaged in wholesale fuel distribution and retail fuel and merchandise sales, respectively. Our primary operations are conducted by the following consolidated subsidiaries:

***Wholesale Subsidiaries***

- Susser Petroleum Operating Company LLC (“SPOC”), a Delaware limited liability company, distributes motor fuel to Stripes’ retail locations, consignment locations, as well as third party customers in Louisiana, New Mexico, Oklahoma and Texas.
- Sunoco Energy Services LLC, a Texas limited liability company, distributes motor fuels, propane and lubricating oils, primarily in Texas, Oklahoma, New Mexico and Kansas.
- Sunoco LLC, a Delaware limited liability company, primarily distributes motor fuels in more than 26 states throughout the East Coast, Midwest and Southeast regions of the United States.
- Southside Oil, LLC, a Virginia limited liability company, distributes motor fuel, primarily in Georgia, Maryland, New York, Tennessee, and Virginia.
- Aloha Petroleum LLC, a Delaware limited liability company, distributes motor fuel and operates terminal facilities on the Hawaiian Islands.

***Retail Subsidiaries***

- Susser Petroleum Property Company LLC (“PropCo”), a Delaware limited liability company, primarily owns and leases convenience store properties.
- Susser, a Delaware corporation, sells motor fuel and merchandise in Texas, New Mexico, and Oklahoma through Stripes-branded convenience stores and transports motor fuel under GoPetro Transport LLC.



- Sunoco Retail, a Pennsylvania limited liability company, owns and operates convenience stores that sell motor fuel and merchandise primarily in Pennsylvania, New York, and Florida.
- MACS Retail LLC, a Virginia limited liability company, owns and operates convenience stores, primarily in Virginia, Maryland, and Tennessee.
- Aloha Petroleum, Ltd. (“Aloha”), a Hawaii corporation, owns and operates convenience stores on the Hawaiian Islands.

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

Certain items have been reclassified for presentation purposes to conform to the accounting policies of the consolidated entity. These reclassifications had no impact on gross margin, income from operations, net income and comprehensive income, or 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, 2015 filed with the SEC on February 25, 2016 and on our Form 8-K filed on July 15, 2016.

### *Significant Accounting Policies*

As of September 30, 2016, there were no changes in significant accounting policies from those described in the December 31, 2015 audited consolidated financial statements.

### *Motor Fuel and Sales Taxes*

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

For retail locations where the Partnership holds inventory, including consignment arrangements, motor fuel sales and motor fuel cost of sales include motor fuel taxes. Such amounts were \$306.8 million and \$303.7 million for the three months ended September 30, 2016 and 2015 and \$888.3 million and \$878.0 million for the nine months ended September 30, 2016 and 2015, respectively. Merchandise sales and cost of merchandise sales are reported net of sales tax in the accompanying Consolidated Statements of Operations and Comprehensive Income.

### *Recently Issued Accounting Pronouncements*

**FASB ASU No. 2016-02.** In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02 “*Leases (Topic 842)*” which amends the FASB Accounting Standards Codification and creates Topic 842, Leases. This Topic requires Balance Sheet recognition of lease assets and lease liabilities for leases classified as operating leases under previous GAAP, excluding short-term leases of 12 months or less. This ASU is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the effect that the updated standard will have on our consolidated balance sheets and related disclosures.

**FASB ASU No. 2016-15.** In August 2016, the FASB issued ASU No. 2016-15 “*Statement of Cash Flows (Topic 230)*” which institutes a number of modifications to presentation and classification of certain cash receipts and cash payments in the statement of cash flows. These modifications include (a) debt prepayment or debt extinguishment costs, (b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (c) contingent consideration payments made after a business combination, (d) proceeds received from the settlement of insurance claims, (e) proceeds from the settlement of corporate-owned life insurance policies, (f) distributions received from equity method investees, (g) beneficial interest obtained in a securitization of financial assets, (h) separately identifiable cash flows and application of the predominance principle. This ASU is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect that the updated standard will have on our consolidated statements of cash flows and related disclosures.

### 3. Acquisitions

#### *Sunoco LLC and Sunoco Retail LLC Acquisitions*

On April 1, 2015, we acquired a 31.58% membership interest and 50.1% voting interest in Sunoco LLC from ETP Retail Holdings, LLC (“ETP Retail”), an indirect wholly-owned subsidiary of ETP, for total consideration of approximately \$775.0 million in cash (the “Sunoco Cash Consideration”) and \$40.8 million in common units representing limited partner interests of the Partnership, based on the five day volume weighted average price of the Partnership’s common units as of March 20, 2015. The Sunoco Cash Consideration was financed through issuance by the Partnership and its wholly owned subsidiary, Sunoco Finance Corp. (“SUN Finance”), of 6.375% Senior Notes due 2023 on April 1, 2015. The common units issued to ETP Retail were issued and sold in a private transaction exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). Pursuant to the terms of the Sunoco LLC Contribution Agreement, ETP guaranteed all of the obligations of ETP Retail.

On November 15, 2015, we entered into a Contribution Agreement (the “ETP Dropdown Contribution Agreement”) with Sunoco LLC, Sunoco, Inc., ETP Retail, our General Partner and ETP. Pursuant to the terms of the ETP Dropdown Contribution Agreement, we agreed to acquire from ETP Retail, effective January 1, 2016, (a) 100% of the issued and outstanding membership interests of Sunoco Retail, an entity that was formed by Sunoco, Inc. (R&M), an indirect wholly owned subsidiary of Sunoco, Inc., prior to the closing of the ETP Dropdown Contribution Agreement, and (b) 68.42% of the issued and outstanding membership interests of Sunoco LLC (the “ETP Dropdown”). Pursuant to the terms of the ETP Dropdown Contribution Agreement, ETP agreed to guarantee all of the obligations of ETP Retail.

Immediately prior to the closing of the ETP Dropdown, Sunoco Retail owned all of the retail assets previously owned by Sunoco, Inc. (R&M), the ethanol plant located in Fulton, NY, 100% of the issued and outstanding membership interests in Sunmarks, LLC, and all the retail assets previously owned by Atlantic Refining & Marketing Corp., a wholly owned subsidiary of Sunoco, Inc.

Subject to the terms and conditions of the ETP Dropdown Contribution Agreement, at the closing of the ETP Dropdown, we paid to ETP Retail approximately \$2.2 billion in cash on March 31, 2016, which included working capital adjustments, and issued to ETP Retail 5,710,922 common units representing limited partner interests in the Partnership (the “ETP Dropdown Unit Consideration”). The ETP Dropdown was funded with borrowings under a term loan agreement. The ETP Dropdown Unit Consideration was issued in a private transaction exempt from registration under Section 4(a)(2) of the Securities Act.

The acquisitions of Sunoco LLC and Sunoco Retail were accounted for as transactions between entities under common control. Specifically, the Partnership recognized the acquired assets and assumed liabilities at their respective carrying values with no goodwill created. The Partnership’s results of operations include Sunoco LLC’s and Sunoco Retail’s results of operations beginning September 1, 2014, the date of common control. As a result, the Partnership retrospectively adjusted its financial statements to include the balances and operations of Sunoco LLC and Sunoco Retail from August 31, 2014. Accordingly, the Partnership retrospectively adjusted its consolidated statement of operations and comprehensive income to include \$2.4 billion of Sunoco LLC revenues and \$24.5 million of net income for the three months ended March 31, 2015, as well as \$1.1 billion of Sunoco Retail revenues and \$5.7 million of net income for the nine months ended September 30, 2015. The equity of Sunoco LLC and Sunoco Retail prior to the respective acquisitions is presented as predecessor equity in our consolidated financial statements.

The following table summarizes the final recording of assets and liabilities at their respective carrying values (in thousands):

	Sunoco LLC	Sunoco Retail	Total
Current assets	\$ 1,107,007	\$ 328,928	\$ 1,435,935
Property and equipment	384,100	709,793	1,093,893
Goodwill	—	1,289,398	1,289,398
Intangible assets	182,477	293,928	476,405
Other noncurrent assets	2,238	—	2,238
Current liabilities	(641,400)	(146,368)	(787,768)
Other noncurrent liabilities	(7,293)	(339,536)	(346,829)
Net assets	\$ 1,027,129	\$ 2,136,143	\$ 3,163,272
Net deemed contribution			(188,272)
Cash acquired			(24,276)
Total cash consideration, net of cash acquired (1)			\$ 2,950,724

(1) Total cash consideration, net of cash acquired, includes \$775.0 million paid on April 1, 2015 and \$2.2 billion paid on March 31, 2016.

### ***Susser Acquisition***

On July 31, 2015, we acquired 100% of the issued and outstanding shares of capital stock of Susser from Heritage Holdings, Inc., a wholly owned subsidiary of ETP (“HHI”), and ETP Holdco Corporation, a wholly owned subsidiary of ETP (“ETP Holdco” and together with HHI, the “Contributors”), for total consideration of approximately \$966.9 million in cash (the “Susser Cash Consideration”), subject to certain post-closing working capital adjustments, and issued to the Contributors 21,978,980 Class B Units representing limited partner interests of the Partnership (“Class B Units”) (the “Susser Acquisition”). The Class B Units were identical to the common units in all respects, except such Class B Units were not entitled to distributions payable with respect to the second quarter of 2015. The Class B Units converted, on a one-for-one basis, into common units on August 19, 2015.

Pursuant to the terms of the Contribution Agreement dated as of July 14, 2015 among Susser, HHI, ETP Holdco, our General Partner, and ETP (the “Susser Contribution Agreement”), (i) Susser caused its wholly owned subsidiary to exchange its 79,308 common units for 79,308 Class A Units representing limited partner interests in the Partnership (“Class A Units”) and (ii) the 10,939,436 subordinated units held by wholly owned subsidiaries of Susser were converted into 10,939,436 Class A Units. The Class A Units were entitled to receive distributions on a pro rata basis with the common units, except that the Class A Units (a) did not share in distributions of cash to the extent such cash was derived from or attributable to any distribution received by the Partnership from PropCo, the Partnership’s indirect wholly owned subsidiary, the proceeds of any sale of the membership interests of PropCo, or any interest or principal payments received by the Partnership with respect to indebtedness of PropCo or its subsidiaries and (b) were subordinated to the common units during the subordination period for the subordinated units and were not entitled to receive any distributions until holders of the common units had received the minimum quarterly distribution plus any arrearages in payment of the minimum quarterly distribution from prior quarters.

In addition, the Partnership issued 79,308 common units and 10,939,436 subordinated units to the Contributors (together with the Class B Units, the “Susser Unit Consideration”) to restore the economic benefit of common units and subordinated units held by wholly owned subsidiaries of Susser that were exchanged or converted, as applicable, into Class A Units. The Susser Unit Consideration was issued and sold to the Contributors in private transactions exempt from registration under Section 4(a)(2) of the Securities Act. Pursuant to the terms of the Susser Contribution Agreement, ETP guaranteed all then existing obligations of the Contributors.

The Susser Acquisition was accounted for as a transaction between entities under common control. Specifically, the Partnership recognized acquired assets and assumed liabilities at their respective carrying values with no additional goodwill created. The Partnership’s results of operations include Susser’s results of operations beginning September 1, 2014, the date of common control. As a result, the Partnership retrospectively adjusted its financial statements to include the balances and operations of Susser from August 31, 2014. Accordingly, the Partnership retrospectively adjusted its Consolidated Statement of Operations and Comprehensive Income to include \$2.6 billion of Susser revenues and \$18.1 million of net income for the period from January 1, 2015 to July 31, 2015.

The following table summarizes the final recording of assets and liabilities at their respective carrying values as of the date presented (in thousands):

	August 31, 2014
Current assets	\$ 217,244
Property and equipment	983,900
Goodwill	976,631
Intangible assets	541,054
Other noncurrent assets	38,216
Current liabilities	(246,009)
Other noncurrent liabilities	(842,310)
Net assets	1,668,726
Net deemed contribution	(701,871)
Cash acquired	(63,801)
Total cash consideration, net of cash acquired	\$ 903,054

### ***Emerge Fuels Business Acquisition***

On August 31, 2016, we acquired the fuels business (the “Fuels Business”) from Emerge Energy Services LP (NYSE: EMES) (“Emerge”) for \$171.5 million, inclusive of working capital and other adjustments, which was funded using amounts available under our revolving credit facility. The Fuels Business includes two transmix processing plants with attached refined product terminals located in the Birmingham, Alabama and greater Dallas, Texas metro areas and engages in the processing of transmix and the distribution of refined fuels. Combined, the plants can process over 10,000 barrels per day of transmix, and the associated terminals have over 800,000 barrels of storage capacity.

Management, with the assistance of a third party valuation firm, determined the preliminary assessment of fair value of assets and liabilities at the date of the Fuels Business acquisition. We determined the preliminary value of goodwill by giving consideration to the following qualitative factors:

- synergies created through increased fuel purchasing advantages and integration with our existing wholesale business;
- strategic advantages of owning transmix processing plants and increasing our terminal capacity; and
- competitors processing transmix in the geographic region.

Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future.

The following table summarizes the preliminary recording of assets and liabilities at their respective carrying values as of the date presented (in thousands):

	<b>August 31, 2016</b>
Current assets	\$ 26,347
Property and equipment	60,044
Goodwill	78,278
Intangible assets	22,678
Other noncurrent assets	41
Current liabilities	(15,875)
Net assets	171,513
Cash acquired	(172)
Total cash consideration, net of cash acquired	\$ 171,341

The Fuels Business acquisition was treated as an asset purchase transaction for tax purposes. As such, any goodwill will be deductible for tax purposes.

#### ***Other Acquisitions***

On June 22, 2016, we acquired 14 convenience stores and the wholesale fuel business in the Austin, Houston, and Waco, Texas markets from Kolkhorst Petroleum Inc. for \$37.9 million plus the value of inventory on hand at closing. As part of the acquisition, we acquired 5 fee properties and 9 leased properties, all of which are company operated. The Kolkhorst acquisition also included supply contracts with dealer-owned and operated sites. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$8.7 million .

On June 22, 2016, we acquired 18 convenience stores serving the upstate New York market from Valentine Stores, Inc. (“Valentine”) for \$76.2 million plus the value of inventory on hand at closing. As part of the Valentine acquisition, we acquired 19 fee properties, of which 18 are company operated stores and one is a standalone Tim Hortons, one leased Tim Hortons property and three raw tracts of land in fee for future store development. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$35.2 million .

On December 16, 2015, we acquired a wholesale motor fuel distribution business serving the Northeastern United States from Alta East, Inc. (“Alta East”) for approximately \$57.1 million plus the value of inventory on hand at closing (the “Alta East Acquisition”). As part of the Alta East Acquisition, we acquired 24 fee and 6 leased properties operated by third party dealers or commission agents, and two non-operating surplus locations in fee. The Alta East Acquisition also included supply contracts with the dealer-owned and operated sites. The Alta East Acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values at the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$14.6 million .

On August 10, 2015, we acquired 27 convenience stores in the Upper Rio Grande Valley from Aziz Convenience Stores, L.L.C. (“Aziz”) for \$41.6 million . Management allocated the total purchase consideration to assets acquired based on their respective fair values at the purchase date. The acquisition increased goodwill by \$4.3 million .

Additional acquisitions by the Partnership during 2015 totaled \$24.6 million in consideration paid and preliminarily increased goodwill by \$10.1 million . Management is reviewing the valuations and confirming the results to determine the final purchase price allocations. As a result, material adjustments to these preliminary allocations may occur in the future.

#### 4. Accounts Receivable, net

Accounts receivable, net, consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Accounts receivable, trade	\$ 257,714	\$ 160,783
Credit card receivables	82,153	98,484
Vendor receivables for rebates, branding, and other	17,423	14,561
Other receivables	30,802	38,381
Allowance for doubtful accounts	(2,595)	(3,924)
Accounts receivable, net	<u>\$ 385,497</u>	<u>\$ 308,285</u>

#### 5. Inventories, net

Due to changes in fuel prices, we recorded a write-down on the value of fuel inventory of \$98.3 million at December 31, 2015 .

Inventories consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Fuel-retail	\$ 49,712	\$ 42,779
Fuel-wholesale	289,777	283,021
Fuel-consignment	4,024	3,801
Merchandise	125,010	116,694
Equipment and maintenance spare parts	11,502	13,162
Corn	5,283	4,788
Other	3,472	3,046
Inventories, net	<u>\$ 488,780</u>	<u>\$ 467,291</u>

#### 6. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Land	\$ 1,053,852	\$ 1,032,017
Buildings and leasehold improvements	1,256,497	1,150,701
Equipment	1,309,587	1,214,328
Construction in progress	217,543	97,412
Total property and equipment	3,837,479	3,494,458
Less: accumulated depreciation	514,761	339,632
Property and equipment, net	<u>\$ 3,322,718</u>	<u>\$ 3,154,826</u>

## 7. Goodwill and Other Intangible Assets

Goodwill is not amortized, but is tested annually for impairment, or more frequently if events and circumstances indicate that the asset might be impaired. The annual impairment test is performed as of the first day of the fourth quarter of the fiscal year. At September 30, 2016 and December 31, 2015, we had \$3.2 billion and \$3.1 billion, respectively, of goodwill recorded in conjunction with past business combinations. The 2015 impairment analysis indicated no impairment in goodwill. During 2016, we continued our evaluation of the Emerge, Kolkhorst, Valentine, and Alta East acquisitions' purchase accounting analysis with the assistance of a third party valuation firm.

As of September 30, 2016, we evaluated potential impairment indicators. We believe no impairment events occurred during the third quarter of 2016, and we believe the assumptions used in the analysis performed in 2015 are still relevant and indicative of our current operating environment. As a result, no impairment was recorded to goodwill during the period from January 1, 2016 through September 30, 2016.

The Partnership has indefinite-lived intangible assets recorded that are not amortized. These indefinite-lived assets consist of tradenames, contractual rights, and liquor licenses. Tradenames and liquor licenses relate to our retail segment while contractual rights relate to our wholesale segment.

The Partnership has finite-lived intangible assets recorded that are amortized. The finite-lived assets consist of supply agreements, customer relations, favorable leasehold arrangements, non-competes, and loan origination costs, all of which are amortized over the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Partnership's future cash flows. Customer relations and supply agreements have a remaining weighted-average life of approximately 9 years. Favorable leasehold arrangements have a remaining weighted-average life of approximately 11 years. Non-competition agreements and other intangible assets have a remaining weighted-average life of approximately 7 years. Loan origination costs have a remaining weighted-average life of approximately 3 years.

Prior to December 31, 2014, our Stripes and Laredo Taco Company tradenames were amortized over 30 years. As of January 1, 2015, management deemed the Stripes and Laredo Taco Company tradenames to be indefinite-lived assets and ceased amortization.

We evaluate the estimated benefit periods and recoverability of other intangible assets when facts and circumstances indicate that the lives may not be appropriate and/or the carrying values of the assets may not be recoverable. If the carrying value is not recoverable, impairment is measured as the amount by which the carrying value exceeds estimated fair value.

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

	September 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
<b><u>Indefinite-lived</u></b>						
Tradenames	\$ 784,058	\$ 6,508	\$ 777,550	\$ 784,058	\$ 6,508	\$ 777,550
Contractual rights	42,182	—	42,182	33,850	—	33,850
Liquor licenses	16,000	—	16,000	16,000	—	16,000
<b><u>Finite-lived</u></b>						
Customer relations including supply agreements	619,698	190,350	429,348	551,033	150,101	400,932
Favorable leasehold arrangements	21,826	5,213	16,613	22,863	1,188	21,675
Loan origination costs	9,769	3,671	6,098	9,358	2,172	7,186
Other intangibles	5,099	2,126	2,973	3,675	1,428	2,247
Intangible assets, net	<u>\$ 1,498,632</u>	<u>\$ 207,868</u>	<u>\$ 1,290,764</u>	<u>\$ 1,420,837</u>	<u>\$ 161,397</u>	<u>\$ 1,259,440</u>

## 8. Accrued Expenses and Other Current Liabilities

Current accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Wage and other employee-related accrued expenses	\$ 36,319	\$ 26,019
Franchise agreement termination accrual	1,769	4,399
Accrued tax expense	93,962	102,473
Accrued insurance	20,586	32,716
Accrued environmental	6,519	7,600
Accrued interest expense	56,239	28,494
Deposits and other	105,955	106,238
Total	<u>\$ 321,349</u>	<u>\$ 307,939</u>

## 9. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Term Loan	\$ 1,243,000	\$ —
Sale leaseback financing obligation	118,604	121,992
2014 Revolver	958,236	450,000
6.375% Senior Notes Due 2023	800,000	800,000
5.500% Senior Notes Due 2020	600,000	600,000
6.250% Senior Notes Due 2021	800,000	—
Capital lease obligation and notes payable	702	3,975
Total debt	4,520,542	1,975,967
Less: current maturities	5,010	5,084
Less: debt issuance costs	42,102	18,352
Long-term debt, net of current maturities	<u>\$ 4,473,430</u>	<u>\$ 1,952,531</u>

### Term Loan

On March 31, 2016, we entered into a term loan agreement (the “Term Loan”) to finance a portion of the costs associated with the ETP Dropdown. The Term Loan provides secured financing in an aggregate principal amount of up to \$2.035 billion, which we borrowed in full. The Partnership used the proceeds to fund a portion of the ETP Dropdown and to pay fees and expenses incurred in connection with the ETP Dropdown and Term Loan.

Obligations under the Term Loan are secured equally and ratably with the 2014 Revolver (as defined below) by substantially all tangible and intangible assets of the Partnership and certain of our subsidiaries, subject to certain exceptions and permitted liens. Obligations under the Term Loan are guaranteed by certain of the Partnership’s subsidiaries. In addition, ETP Retail provided a limited contingent guaranty of collection with respect to the payment of the principal amount of the Term Loan. The maturity date of the Term Loan is October 1, 2019. The Partnership is not required to make any amortization payments with respect to the loans under the Term Loan. Amounts borrowed under the Term Loan bear interest at either LIBOR or base rate plus an applicable margin based on the election of the Partnership for each interest period. Until the Partnership first receives an investment grade rating, the applicable margin for LIBOR rate loans ranges from 1.500% to 2.500% and the applicable margin for base rate loans ranges from 0.500% to 1.500%, in each case based on the Partnership’s leverage ratio.

The Partnership may voluntarily prepay borrowings under the Term Loan at any time without premium or penalty, subject to any applicable breakage costs for loans bearing interest at LIBOR. Under certain circumstances, the Partnership is required to repay borrowings under the Term Loan in connection with the issuance by the Partnership of certain types of indebtedness for borrowed money. The Term Loan also includes certain (i) representations and warranties, (ii) affirmative covenants, including delivery of financial and other information to the administrative agent, notice to the administrative agent upon the occurrence of certain material events, preservation of existence, payment of material taxes and other claims, maintenance of properties and insurance, access to properties and records for inspection by administrative agent and lenders, further assurances and provision of additional guarantees and collateral, (iii) negative

covenants, including restrictions on the Partnership and our restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make loans, advances or investments, pay dividends, sell or otherwise transfer assets or enter into transactions with shareholders or affiliates, and (iv) events of default, in each case substantially similar to the representations and warranties, affirmative and negative covenants and events of default in the Partnership's existing revolving credit facility.

The Term Loan also requires the maintenance of a maximum funded debt to EBITDA ratio (i) as of the last day of each fiscal quarter through March 31, 2017, of 6.25 to 1.0 at any time with respect to the Partnership and (ii) as of the last day of each fiscal quarter thereafter, of 5.5 to 1.0 at any time with respect to the Partnership (subject to increases to 6.0 to 1.0 in connection with certain future specified acquisitions). During the continuance of an event of default, the lenders under the Term Loan may take a number of actions, including declaring the entire amount then outstanding under the Term Loan due and payable.

#### ***6.250% Senior Notes Due 2021***

On April 7, 2016, we and certain of our wholly owned subsidiaries, including SUN Finance (together with the Partnership, the "2021 Issuers"), completed a private offering of \$800.0 million 6.250% senior notes due 2021 (the "2021 Senior Notes"). The terms of the 2021 Senior Notes are governed by an indenture dated April 7, 2016, among the 2021 Issuers, our General Partner, and certain other subsidiaries of the Partnership (the "2021 Guarantors") and U.S. Bank National Association, as trustee. The 2021 Senior Notes will mature on April 15, 2021 and interest is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 2016. The 2021 Senior Notes are senior obligations of the 2021 Issuers and are guaranteed on a senior basis by all of the Partnership's existing subsidiaries and certain of its future subsidiaries. The 2021 Senior Notes and guarantees are unsecured and rank equally with all of the 2021 Issuers' and each 2021 Guarantor's existing and future senior obligations. The 2021 Senior Notes are senior in right of payment to any of the 2021 Issuers' and each 2021 Guarantor's future obligations that are, by their terms, expressly subordinated in right of payment to the 2021 Senior Notes and guarantees. The 2021 Senior Notes and guarantees are effectively subordinated to the 2021 Issuers' and each 2021 Guarantor's secured obligations, including obligations under the Partnership's 2014 Revolver, 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 2021 Senior Notes. ETP Retail provided a guarantee of collection to the 2021 Issuers with respect to the payment of the principal amount of the 2021 Senior Notes. ETP Retail is not subject to any of the covenants under the 2021 Indenture.

Net proceeds of approximately \$789.4 million were used to repay a portion of the borrowings outstanding under our Term Loan.

In connection with the issuance of the 2021 Senior Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2021 Senior Notes for an issue of registered notes with terms substantially identical to the 2021 Senior Notes on or before April 7, 2017. The exchange offer was completed on October 4, 2016.

#### ***5.500% Senior Notes Due 2020***

On July 20, 2015, we and our wholly owned subsidiary, SUN Finance (together with the Partnership, the "2020 Issuers"), completed a private offering of \$600.0 million 5.500% senior notes due 2020 (the "2020 Senior Notes"). The terms of the 2020 Senior Notes are governed by an indenture dated July 20, 2015, among the 2020 Issuers, our General Partner, and certain other subsidiaries of the Partnership (the "2020 Guarantors") and U.S. Bank National Association, as trustee (the "2020 Trustee"). The 2020 Senior Notes will mature on August 1, 2020 and interest is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2016. The 2020 Senior Notes are senior obligations of the 2020 Issuers and are guaranteed on a senior basis by all of the Partnership's existing subsidiaries. The 2020 Senior Notes and guarantees are unsecured and rank equally with all of the 2020 Issuers' and each 2020 Guarantor's existing and future senior obligations. The 2020 Senior Notes are senior in right of payment to any of the 2020 Issuers' and each 2020 Guarantor's future obligations that are, by their terms, expressly subordinated in right of payment to the 2020 Senior Notes and guarantees. The 2020 Senior Notes and guarantees are effectively subordinated to the 2020 Issuers' and each 2020 Guarantor's secured obligations, including obligations under the Partnership's revolving credit facility, 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 2020 Senior Notes.

Net proceeds of approximately \$592.5 million were used to fund a portion of the Susser Cash Consideration.

In connection with our issuance of the 2020 Senior Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2020 Senior Notes for an issue of registered notes with terms substantially identical to the 2020 Senior Notes on or before July 20, 2016. The exchange offer was completed on October 4, 2016 and we paid the holders of the 2020 Senior Notes an aggregate of \$0.3 million in liquidated damages in the form of additional interest as a result of the delayed registration.



### **6.375% Senior Notes Due 2023**

On April 1, 2015, we and our wholly owned subsidiary, SUN Finance (together with the Partnership, the “2023 Issuers”), completed a private offering of \$800.0 million 6.375% senior notes due 2023 (the “2023 Senior Notes”). The terms of the 2023 Senior Notes are governed by an indenture dated April 1, 2015, among the 2023 Issuers, our General Partner, and certain other subsidiaries of the Partnership (the “2023 Guarantors”) and U.S. Bank National Association, as trustee (the “2023 Trustee”). The 2023 Senior Notes will mature on April 1, 2023 and interest is payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2015. The 2023 Senior Notes are senior obligations of the 2023 Issuers and are guaranteed on a senior basis by all of the Partnership’s existing subsidiaries. The 2023 Senior Notes and guarantees are unsecured and rank equally with all of the 2023 Issuers’ and each 2023 Guarantor’s existing and future senior obligations. The 2023 Senior Notes are senior in right of payment to any of the 2023 Issuers’ and each 2023 Guarantor’s future obligations that are, by their terms, expressly subordinated in right of payment to the 2023 Senior Notes and guarantees. The 2023 Senior Notes and guarantees are effectively subordinated to the 2023 Issuers’ and each 2023 Guarantor’s secured obligations, including obligations under the Partnership’s revolving credit facility, 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 2023 Senior Notes. ETP Retail provided a guarantee of collection to the 2023 Issuers with respect to the payment of the principal amount of the 2023 Senior Notes. ETP Retail is not subject to any of the covenants under the 2023 Indenture.

Net proceeds of approximately \$786.5 million were used to fund Sunoco Cash Consideration and to repay borrowings under our 2014 Revolver (as defined below).

In connection with our issuance of the 2023 Senior Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2023 Senior Notes for an issue of registered notes with terms substantially identical to the 2023 Senior Notes on or before April 1, 2016. The exchange offer was completed on October 4, 2016 and we paid the holders of the 2023 Senior Notes an aggregate of \$1.6 million in liquidated damages in the form of additional interest as a result of the delayed registration.

### ***Revolving Credit Agreement***

On September 25, 2014, we entered into a new \$1.25 billion revolving credit facility (the “2014 Revolver”) with a syndicate of banks expiring September 25, 2019 (which date may be extended in accordance with the terms of the 2014 Revolver). The 2014 Revolver includes an accordion feature providing flexibility to increase the facility by an additional \$250 million, subject to certain conditions. Borrowings under the 2014 Revolver were used to repay and cancel the \$400 million revolving credit facility (the “2012 Revolver”) entered into in connection with the IPO.

Borrowings under the 2014 Revolver bear interest at a base rate (a rate based off of the higher of (i) the Federal Funds Rate (as defined therein) plus 0.50%, (ii) Bank of America’s prime rate or (iii) one-month LIBOR (as defined therein) plus 1.00%) or LIBOR, in each case plus an applicable margin ranging from 1.50% to 2.50%, in the case of a LIBOR loan, or from 0.50% to 1.50%, in the case of a base rate loan (determined with reference to the Partnership’s Leverage Ratio (as defined therein)). Upon the first achievement by the Partnership of an investment grade credit rating, the applicable margin will decrease to a range of 1.125% to 2.0%, in the case of a LIBOR loan, or from 0.125% to 1.00%, in the case of a base rate loan (determined with reference to the credit rating for the Partnership’s senior, unsecured, non-credit enhanced long-term debt). Interest is payable quarterly if the base rate applies, at the end of the applicable interest period if LIBOR applies and at the end of the month if daily floating LIBOR applies. In addition, the unused portion of the 2014 Revolver is subject to a commitment fee ranging from 0.250% to 0.350%, based on the Partnership’s Leverage Ratio (as defined therein). Upon the first achievement by the Partnership of an investment grade credit rating, the commitment fee will decrease to a range of 0.125% to 0.275%, based on the Partnership’s credit rating as described above.

The 2014 Revolver requires the Partnership to maintain a Leverage Ratio of not more than 5.50 to 1.00. The maximum Leverage Ratio is subject to upwards adjustment of not more than 6.00 to 1.00 for a period not to exceed three fiscal quarters in the event the Partnership engages in an acquisition of assets, equity interests (as defined therein), operating lines or divisions by the Partnership, a subsidiary (as defined therein), an unrestricted subsidiary (as defined therein) or a joint venture for a purchase price of not less than \$50 million. Effective April 8, 2015, in connection with the Sunoco LLC acquisition, we entered into a Specified Acquisition Period (as defined in the 2014 Revolver) in which our leverage ratio compliance requirements were adjusted upward. Such Specified Acquisition Period ended on August 19, 2015, and concurrently in connection with the Susser acquisition, we entered into a new Specified Acquisition Period. On December 2, 2015, in connection with the consummation of the transactions contemplated by the ETP Dropdown Contribution Agreement, we entered into an amendment to the 2014 Revolver to temporarily increase the maximum leverage ratio to 6.25 to 1.00 for the period beginning upon the closing of the ETP Dropdown through the fourth quarterly testing date following the closing of the ETP Dropdown (the “Post Dropdown Period”).

Indebtedness under the 2014 Revolver is secured by a security interest in, among other things, all of the Partnership’s present and future personal property and all of the present and future personal property of its guarantors, the capital stock of its material subsidiaries (or 66% of the capital stock of material foreign subsidiaries), and any intercompany debt. Upon the first achievement by the Partnership of an investment grade credit rating, all security interests securing the 2014 Revolver will be released.

On April 10, 2015, the Partnership entered into the First Amendment to Credit Agreement and Increase Agreement (the “First Amendment”) with the lenders party thereto and Bank of America, N.A. in its capacity as administrative agent and collateral agent, pursuant to which the lenders thereto severally agreed to (i) provide \$250 million in aggregate incremental commitments under the 2014 Revolver and (ii) make certain amendments to the 2014 Revolver as described in the First Amendment. After giving effect to the First Amendment, the 2014 Revolver permits the Partnership to borrow up to \$1.5 billion on a revolving credit basis.

On December 2, 2015, the Partnership entered into the Second Amendment to the Credit Agreement (the “Second Amendment”) with the lenders party thereto and Bank of America, N.A., in its capacity as a letter of credit issuer, as swing line lender, and as administrative agent pursuant to which the lenders thereto generally agreed to, among other matters, (i) permit the incurrence of a term loan credit facility in connection with the consummation of the ETP Dropdown, (ii) permit such term loan credit facility to be secured on a pari passu basis with the indebtedness incurred under the Credit Agreement (as amended by the Amendment) pursuant to a collateral trust arrangement whereby a financial institution agrees to act as common collateral agent for all pari passu indebtedness and (iii) temporarily increase the maximum leverage ratio permitted under the 2014 Revolver (as amended by the Second Amendment) in connection with the consummation of the ETP Dropdown.

On August 1, 2016, the Partnership entered into the Third Amendment to the Credit Agreement (the “Third Amendment”) with the lenders party thereto and Bank of America, N.A., in its capacity as a letter of credit issuer, as swing line lender, and as administrative agent to, among other matters, conform certain terms of the Credit Agreement to certain terms of the Partnership’s term loan credit facility dated as of March 31, 2016.

As of September 30, 2016, the balance on the 2014 Revolver was \$958.2 million, and \$23.6 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at September 30, 2016 was \$518.2 million. The Partnership was in compliance with all financial covenants at September 30, 2016.

### ***Sale Leaseback Financing Obligation***

On April 4, 2013, MACS completed a sale leaseback transaction with two separate companies for 50 of its dealer operated sites. As MACS did not meet the criteria for sale leaseback accounting, this transaction was accounted for as a financing arrangement over the course of the lease agreement. The obligations mature in varying dates through 2033, require monthly interest and principal payments, and bear interest at 5.125%. The obligation related to this transaction is included in long-term debt and the balance outstanding as of September 30, 2016 was \$118.6 million.

### ***Other Debt***

On July 8, 2010, we entered into a mortgage note for an aggregate initial borrowing amount of \$1.2 million. Pursuant to the terms of the mortgage note, we make monthly installment payments that are comprised of principal and interest through the maturity date of July 1, 2016. The balance outstanding at September 30, 2016 and December 31, 2015 was zero and \$1.0 million, respectively. The mortgage note bears interest at a fixed rate of 6.0%. The mortgage note is secured by a first priority security interest in a property owned by the Partnership.

In September 2013, we assumed a \$3.0 million term loan as part of the acquisition of Gainesville Fuel, Inc. (now Sunoco Energy Services LLC). The balance outstanding at September 30, 2016 and December 31, 2015 was zero and \$2.5 million, respectively. The term loan bears interest at a fixed rate of 4.0%.

## **10. Fair Value Measurements**

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

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

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

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

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

The estimated fair value of debt is calculated using Level 2 inputs. The fair value of debt as of September 30, 2016 , is estimated to be approximately \$4.6 billion , based on outstanding balances as of the end of the period using current interest rates for similar securities.

## 11. Commitments and Contingencies

### Leases

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

Net rent expense consisted of the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Cash rent:				
Store base rent (1) (2)	\$ 30,682	\$ 30,871	\$ 87,713	\$ 91,088
Equipment and other rent (3)	4,565	5,024	15,478	14,686
Total cash rent	35,247	35,895	103,191	105,774
Non-cash rent:				
Straight-line rent	984	805	2,136	548
Amortization of deferred gain	—	(253)	—	(758)
Net rent expense	\$ 36,231	\$ 36,447	\$ 105,327	\$ 105,564

- (1) Store base rent includes sublease rental income totaling \$6.2 million and \$6.6 million for the three months ended September 30, 2016 and 2015 , respectively and \$17.9 million and \$20.5 million for the nine months ended September 30, 2016 and 2015 , respectively.
- (2) Store base rent includes contingent rent expense totaling \$7.9 million and \$9.0 million for the three months ended September 30, 2016 and 2015 , respectively, and \$17.1 million and \$19.0 million for the nine months ended September 30, 2016 and 2015 , respectively.
- (3) Equipment and other rent consists primarily of store equipment and vehicles.

## 12. Interest Expense, net

Interest expense, net consisted of the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest expense (1)	\$ 53,775	\$ 27,918	\$ 131,905	\$ 57,501
Amortization of deferred financing fees	3,608	1,089	7,608	2,291
Interest income	(3,094)	(490)	(6,948)	(2,100)
Interest expense, net	\$ 54,289	\$ 28,517	\$ 132,565	\$ 57,692

- (1) Interest expense related to the VIEs was approximately \$2.3 million and \$7.0 million for the three and nine months ended September 30, 2015 , respectively.

### 13. 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 at the U.S. federal statutory rate to net income tax expense is as follow (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Tax at statutory federal rate	\$ 17,452	\$ 22,692	\$ 65,656	\$ 78,632
Partnership earnings not subject to tax	(20,784)	(8,688)	(76,648)	(47,422)
State and local tax, net of federal benefit	576	14,395	12,772	14,818
Other	8,066	1,725	7,110	1,085
Net income tax expense	<u>\$ 5,310</u>	<u>\$ 30,124</u>	<u>\$ 8,890</u>	<u>\$ 47,113</u>

### 14. Partners' Capital

As of September 30, 2016, ETE and ETP or their subsidiaries owned 45,750,826 common units, which constitute 40.9% of the limited partner ownership interest in us. As of September 30, 2016, our fully consolidating subsidiaries owned 16,410,780 Class C units representing limited partner interests in the Partnership (the "Class C Units") and the public owned 49,588,960 common units.

#### Common Units

In connection with the closing of the Partnership's previously announced sale (the "PIPE Transaction") of 2,263,158 common units in a private placement to ETE, the Partnership entered into a registration rights agreement, dated as of March 31, 2016 (the "Registration Rights Agreement"), with ETE. Pursuant to the Registration Rights Agreement, the Partnership is required to file a shelf registration statement to register the common units, upon the request of the holders of a majority of the then-outstanding common units. The Partnership shall use its reasonable best efforts to file the registration statement within 45 days of any such request and cause it to be effective as soon as reasonably practicable thereafter, subject to certain exceptions. ETE owns the general partner interests and incentive distribution rights in the Partnership.

Activity of our common units for the nine months ended September 30, 2016 is as follows:

	Number of Units
Number of common units at December 31, 2015	87,365,706
Common units issued in connection with acquisitions	5,710,922
Common units issued in connection with the PIPE Transaction	2,263,158
Number of common units at September 30, 2016	<u>95,339,786</u>

#### Allocations of Net Income

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>Attributable to Common Units</b>				
Distributions (1)	\$ 78,889	\$ 39,039	\$ 235,514	\$ 76,172
Distributions in excess of income	(55,640)	(24,035)	(119,888)	(44,349)
Limited partners' interest in net income	<u>\$ 23,249</u>	<u>\$ 15,004</u>	<u>\$ 115,626</u>	<u>\$ 31,823</u>
<b>Attributable to Subordinated Units</b>				
Distributions (1)	\$ —	\$ 8,154	\$ —	\$ 22,796
Distributions in excess of income	—	(4,404)	—	(11,564)
Limited partners' interest in net income	<u>\$ —</u>	<u>\$ 3,750</u>	<u>\$ —</u>	<u>\$ 11,232</u>
(1) Distributions declared per unit to unitholders as of record date	\$ 0.8255	\$ 0.7454	\$ 2.4683	\$ 2.0838

### *Class C Units*

On January 1, 2016, the Partnership issued an aggregate of 16,410,780 Class C Units consisting of (i) 5,242,113 Class C Units that were issued by the Partnership to Aloha as consideration for the contribution by Aloha to an indirect wholly owned subsidiary of the Partnership of all of Aloha's assets relating to the wholesale supply of fuel and lubricants, and (ii) 11,168,667 Class C Units that were issued by the Partnership to indirect wholly owned subsidiaries of the Partnership in exchange for all of the outstanding Class A Units held by such subsidiaries. The Class C Units were valued at \$38.5856 per Class C Unit (the "Class C Unit Issue Price"), based on the volume-weighted average price of the Partnership's Common Units for the five -day trading period ending on December 31, 2015. The Class C Units were issued in private transactions exempt from registration under section 4(a)(2) of the Securities Act.

Class C Units (i) are not convertible or exchangeable into Common Units or any other units of the Partnership and are non-redeemable; (ii) are entitled to receive distributions of available cash of the Partnership (other than available cash derived from or attributable to any distribution received by the Partnership from PropCo, the proceeds of any sale of the membership interests of PropCo, or any interest or principal payments received by the Partnership with respect to indebtedness of PropCo or its subsidiaries), at a fixed rate equal to \$0.8682 per quarter for each Class C Unit outstanding, (iii) do not have the right to vote on any matter except as otherwise required by any non-waivable provision of law, (iv) are not allocated any items of income, gain, loss, deduction or credit attributable to the Partnership's ownership of, or sale or other disposition of, the membership interests of PropCo, or the Partnership's ownership of any indebtedness of PropCo or any of its subsidiaries ("PropCo Items"), (v) will be allocated gross income (other than from PropCo Items) in an amount equal to the cash distributed to the holders of Class C Units and (vi) will be allocated depreciation, amortization and cost recovery deductions as if the Class C Units were Common Units and 1% of certain allocations of net termination gain (other than from PropCo Items).

Pursuant to the terms described above, these distributions do not have an impact on the Partnership's consolidated cash flows and as such, are excluded from total cash distributions and allocation of limited partners' interest in net income. For the nine months ended September 30, 2016, Class C distributions declared totaled \$42.7 million.

### ***Incentive Distribution Rights***

The following table illustrates the percentage allocations of available cash from operating surplus between our common unitholders and the holder of our IDRs based on the specified target distribution levels, after the payment of distributions to Class C unitholders. The amounts set forth under “marginal percentage interest in distributions” are the percentage interests of our IDR holder and the common unitholders in any available cash from operating surplus we distribute up to and including the corresponding amount in the column “total quarterly distribution per unit target amount.” The percentage interests shown for our common unitholders and our IDR holder for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. Effective August 21, 2015, ETE exchanged 21.0 million ETP common units, owned by ETE, the owner of ETP’s general partner interest, for 100% of the general partner interest and all of our IDRs. ETP had previously owned our IDRs since September 2014, prior to that date the IDRs were owned by Susser.

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

### ***Cash Distributions***

Our partnership agreement, as amended, sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders receive.

The following table presents our cash distributions paid or payable during 2016 (in thousands, except for per unit distributions):

Payment Date	Limited Partners		Distribution to IDR Holders
	Per Unit Distribution	Total Cash Distribution	
November 15, 2016	\$ 0.8255	\$ 78,889	\$ 20,396
August 15, 2016	\$ 0.8255	\$ 78,703	\$ 20,348
May 16, 2016	\$ 0.8173	\$ 77,921	\$ 19,566
February 16, 2016	\$ 0.8013	\$ 70,006	\$ 16,532

## **15. Unit-Based Compensation**

Unit-based compensation expense related to the Partnership included in our Consolidated Statements of Operations and Comprehensive Income was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Phantom common units	\$ 2,533	\$ 1,720	\$ 7,881	\$ 4,756
Allocated expense from ETP	484	412	1,574	1,130
Total equity-based compensation expense	\$ 3,017	\$ 2,132	\$ 9,455	\$ 5,886

### ***Phantom Common Unit Awards***

Prior to the ETP Merger, there were phantom unit awards issued to certain directors and employees under the Sunoco LP 2012 Long-Term Incentive Plan. The fair value of each phantom unit on the grant date was equal to the market price of our common unit on that date reduced by the present value of estimated dividends over the vesting period, since the phantom units did not receive dividends until vested. The estimated fair value of our phantom units was amortized over the vesting period using the straight-line method. Non-employee director awards vested over a one -to- three year period and employee awards vested ratably over a two -to- five year service period. Concurrent with the ETP Merger, all unvested phantom units vested and compensation cost of \$0.4 million was recognized.

Subsequent to the ETP Merger, phantom units were issued which also have the right to receive distributions prior to vesting. The units vest 60% after three years and 40% after five years. The fair value of these units is the market prices of our common units on the grant date, and is amortized over the five-year vesting period using the straight-line method. Unrecognized compensation cost related to our nonvested restricted phantom units totaled \$27.1 million as of September 30, 2016, which is expected to be recognized over a weighted average period of 2.74 years. The fair value of nonvested service phantom units outstanding as of September 30, 2016 totaled \$45.1 million.

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

	Number of Phantom Common Units	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2014	241,235	\$ 45.50
Granted	993,134	40.63
Forfeited	(87,321)	50.71
Nonvested at December 31, 2015	1,147,048	41.19
Granted	35,040	33.61
Forfeited	(84,846)	39.62
Nonvested at September 30, 2016	1,097,242	\$ 41.07

### **Cash Awards**

In January 2015, the Partnership granted 30,710 awards that are settled in cash under the terms of the Sunoco LP Long-Term Cash Restricted Unit Plan. An additional 1,000 awards were granted in September 2015. During the nine months ended September 30, 2016, 3,470 units were forfeited. These awards do not have the right to receive distributions prior to vesting. The awards vest 100% after three years. Unrecognized compensation cost related to our nonvested cash awards totaled \$0.5 million as of September 30, 2016, which is expected to be recognized over a weighted average period of 1.18 years. The fair value of nonvested cash awards outstanding as of September 30, 2016 totaled \$1.4 million.

## **16. Segment Reporting**

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

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

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

### **Wholesale Segment**

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

### **Retail Segment**

Our retail segment operates branded retail convenience stores across more than 20 states throughout the East Coast and Southeast regions of the United States with a significant presence in Texas, Pennsylvania, New York, Florida, Virginia, and Hawaii. These stores offer motor fuel, merchandise, foodservice, and a variety of other services including car washes, lottery, ATM, money orders, prepaid phone cards and wireless services.

The following tables present financial information by segment for the three and nine months ended September 30, 2016 and 2015 (in thousands):

	For the Three Months Ended September 30,							
	2016				2015			
	Wholesale	Retail	Intercompany Eliminations	Total	Wholesale	Retail	Intercompany Eliminations	Total
<b>Revenues</b>								
Retail motor fuel	\$ —	\$ 1,401,830		\$ 1,401,830	\$ —	\$ 1,580,815		\$ 1,580,815
Wholesale motor fuel sales to third parties	2,026,454	—		2,026,454	2,664,186	—		2,664,186
Wholesale motor fuel sales to affiliates	28,226	—		28,226	3,779	—		3,779
Merchandise	—	605,275		605,275	—	589,299		589,299
Rental income	19,353	3,530		22,883	11,333	9,616		20,949
Other	13,331	39,318		52,649	5,996	41,748		47,744
Intersegment	1,006,088	37,978	(1,044,066)	—	1,183,629	34,202	(1,217,831)	—
<b>Total revenues</b>	<b>3,093,452</b>	<b>2,087,931</b>	<b>(1,044,066)</b>	<b>4,137,317</b>	<b>3,868,923</b>	<b>2,255,680</b>	<b>(1,217,831)</b>	<b>4,906,772</b>
<b>Gross profit</b>								
Retail motor fuel	—	179,003		179,003	—	196,002		196,002
Wholesale motor fuel	138,169	—		138,169	76,174	—		76,174
Merchandise	—	192,292		192,292	—	185,120		185,120
Other	26,629	41,294		67,923	16,099	51,363		67,462
<b>Total gross profit</b>	<b>164,798</b>	<b>412,589</b>		<b>577,387</b>	<b>92,273</b>	<b>432,485</b>		<b>524,758</b>
Total operating expenses	103,775	369,462		473,237	89,527	341,879		431,406
<b>Income (loss) from operations</b>	<b>61,023</b>	<b>43,127</b>		<b>104,150</b>	<b>2,746</b>	<b>90,606</b>		<b>93,352</b>
Interest expense, net	13,198	41,091		54,289	13,106	15,411		28,517
<b>Income (loss) before income taxes</b>	<b>47,825</b>	<b>2,036</b>		<b>49,861</b>	<b>(10,360)</b>	<b>75,195</b>		<b>64,835</b>
Income tax expense	507	4,803		5,310	39	30,085		30,124
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 47,318</b>	<b>\$ (2,767)</b>		<b>\$ 44,551</b>	<b>\$ (10,399)</b>	<b>\$ 45,110</b>		<b>\$ 34,711</b>
Depreciation, amortization and accretion	21,819	55,809		77,628	13,571	52,413		65,984
Interest expense, net	13,198	41,091		54,289	13,106	15,411		28,517
Income tax expense	507	4,803		5,310	39	30,085		30,124
<b>EBITDA</b>	<b>82,842</b>	<b>98,936</b>		<b>181,778</b>	<b>16,317</b>	<b>143,019</b>		<b>159,336</b>
Non-cash compensation expense	1,516	1,501		3,017	1,697	435		2,132
Loss (gain) on disposal of assets	(599)	802		203	921	(174)		747
Unrealized loss on commodity derivatives	5,689	—		5,689	735	—		735
Inventory fair value adjustments	(1,581)	(186)		(1,767)	87,307	3,456		90,763
<b>Adjusted EBITDA</b>	<b>\$ 87,867</b>	<b>\$ 101,053</b>		<b>\$ 188,920</b>	<b>\$ 106,977</b>	<b>\$ 146,736</b>		<b>\$ 253,713</b>
Capital expenditures	\$ 34,382	\$ 76,286		\$ 110,668	\$ 17,610	\$ 123,158		\$ 140,768
Total assets at end of period	\$ 2,938,747	\$ 6,058,254		\$ 8,997,001	\$ 2,925,842	\$ 5,915,977		\$ 8,841,819



	For the Nine Months Ended September 30,							
	2016				2015			
	Wholesale	Retail	Intercompany Eliminations	Total	Wholesale	Retail	Intercompany Eliminations	Total
<b>Revenues</b>								
Retail motor fuel	\$ —	\$ 3,876,542		\$ 3,876,542	\$ —	\$ 4,597,670		\$ 4,597,670
Wholesale motor fuel sales to third parties	5,544,905	—		5,544,905	7,946,323	—		7,946,323
Wholesale motor fuel sales to affiliates	45,065	—		45,065	8,718	—		8,718
Merchandise	—	1,705,963		1,705,963	—	1,633,102		1,633,102
Rental income	57,210	10,372		67,582	34,327	26,938		61,265
Other	30,164	121,576		151,740	17,876	118,754		136,630
Intersegment	2,698,542	99,253	(2,797,795)	—	3,519,958	93,907	(3,613,865)	—
<b>Total revenues</b>	<b>8,375,886</b>	<b>5,813,706</b>	<b>(2,797,795)</b>	<b>11,391,797</b>	<b>11,527,202</b>	<b>6,470,371</b>	<b>(3,613,865)</b>	<b>14,383,708</b>
<b>Gross profit</b>								
Retail motor fuel	—	447,883		447,883	—	483,207		483,207
Wholesale motor fuel	453,887	—		453,887	331,711	—		331,711
Merchandise	—	545,962		545,962	—	510,132		510,132
Other	78,974	129,991		208,965	48,588	145,563		194,151
<b>Total gross profit</b>	<b>532,861</b>	<b>1,123,836</b>		<b>1,656,697</b>	<b>380,299</b>	<b>1,138,902</b>		<b>1,519,201</b>
Total operating expenses	282,966	1,053,579		1,336,545	253,549	983,296		1,236,845
<b>Income from operations</b>	<b>249,895</b>	<b>70,257</b>		<b>320,152</b>	<b>126,750</b>	<b>155,606</b>		<b>282,356</b>
Interest expense, net	41,304	91,261		132,565	33,293	24,399		57,692
<b>Income before income taxes</b>	<b>208,591</b>	<b>(21,004)</b>		<b>187,587</b>	<b>93,457</b>	<b>131,207</b>		<b>224,664</b>
Income tax expense	1,361	7,529		8,890	898	46,215		47,113
<b>Net income and comprehensive income</b>	<b>\$ 207,230</b>	<b>\$ (28,533)</b>		<b>\$ 178,697</b>	<b>\$ 92,559</b>	<b>\$ 84,992</b>		<b>\$ 177,551</b>
Depreciation, amortization and accretion	60,427	173,991		234,418	47,821	155,106		202,927
Interest expense, net	41,304	91,261		132,565	33,293	24,399		57,692
Income tax expense	1,361	7,529		8,890	898	46,215		47,113
<b>EBITDA</b>	<b>310,322</b>	<b>244,248</b>		<b>554,570</b>	<b>174,571</b>	<b>310,712</b>		<b>485,283</b>
Non-cash compensation expense	4,600	4,855		9,455	3,361	2,525		5,886
Loss (gain) on disposal of assets	(1,396)	4,314		2,918	1,069	(175)		894
Unrealized loss on commodity derivatives	8,534	—		8,534	2,926	—		2,926
Inventory fair value adjustments	(60,920)	(2,877)		(63,797)	32,200	1,946		34,146
<b>Adjusted EBITDA</b>	<b>\$ 261,140</b>	<b>\$ 250,540</b>		<b>\$ 511,680</b>	<b>\$ 214,127</b>	<b>\$ 315,008</b>		<b>\$ 529,135</b>
Capital expenditures	\$ 78,369	\$ 212,191		\$ 290,560	\$ 98,283	\$ 244,146		\$ 342,429
Total assets at end of period	\$ 2,938,747	\$ 6,058,254		\$ 8,997,001	\$ 2,925,842	\$ 5,915,977		\$ 8,841,819

## 17. Net Income per Unit

Net income per unit applicable to limited partners (including subordinated unitholders prior to the conversion of our subordinated units on November 30, 2015) is computed by dividing limited partners' interest in net income by the weighted-average number of outstanding common and subordinated units. Our net income is allocated to the limited partners in accordance with their respective partnership percentages, after giving effect to any priority income allocations for incentive distributions and distributions on employee unit awards. Earnings in excess of distributions are allocated to the limited partners based on their respective ownership interests. Payments made to our unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of net income per unit.

In addition to the common and subordinated units, we identify the IDRs as participating securities and use the two-class method when calculating net income per unit applicable to limited partners, which is based on the weighted-average number of common units outstanding during the period. Diluted net income per unit includes the effects of potentially dilutive units on our common units, consisting of unvested phantom units. Basic and diluted net income per unit applicable to subordinated limited partners are the same because there are no potentially dilutive subordinated units outstanding.

A reconciliation of the numerators and denominators of the basic and diluted per unit computations is as follows (in thousands, except units and per unit amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 44,551	\$ 34,711	\$ 178,697	\$ 177,551
Less: Net income and comprehensive income attributable to noncontrolling interest	—	852	—	2,545
Less: Preacquisition income allocated to general partner	—	6,315	—	117,728
Net income and comprehensive income attributable to partners	44,551	27,544	178,697	57,278
Less: Incentive distribution rights	20,396	8,441	60,311	13,252
Less: Distributions on nonvested phantom unit awards	906	349	2,760	971
<b>Limited partners' interest in net income</b>	<b>\$ 23,249</b>	<b>\$ 18,754</b>	<b>\$ 115,626</b>	<b>\$ 43,055</b>
<b>Weighted average limited partner units outstanding:</b>				
Common - basic	95,339,786	43,772,026	92,720,563	30,994,016
Common - equivalents	74,658	116	74,658	116
Common - diluted	95,414,444	43,772,142	92,795,221	30,994,132
Subordinated - basic and diluted	—	10,939,436	—	10,939,436
<b>Net income per limited partner unit:</b>				
Common - basic and diluted	\$ 0.24	\$ 0.30	\$ 1.25	\$ 0.96
Subordinated - basic and diluted	\$ —	\$ 0.52	\$ —	\$ 1.21

## 18. Related-Party Transactions

Through Sunoco LLC, we are party to the following fee-based commercial agreements with various affiliates of ETP:

- Philadelphia Energy Solutions Products Purchase Agreements – two related products purchase agreements, one with Philadelphia Energy Solutions Refining & Marketing (“PES”) and one with PES’s product financier Merrill Lynch Commodities; both purchase agreements contain 12 -month terms that automatically renew for consecutive 12 -month terms until either party cancels with notice. ETP Retail owns a noncontrolling interest in the parent of PES.
- Sunoco Logistics Partners L.P. (“SXL”) Transportation and Terminalling Contracts – Sunoco LLC is party to various agreements with subsidiaries of SXL for pipeline, terminalling and storage services. SXL is a consolidated subsidiary of ETP. Sunoco LLC also has agreements with subsidiaries of SXL for the purchase and sale of fuel.

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

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

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

## **Summary of Transactions**

Affiliate activity related to the Consolidated Balance Sheets and Statements of Operations and Comprehensive Income is as follows:

- Net advances from affiliates was \$62.7 million as of September 30, 2016 . Net advances to affiliates was \$365.5 million as of December 31, 2015. Advances to and from affiliates are primarily related to the treasury services agreements between Sunoco LLC and Sunoco, Inc. (R&M) and Sunoco Retail and Sunoco, Inc. (R&M), which are in place for purposes of cash management. During the nine months ended September 30, 2016 , approximately \$175 million was used to repay a portion of the 2014 Revolver.
- Accounts receivable from affiliates were \$8.8 million and \$8.1 million as of September 30, 2016 and December 31, 2015 , respectively, which are primarily related to motor fuel purchases from us.
- Accounts payable to affiliates was \$31.6 million and \$15.0 million as of September 30, 2016 and December 31, 2015 , respectively, which are related to operational expenses and fuel pipeline purchases.
- Wholesale motor fuel sales to affiliates of \$28.2 million and \$3.8 million for the three months ended September 30, 2016 and 2015 , respectively.
- Wholesale motor fuel sales to affiliates of \$45.1 million and \$8.7 million for the nine months ended September 30, 2016 and 2015 , respectively.
- Bulk fuel purchases from affiliates of \$493.5 million and \$549.0 million for the three months ended September 30, 2016 and 2015 , respectively, which is included in wholesale motor fuel cost of sales in our Consolidated Statements of Operations and Comprehensive Income.
- Bulk fuel purchases from affiliates of \$1.4 billion and \$2.0 billion for the nine months ended September 30, 2016 and 2015 , respectively, which is included in wholesale motor fuel cost of sales in our Consolidated Statements of Operations and Comprehensive Income.

## **19. Subsequent Events**

On October 4, 2016, we entered into an equity distribution agreement (the “Agreement”) with RBC Capital Markets, LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA Inc., Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Natixis Securities Americas LLC, SMBC Nikko Securities America, Inc., TD Securities (USA) LLC, UBS Securities LLC and Wells Fargo Securities, LLC (each a “Manager” and collectively, the “Managers”). Pursuant to the terms of the Agreement, the Partnership may sell from time to time through the Managers the Partnership’s common units representing limited partner interests having an aggregate offering price of up to \$400 million (the “Common Units”). Sales of the Common Units, if any, made under the Agreement will be made by means of ordinary brokers’ transactions through the facilities of the New York Stock Exchange at market prices, or as otherwise agreed upon by the Partnership and the Managers, by means of any other existing trading market for the Partnership’s common units or to or through a market maker other than on an exchange. We have issued 225,834 units from October 4, 2016 through November 7, 2016, with total net proceeds of \$6.5 million .

We intend to use the net proceeds from sales pursuant to the Agreement, after deducting Managers’ commissions and the Partnership’s offering expenses, for general partnership purposes, which may include repaying or refinancing all or a portion of our outstanding indebtedness and funding capital expenditures, acquisitions or working capital.

On October 12, 2016, we completed the previously announced acquisition of the convenience store, wholesale motor fuel distribution, and commercial fuels distribution business serving East Texas and Louisiana from Denny Oil Company (“Denny”) for approximately \$54.6 million plus inventory on hand at closing, subject to closing adjustments. This acquisition includes six company-owned and operated locations, six company-owned and dealer operated locations, wholesale fuel supply contracts for a network of independent dealer-owned and dealer-operated locations, and a commercial fuels business in the Eastern Texas and Louisiana markets. As part of the acquisition, we acquired 13 fee properties, which included the six company operated locations, six dealer operated locations and a bulk plant and an office facility. This transaction was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is in the process of evaluating the initial purchase price allocation.

## 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, 2015 and on our Form 8-K filed on July 15, 2016.*

*EBITDA, Adjusted EBITDA, and distributable cash flow are non-GAAP financial measures of performance that have limitations and should not be considered as a substitute for net income or cash provided by (used in) operating activities. Please see footnote (2) under "Key Operating Metrics" below for a discussion of our use of EBITDA, Adjusted EBITDA, and distributable cash flow in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a reconciliation to net income for the periods presented.*

### Forward-Looking Statements

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

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

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

For a discussion of these and other risks and uncertainties, please refer to "Item 1A. Risk Factors" included herein and in our Annual Report on Form 10-K for the year ended December 31, 2015. 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 growth-oriented Delaware master limited partnership engaged in the retail sale of motor fuels and merchandise through our company-operated convenience stores and retail fuel sites, as well as the wholesale distribution of motor fuels to convenience stores, independent dealers, commercial customers and distributors. Additionally, through Sunoco LLC, we are the exclusive wholesale supplier of the iconic Sunoco-branded motor fuel, supplying an extensive distribution network of approximately 5,315 Sunoco-branded company and third-party operated locations throughout the East Coast, Midwest and Southeast regions of the United States including approximately 210 company-operated Sunoco-branded Stripes locations in Texas.

We are managed by our General Partner. ETE, a publicly traded master limited partnership, owns 100% of the membership interests in our General Partner, a 2.0% limited partner interest in us and all of our incentive distribution rights. ETP, another publicly traded master limited partnership which is also controlled by ETE, owns a 38.9% limited partner interest in us. Additional information is provided in Note 1 of our Notes to Consolidated Financial Statements.

In late 2015, we announced plans to open a corporate office in Dallas, Texas. Certain employees are relocating to Dallas from Philadelphia, Pennsylvania, Houston, Texas and Corpus Christi, Texas. We currently estimate the costs to be incurred in 2016 will be approximately \$15.0 million to \$20.0 million, but do not expect such costs to have a material adverse effect on our financial condition, results of operations or cash flows.

On March 31, 2016 (effective January 1, 2016), we completed the acquisition from ETP Retail, of (i) the remaining 68.42% membership interest and 49.9% voting interest in Sunoco LLC and (ii) 100% of the membership interest of Sunoco Retail, which immediately prior to the acquisition owned all of the retail assets previously owned by Sunoco, Inc. (R&M), the ethanol plant located in Fulton, NY, 100% of the interests in Sunmarks, LLC and all of the retail assets previously owned by Atlantic Refining and Marketing Corp. (See Note 3 in the accompanying Notes to Consolidated Financial Statements for more information).

We believe we are one of the largest independent motor fuel distributors by gallons in Texas and one of the largest distributors of Chevron, Exxon, and Valero branded motor fuels in the United States. In addition to distributing motor fuel, we also distribute other petroleum products such as propane and lube oil, and we receive rental income from real estate that we lease or sublease. Sales of fuel from our wholesale segment to our retail segment are delivered at a cost plus profit margin.

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 and Southeast regions of the United States, as well as Hawaii to approximately:

- 1,345 company-operated convenience stores and fuel outlets;
- 165 independently operated consignment locations where we sell motor fuel to retail customers under consignment arrangements with such operators;
- 5,430 convenience stores and retail fuel outlets operated by independent operators, which we refer to as "dealers" or "distributors," pursuant to long-term distribution agreements; and
- 1,895 other commercial customers, including unbranded convenience stores, other fuel distributors, school districts, municipalities and other industrial customers.

Our retail segment operates approximately 1,345 convenience stores and fuel outlets. Our retail convenience stores operate under several brands, including our proprietary brands Stripes, APlus, and Aloha Island Mart, and offer a broad selection of food, beverages, snacks, grocery and non-food merchandise, motor fuel and other services. We sold 651.4 million and 1.9 billion retail motor fuel gallons at these sites during the three and nine months ended September 30, 2016, respectively. We opened fourteen new retail sites during the nine months ended September 30, 2016, which is reflected in retail activity for the period.

We operate approximately 730 Stripes convenience stores that carry a broad selection of food, beverages, snacks, grocery and non-food merchandise. Our proprietary in-house Laredo Taco Company restaurant is implemented in approximately 455 Stripes convenience stores and we intend to implement it in all newly constructed Stripes convenience stores. Additionally, we have approximately 55 national branded restaurant offerings in our Stripes stores.

We operate approximately 455 retail convenience stores and fuel outlets primarily under our proprietary iconic Sunoco fuel brand and primarily located in Pennsylvania, New York, and Florida, including 400 APlus convenience stores.

We operate approximately 160 MACS and Aloha convenience stores and fuel outlets in Virginia, Maryland, Tennessee, Georgia, and Hawaii offering merchandise, foodservice, motor fuel and other services.

## Recent Developments

On October 12, 2016, we completed the previously announced acquisition of the convenience store, wholesale motor fuel distribution, and commercial fuels distribution business serving East Texas and Louisiana from Denny Oil Company ("Denny") for approximately \$54.6 million plus inventory on hand at closing, subject to closing adjustments. This acquisition includes six company-owned and operated locations, six company-owned and dealer operated locations, wholesale fuel supply contracts for a network of independent dealer-owned and dealer-operated locations, and a commercial fuels business in the Eastern Texas and Louisiana markets. As part of the acquisition, we acquired 13 fee properties, which included the six company operated locations, six dealer operated locations and a bulk plant and an office facility. This transaction was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date.

On August 31, 2016, we acquired the fuels business (the "Fuels Business") from Emerge Energy Services LP (NYSE: EMES) ("Emerge") for \$171.5 million, inclusive of working capital and other adjustments. The Fuels Business comprises Dallas-based Direct Fuels LLC and Birmingham-based Allied Energy Company LLC, both wholly owned subsidiaries of Emerge, and engages in the processing of transmix and the distribution of refined fuels. As part of the acquisition, we acquired two transmix processing plants with attached refined product terminals. Combined, the plants can process over 10,000 barrels per day of transmix, and the associated terminals have over 800,000 barrels of storage capacity.

On June 22, 2016, we acquired 14 convenience stores and the wholesale fuel business in the Austin, Houston, and Waco, Texas markets from Kolkhorst Petroleum Inc. for \$37.9 million plus the value of inventory on hand at closing. As part of the acquisition, we acquired 5 fee properties and 9 leased properties, all of which are company operated. The Kolkhorst acquisition also included supply contracts with dealer-owned and operated sites. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$8.7 million.

On June 22, 2016, we acquired 18 convenience stores serving the upstate New York market from Valentine Stores, Inc. ("Valentine") for \$76.2 million plus the value of inventory on hand at closing. As part of the Valentine acquisition, we acquired 19 fee properties, of which 18 are company operated stores and one is a standalone Tim Hortons, one leased Tim Hortons property and three raw tracts of land in fee for future store development. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$35.2 million.

On May 2, 2016, we finalized an agreement with the Indiana Toll Road Concession Company to develop and operate 8 travel plazas along the 150-mile toll road. The agreement has a 20-year term with an estimated cost of \$31 million. The first series of plaza reconstruction began in the third quarter of 2016, and the total construction period is expected to last two years.

On March 28, 2016, Aloha Petroleum entered into a Store Development Agreement with Dunkin' Donuts to be the exclusive developer of Dunkin' Donuts restaurants in the state of Hawaii for an initial term of eight years. Aloha has committed to building and operating 15 Dunkin' Donuts restaurants at an estimated cost of \$20 million. Aloha anticipates that approximately half the restaurants will be built on existing Aloha-controlled (convenience store / gas station) properties and half will be standalone restaurants developed on properties that will be acquired in the future.

## Key Operating Metrics

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

Key operating metrics set forth below are presented as of and for the three and nine months ended September 30, 2016 and 2015 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 (in thousands, except gross profit per gallon):

	For the Three Months Ended September 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
<b>Revenues</b>						
Retail motor fuel	\$ —	\$ 1,401,830	\$ 1,401,830	\$ —	\$ 1,580,815	\$ 1,580,815
Wholesale motor fuel sales to third parties	2,026,454	—	2,026,454	2,664,186	—	2,664,186
Wholesale motor fuel sales to affiliates	28,226	—	28,226	3,779	—	3,779
Merchandise	—	605,275	605,275	—	589,299	589,299
Rental income	19,353	3,530	22,883	11,333	9,616	20,949
Other	13,331	39,318	52,649	5,996	41,748	47,744
Total revenues	\$ 2,087,364	\$ 2,049,953	\$ 4,137,317	\$ 2,685,294	\$ 2,221,478	\$ 4,906,772
<b>Gross profit</b>						
Retail motor fuel	\$ —	\$ 179,003	\$ 179,003	\$ —	\$ 196,002	\$ 196,002
Wholesale motor fuel	138,169	—	138,169	76,174	—	76,174
Merchandise	—	192,292	192,292	—	185,120	185,120
Rental and other	26,629	41,294	67,923	16,099	51,363	67,462
Total gross profit	\$ 164,798	\$ 412,589	\$ 577,387	\$ 92,273	\$ 432,485	\$ 524,758
<b>Net income (loss) and comprehensive income (loss) attributable to partners</b>	\$ 47,318	\$ (2,767)	\$ 44,551	\$ 2,595	\$ 24,949	\$ 27,544
Adjusted EBITDA attributable to partners (2)	\$ 87,867	\$ 101,053	\$ 188,920	\$ 106,977	\$ 142,800	\$ 249,777
Distributable cash flow attributable to partners, as adjusted (2)			\$ 124,084			\$ 112,378
<b>Operating Data</b>						
Total motor fuel gallons sold:						
Retail		651,386	651,386		639,824	639,824
Wholesale	1,371,236		1,371,236	1,308,814		1,308,814
Motor fuel gross profit (cents per gallon) (1):						
Retail		27.5¢			31.2¢	
Wholesale	10.0¢			12.5¢		
Volume-weighted average for all gallons			15.6¢			18.6¢
Retail merchandise margin		31.8%			31.4%	

(1) Excludes the impact of inventory fair value adjustments consistent with the definition of Adjusted EBITDA.

(2) We define EBITDA as net income before net interest expense, income tax expense and depreciation, amortization and accretion expense. We define Adjusted EBITDA to include adjustments for non-cash compensation expense, gains and losses on disposal of assets, unrealized gains and losses on commodity derivatives and inventory fair value adjustments. We define distributable cash flow as Adjusted EBITDA less cash interest expense including the accrual of interest expense related to our 2020 and 2023 Senior Notes that is paid on a semi-annual basis, current income tax expense, maintenance capital expenditures, and other non-cash adjustments. Further adjustments are made to distributable cash flow for certain transaction-related and non-recurring expenses that are included in net income.

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

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

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

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

The following table presents a reconciliation of net income to EBITDA, Adjusted EBITDA and distributable cash flow for the three months ended September 30, 2016 and 2015 (in thousands):

	For the Three Months Ended September 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Net income (loss) and comprehensive income (loss)	\$ 47,318	\$ (2,767)	\$ 44,551	\$ (10,399)	\$ 45,110	\$ 34,711
Depreciation, amortization and accretion	21,819	55,809	77,628	13,571	52,413	65,984
Interest expense, net	13,198	41,091	54,289	13,106	15,411	28,517
Income tax expense (benefit)	507	4,803	5,310	39	30,085	30,124
<b>EBITDA</b>	<b>\$ 82,842</b>	<b>\$ 98,936</b>	<b>\$ 181,778</b>	<b>\$ 16,317</b>	<b>\$ 143,019</b>	<b>\$ 159,336</b>
Non-cash stock compensation expense	1,516	1,501	3,017	1,697	435	2,132
Loss (gain) on disposal of assets	(599)	802	203	921	(174)	747
Unrealized loss on commodity derivatives	5,689	—	5,689	735	—	735
Inventory fair value adjustment	(1,581)	(186)	(1,767)	87,307	3,456	90,763
<b>Adjusted EBITDA</b>	<b>\$ 87,867</b>	<b>\$ 101,053</b>	<b>\$ 188,920</b>	<b>\$ 106,977</b>	<b>\$ 146,736</b>	<b>\$ 253,713</b>
Adjusted EBITDA attributable to noncontrolling interest	—	—	—	—	3,936	3,936
<b>Adjusted EBITDA attributable to partners</b>	<b>\$ 87,867</b>	<b>\$ 101,053</b>	<b>\$ 188,920</b>	<b>\$ 106,977</b>	<b>\$ 142,800</b>	<b>\$ 249,777</b>
Cash interest expense (3)			50,681			27,419
Income tax expense (benefit) (current)			(14,574)			537
Maintenance capital expenditures			29,705			8,351
Preacquisition earnings			—			101,950
<b>Distributable cash flow attributable to partners</b>			<b>\$ 123,108</b>			<b>\$ 111,520</b>
Transaction-related expense			976			858
<b>Distributable cash flow attributable to partners, as adjusted</b>			<b>\$ 124,084</b>			<b>\$ 112,378</b>

(3) Reflects the Partnership's cash interest less the cash interest paid on our VIE debt of \$2.3 million during the three months ended September 30, 2015.



### Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

The following discussion of results compares the operations for the three months ended September 30, 2016 and 2015 .

**Revenue.** Total revenue for the third quarter of 2016 was \$ 4.1 billion , a decrease of \$ 769.5 million from the third quarter of 2015 . This decrease is primarily attributable to the following:

- a decrease in wholesale motor fuel revenue of \$ 613.3 million due to a 26.5%, or a \$0.54, decrease in the sales price per wholesale motor fuel gallon, slightly offset by an increase in wholesale motor fuel gallons sold of approximately 62.4 million;
- a decrease in retail motor fuel revenue of \$ 179.0 million due to a 12.9%, or \$0.32, decrease in sales price per retail motor fuel gallon, slightly offset by an increase in gallons sold of approximately 11.6 million; offset by
- an increase in merchandise revenue of \$ 16.0 million at our company operated convenience stores due to an increase in the number of retail sites.

**Gross Profit.** Gross profit for the third quarter of 2016 was \$ 577.4 million , an increase of \$ 52.6 million from the third quarter of 2015 . This increase is primarily attributable to the following:

- an increase in the gross profit on wholesale motor fuel of \$ 62.0 million due to a 31.8%, or a \$0.65, decrease in the cost per wholesale motor fuel gallon;
- an increase in the merchandise gross profit of \$ 7.2 million due to the increase in the number of retail sites mentioned above. The related growth impact is \$5.0 million, while the organic margin improvement is \$2.2 million; offset by
- a decrease in the gross profit on retail motor fuel of \$ 17.0 million due to the 12.9%, or \$0.32, decrease in the sales price per gallon mentioned above.

**Total Operating Expenses.** Total operating expenses for the third quarter of 2016 were \$ 473.2 million , an increase of \$ 41.8 million from the third quarter of 2015 . This increase is primarily attributable to the following:

- an increase of general and administrative expenses of \$ 21.3 million primarily due to an increase in salaries, wages and recruiting cost of \$7.2 million, relocation expenses of \$6.0 million, and termination expenses of \$7.7 million. These increases are primarily due to the transition of employees from Houston, Texas, Corpus Christi, Texas and Philadelphia, Pennsylvania to Dallas, Texas.
- an increase in other operating expenses of \$ 9.7 million primarily attributable to our retail business which has expanded through third-party acquisitions as well as through the construction of new-to-industry sites, resulting in a \$1.8 million increase in personnel expense as well as a collective increase of \$7.9 million of maintenance expenses, property taxes and licenses & permits; and
- increased depreciation, amortization and accretion expense of \$ 11.6 million due to third-party acquisitions completed in the last six months of 2015.

**Interest Expense.** Interest expense for the third quarter of 2016 was \$ 54.3 million , an increase of \$ 25.8 million from the third quarter of 2015 . This increase is primarily attributable to borrowings under our term loan agreement ("Term Loan"), the issuance of our 2020 and 2021 Senior Notes, as well as the increase in borrowings under our \$1.5 billion revolving credit facility expiring September 25, 2019 (as amended, the "2014 Revolver").

**Income Tax Expense.** Income tax expense for the third quarter of 2016 was \$ 5.3 million , a decrease of \$ 24.8 million from the third quarter of 2015 . This decrease is primarily attributable to lower earnings from the Partnership's consolidated corporate subsidiaries.

The following table sets forth, for the periods indicated, information concerning key measures we rely on to gauge our operating performance (in thousands, except gross profit per gallon):

	For the Nine Months Ended September 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
<b>Revenues</b>						
Retail motor fuel	\$ —	\$ 3,876,542	\$ 3,876,542	\$ —	\$ 4,597,670	\$ 4,597,670
Wholesale motor fuel sales to third parties	5,544,905	—	5,544,905	7,946,323	—	7,946,323
Wholesale motor fuel sales to affiliates	45,065	—	45,065	8,718	—	8,718
Merchandise	—	1,705,963	1,705,963	—	1,633,102	1,633,102
Rental income	57,210	10,372	67,582	34,327	26,938	61,265
Other	30,164	121,576	151,740	17,876	118,754	136,630
Total revenues	5,677,344	5,714,453	11,391,797	8,007,244	6,376,464	14,383,708
<b>Gross profit</b>						
Retail motor fuel	\$ —	\$ 447,883	\$ 447,883	\$ —	\$ 483,207	\$ 483,207
Wholesale motor fuel	453,887	—	453,887	331,711	—	331,711
Merchandise	—	545,962	545,962	—	510,132	510,132
Rental and other	78,974	129,991	208,965	48,588	145,563	194,151
Total gross profit	\$ 532,861	\$ 1,123,836	\$ 1,656,697	\$ 380,299	\$ 1,138,902	\$ 1,519,201
<b>Net income (loss) and comprehensive income (loss) attributable to partners</b>	\$ 207,230	\$ (28,533)	\$ 178,697	\$ 20,800	\$ 36,478	\$ 57,278
Adjusted EBITDA attributable to partners (2)	\$ 261,140	\$ 250,540	\$ 511,680	\$ 214,127	\$ 303,160	\$ 517,287
Distributable cash flow attributable to partners, as adjusted (2)			\$ 327,696			\$ 182,127
<b>Operating Data</b>						
Total motor fuel gallons sold:						
Retail		1,890,590	1,890,590		1,868,100	1,868,100
Wholesale	3,929,697		3,929,697	3,913,395		3,913,395
Motor fuel gross profit (cents per gallon) (1):						
Retail		23.5¢			26.0¢	
Wholesale	10.0¢			9.3¢		
Volume-weighted average for all gallons			14.4¢			14.7¢
Retail merchandise margin		32.0%			31.2%	

(1) Excludes the impact of inventory fair value adjustments consistent with the definition of Adjusted EBITDA.

(2) We define EBITDA as net income before net interest expense, income tax expense and depreciation, amortization and accretion expense. We define Adjusted EBITDA to include adjustments for non-cash compensation expense, gains and losses on disposal of assets, unrealized gains and losses on commodity derivatives and inventory fair value adjustments. We define distributable cash flow as Adjusted EBITDA less cash interest expense including the accrual of interest expense related to our 2020 and 2023 Senior Notes that is paid on a semi-annual basis, current income tax expense, maintenance capital expenditures, and other non-cash adjustments. Further adjustments are made to distributable cash flow for certain transaction-related and non-recurring expenses that are included in net income

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

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

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

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

The following table presents a reconciliation of net income to EBITDA, Adjusted EBITDA and distributable cash flow for the nine months ended September 30, 2016 and 2015 (in thousands):

	For the Nine Months Ended September 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Net income (loss) and comprehensive income (loss)	\$ 207,230	\$ (28,533)	\$ 178,697	\$ 92,559	\$ 84,992	\$ 177,551
Depreciation, amortization and accretion	60,427	173,991	234,418	47,821	155,106	202,927
Interest expense, net	41,304	91,261	132,565	33,293	24,399	57,692
Income tax expense	1,361	7,529	8,890	898	46,215	47,113
<b>EBITDA</b>	<b>\$ 310,322</b>	<b>\$ 244,248</b>	<b>\$ 554,570</b>	<b>\$ 174,571</b>	<b>\$ 310,712</b>	<b>\$ 485,283</b>
Non-cash stock compensation expense	4,600	4,855	9,455	3,361	2,525	5,886
Loss (gain) on disposal of assets	(1,396)	4,314	2,918	1,069	(175)	894
Unrealized loss on commodity derivatives	8,534	—	8,534	2,926	—	2,926
Inventory fair value adjustments	(60,920)	(2,877)	(63,797)	32,200	1,946	34,146
<b>Adjusted EBITDA</b>	<b>\$ 261,140</b>	<b>\$ 250,540</b>	<b>\$ 511,680</b>	<b>\$ 214,127</b>	<b>\$ 315,008</b>	<b>\$ 529,135</b>
Adjusted EBITDA attributable to noncontrolling interest	—	—	—	—	11,848	11,848
<b>Adjusted EBITDA attributable to partners</b>	<b>\$ 261,140</b>	<b>\$ 250,540</b>	<b>\$ 511,680</b>	<b>\$ 214,127</b>	<b>\$ 303,160</b>	<b>\$ 517,287</b>
Cash interest expense (3)			124,957			49,636
Income tax expense (benefit) (current)			(12,166)			410
Maintenance capital expenditures			73,276			\$ 18,630
Preacquisition earnings			—			270,926
<b>Distributable cash flow attributable to partners</b>			<b>\$ 325,613</b>			<b>\$ 177,685</b>
Transaction-related expenses			2,083			4,442
<b>Distributable cash flow attributable to partners, as adjusted</b>			<b>\$ 327,696</b>			<b>\$ 182,127</b>

(3) Reflects the Partnership's cash interest less the cash interest paid on our VIE debt of \$7.0 million during the nine months ended September 30, 2015.

## Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

The following discussion of results compares the operations for the nine months ended September 30, 2016 and 2015 .

**Revenue.** Total revenue for the first nine months of 2016 was \$ 11.4 billion , a decrease of \$ 3.0 billion from the first nine months of 2015 . This change is primarily attributable to the following:

- a decrease in wholesale motor fuel revenue of \$ 2.4 billion due to a 30.0%, or a \$0.61, decrease in the sales price per wholesale motor fuel gallon, slightly offset by an increase in wholesale motor fuel gallons sold of approximately 16.3 million;
- a decrease in retail motor fuel revenue of \$ 721.2 million due to a 16.7%, or \$0.41, decrease in sales price per retail motor fuel gallon, offset by an increase in gallons sold of approximately 22.5 million; offset by
- an increase in merchandise revenue of \$ 72.9 million at our company operated convenience stores due to an increase in the number of retail sites.

**Gross Profit .** Gross profit for the first nine months of 2016 was \$ 1.7 billion , an increase of \$ 137.5 million from the first nine months of 2015 . This increase is primarily attributable to the following:

- an increase in the gross profit on wholesale motor fuel of \$ 122.2 million due to a 34.0%, or \$0.66, decrease in the cost per wholesale motor fuel gallon; and
- an increase in merchandise gross profit of \$ 35.8 million due to the increase in the number of retail sites mentioned above. The related growth impact is \$22.8 million, while the organic margin improvement is \$13.1 million;
- an increase in the rental and other gross profit of \$ 14.8 million due to increased other retail income such as car wash, ATM, and lottery income; offset by
- a decrease in the gross profit on retail motor fuel of \$ 35.3 million due to the 16.7%, or \$0.41, decrease in the sales price per retail motor fuel gallon mentioned above.

**Total Operating Expenses.** Total operating expenses for the first nine months of 2016 were \$ 1.3 billion , an increase of \$ 99.7 million from the first nine months of 2015 . This increase is primarily attributable to the following:

- an increase in general and administrative costs of \$ 34.0 million primarily due to \$15.3 million for the transition of employees from Houston, Texas, Corpus Christi, Texas and Philadelphia, Pennsylvania to Dallas, Texas, with the remaining increase due to higher professional fees and other administrative expenses, which includes salaries, wages and recruiting cost and telecommunication;
- an increase in other operating expenses of \$ 32.5 million primarily attributable to our retail business which has expanded through third-party acquisitions as well as through the construction of new-to-industry sites, resulting in a \$25.9 million increase in personnel expense and a \$14.2 million collective increase of maintenance, property tax and licenses & permits; partially offset by lower dealer incentive programs of \$7.7 million and;
- an increase in depreciation, amortization and accretion expense of \$ 31.5 million due to third-party acquisitions completed in the last six months of 2015.

**Interest Expense .** Interest expense for the first nine months of 2016 was \$ 132.6 million , an increase of \$ 74.9 million from the first nine months of 2015 . This increase is attributable to borrowings under our Term Loan, the issuance of our 2020, 2023 and 2021 Senior Notes, as well as the increase in borrowings under our 2014 Revolver.

**Income Tax Expense.** Income tax expense for the first nine months of 2016 was \$ 8.9 million , a decrease of \$ 38.2 million from the first nine months of 2015 . This decrease is primarily attributable to lower earnings from the Partnership's consolidated corporate subsidiaries.

## 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 herein and in our Annual Report on Form 10-K for the year ended December 31, 2015 may also significantly impact our liquidity.

We had \$ 80.6 million and \$ 72.6 million of cash and cash equivalents on hand as of September 30, 2016 and December 31, 2015 , respectively, all of which were unrestricted. As of September 30, 2016 , the balance under the 2014 Revolver was \$ 958.2 million , and \$ 23.6 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at September 30, 2016 was \$ 518.2 million . The Partnership was in compliance with all financial covenants at September 30, 2016 .

### **Cash Flows**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Net cash provided by (used in)</b>		
Operating activities	\$ 340,628	\$ 349,587
Investing activities	(2,806,681)	(2,172,454)
Financing activities	2,473,991	1,743,910
<b>Net increase (decrease) in cash</b>	<b>\$ 7,938</b>	<b>\$ (78,957)</b>

**Cash Flows Provided by Operations.** Cash flows provided by operations are our main source of liquidity. Our daily working capital requirements fluctuate within each month, primarily in response to the timing of payments for motor fuel, motor fuel tax and rent. Net cash provided by operations was \$ 340.6 million and \$ 349.6 million for the first nine months of 2016 and 2015 , respectively. Cash flows fluctuate with increases or decreases in accounts receivable and accounts payable which are impacted by increasing or decreasing motor fuel prices and costs, as well as organic growth in volumes sold and volume increases due to acquisitions.

**Cash Flows Used in Investing Activities.** Net cash used in investing activities was \$ 2.8 billion and \$ 2.2 billion for the first nine months of 2016 and 2015 , respectively, of which \$2.5 billion and \$1.8 billion in the first nine months of 2016 and 2015 , respectively, was due to acquisitions. Capital expenditures were \$ 290.6 million and \$ 342.4 million for the first nine months of 2016 and 2015 , respectively. Included in our capital expenditures for the first nine months of 2016 was \$73.3 million in maintenance capital and \$217.3 million in growth capital. Growth capital relates primarily to new store construction.

**Cash Flows Provided by Financing Activities.** Net cash provided by financing activities was \$ 2.5 billion and \$ 1.7 billion for the first nine months of 2016 and 2015 , respectively. During the nine months ended September 30, 2016 , we:

- borrowed \$2.0 billion and repaid \$799.0 million under our Term Loan;
- borrowed \$2.2 billion and repaid \$1.7 billion under our 2014 Revolver to fund daily operations;
- borrowed \$800.0 million under our Senior Notes due 2021;
- paid \$285.9 million in distributions to our unitholders, of which \$163.2 million was paid to ETP and ETE collectively; and
- paid \$50.0 million in distributions to ETP.

We intend to pay a cash distribution to the holders of our common units and Class C units representing limited partners interest 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.

### ***Capital Expenditures***

We expect capital spending for the full year 2016 , excluding acquisitions, to be within the following ranges (in millions):

	Low	High
Maintenance	\$ 100	\$ 110
Growth	360	380
Total projected capital	\$ 460	\$ 490

The above growth capital spending estimate includes at least 35 new-to-industry stores that are planned to be built in 2016.

### **Contractual Obligations and Commitments**

***Contractual Obligations*** . We have contractual obligations which are required to be settled in cash. As of September 30, 2016 , we have \$958.2 million borrowed on the 2014 Revolver compared to \$450.0 million borrowed at December 31, 2015 . The 2014 Revolver matures in September 2019. As of September 30, 2016 , we had \$2.2 billion outstanding under our Senior Notes, and \$ 1.2 billion outstanding under our Term Loan. See Note 9 in the accompanying Notes to Consolidated Financial Statements for more information on our debt transactions.

We 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 1,378 positions, representing 57.9 million gallons, outstanding at September 30, 2016 with a negative fair value of \$8.8 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 September 30, 2016 :

	Owned	Leased
Wholesale dealer and consignment sites	549	233
Company-operated convenience stores and fuel outlets	836	509
Warehouses, offices and other	65	59
Total	1,450	801

### **Summary of Significant 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 and liabilities 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 effect 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, 2015 and on our Form 8-K filed on July 15, 2016.

### **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 outstanding borrowings on the 2014 Revolver of \$958.2 million and \$1.2 billion under our Term Loan as of September 30, 2016 . The annualized effect of a one percentage point change in floating interest rates on our variable rate debt obligations outstanding at September 30, 2016 , would be to change interest expense by approximately \$22.0 million . 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 nine months of 2016 or 2015 .

#### **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 \$ 15.0 million at September 30, 2016 .

Sunoco LLC and Susser Petroleum Operating Company LLC (“SPOC”) hold working inventories of refined petroleum products, renewable fuels, gasoline blendstocks and transmix in storage. As of September 30, 2016 , Sunoco LLC and SPOC held approximately \$ 275.0 million of such inventory. While in storage, volatility and declines 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 and SPOC use 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 and SPOC’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 2015 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 1,378 positions, representing 57.9 million gallons with a negative fair value of \$ 8.8 million outstanding at September 30, 2016 .

#### **Item 4. 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 senior management, with the participation of our Chief Executive Officer and our 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 senior 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.

As of March 31, 2016 (effective January 1, 2016), we completed the acquisition of Sunoco Retail. In recording this acquisition, we followed our normal accounting procedures and internal controls. We started integrating Sunoco Retail into our existing internal control procedures from the date of the acquisition and we do not anticipate the integration of Sunoco Retail to result in changes that would materially affect our internal control over financial reporting.

Excluding the acquisition of Sunoco Retail, there have been no changes in our internal control over financial reporting (as defined in Rule 13(a)–15(f) or Rule 15d–15(f) of the Exchange Act) that occurred during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

From time to time, we make changes to our internal control over financial reporting that are intended to enhance its effectiveness and which do not have a material effect on our overall internal control over financial reporting. We will continue to evaluate the effectiveness of our disclosure controls and procedures and internal control over financial reporting on an ongoing basis and will take action as appropriate.



## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

### **Item 1A. Risk Factors**

You should carefully consider the risks described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2015 , as well as the section within this report entitled “Forward-Looking Statements” under Part I. Financial Information - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, before making any investment decision with respect to our securities. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, could negatively impact our results of operations or financial condition in the future. If any of such risks actually occur, our business, financial condition or results of operations could be materially adversely affected.

### **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.

## 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: November 9, 2016

### 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/ Leta McKinley

Leta McKinley

Vice President, Controller and

Principal Accounting Officer

(In her capacity as principal accounting officer)

## **EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
10.1	Third Amendment to Credit Agreement, dated as of August 1, 2016, by and among Sunoco LP, Bank of America, N.A. and the financial institutions parties thereto as Lenders (incorporated by reference to Exhibit 10.1 of the current report on Form 8-K filed by the registrant on August 3, 2016)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
99.1	Information Related to ETP Retail Holdings, LLC
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

**CERTIFICATION**

I, Robert W. Owens, 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: November 9, 2016

/s/ Robert W. Owens

Robert W. Owens

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: November 9, 2016

/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 September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert W. Owens, 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: November 9, 2016

*/s/ Robert W. Owens*

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Robert W. Owens

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 September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas R. Miller, as Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 9, 2016

*/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.

# **ETP Retail Holdings, LLC**

## **Consolidated Financial Statements**

**As of September 30, 2016 and December 31, 2015**

**Three and Nine Months Ended September 30, 2016 and 2015**

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**ETP Retail Holdings, LLC**  
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## Definitions

The following is a list of certain acronyms and terms generally used in the energy industry and throughout this document:

ETC M-A Acquisition	ETC M-A Acquisition LLC, an indirect wholly owned subsidiary of ETP
ETP	Energy Transfer Partners, L.P., an indirect subsidiary of Energy Transfer Equity, L.P.
Exchange Act	Securities Exchange Act of 1934, as amended
GAAP	Accounting principles generally accepted in the United States of America
MACS	Mid-Atlantic Convenience Stores, LLC, an indirect wholly owned subsidiary of Sunoco LP
PES	Philadelphia Energy Solutions LLC
Sunoco	Sunoco, Inc., an indirect wholly owned subsidiary of ETP
Sunoco LLC	Sunoco, LLC, an indirect wholly owned subsidiary of Sunoco LP
Sunoco Retail	Sunoco Retail LLC, an indirect wholly owned subsidiary of Sunoco LP
Sunoco R&M	Sunoco, Inc. (R&M), an indirect wholly owned subsidiary of ETP

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**ETP Retail Holdings, LLC**  
**Consolidated Balance Sheets**  
(Dollars in millions)  
(unaudited)

	September 30, 2016	December 31, 2015
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ —	\$ —
Advances to affiliated companies	73	157
Total current assets	73	157
Investments in unconsolidated affiliates	412	375
Total assets	\$ 485	\$ 532
<b>Liabilities and equity</b>		
Current Liabilities:		
Accrued and other current liabilities	\$ 3	\$ 3
Total current liabilities	3	3
Commitments and contingencies		
Equity:		
Members' equity	506	534
Accumulated other comprehensive income	1	1
Noncontrolling interest	(25)	(6)
Total equity	482	529
Total liabilities and equity	\$ 485	\$ 532

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

**ETP Retail Holdings, LLC**  
**Consolidated Statements of Operations and Comprehensive Income**  
(Dollars in millions)  
(unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>				
Sales and other operating revenue	\$ —	\$ —	\$ —	\$ 1,960
Sales to affiliates	—	—	—	424
Other	—	—	—	10
Total revenues	—	—	—	2,394
<b>Costs and expenses:</b>				
Cost of products sold	—	—	—	1,636
Purchases from affiliates	—	—	—	685
Operating expenses	—	—	—	20
Selling, general and administrative	—	—	—	17
Depreciation and amortization	—	—	—	13
Total costs and expenses	—	—	—	2,371
<b>Operating income</b>	—	—	—	23
Other income:				
Income (loss) from unconsolidated affiliates	(12)	95	11	218
Other, net	—	—	—	1
Total other income (loss), net	(12)	95	11	219
Income (loss) before income tax expense	(12)	95	11	242
Income tax expense	—	—	—	3
<b>Net income (loss)</b>	\$ (12)	\$ 95	\$ 11	\$ 239
<b>Comprehensive Income (Loss)</b>	\$ (12)	\$ 95	\$ 11	\$ 239

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



**ETP Retail Holdings, LLC**  
**Consolidated Statement of Equity**  
(Dollars in millions)  
(unaudited)

	<b>Members’ Equity</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Noncontrolling Interest</b>	<b>Total</b>
<b>Balance at December 31, 2015</b>	\$ 534	\$ 1	\$ (6)	\$ 529
Sunoco Retail Transaction	2,297	—	—	2,297
Distribution	(136)	—	(19)	(155)
R&M and Atlantic Distribution	(2,200)	—	—	(2,200)
Net income	11	—	—	11
<b>Balance at September 30, 2016</b>	<u>\$ 506</u>	<u>\$ 1</u>	<u>\$ (25)</u>	<u>\$ 482</u>

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

**ETP Retail Holdings, LLC**  
**Consolidated Statements of Cash Flows**  
(Dollars in millions)  
(unaudited)

	Nine Months Ended September 30,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 11	\$ 239
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	—	13
Inventory valuation adjustments	—	(3)
Income from unconsolidated affiliates	(11)	(218)
Distributions from unconsolidated affiliates	21	45
Net change in operating assets and liabilities:		
Accounts receivable, net	—	21
Accounts receivable, affiliated companies	—	(14)
Inventories	—	73
Accounts payable	—	(99)
Accounts payable, affiliated companies	—	51
Accrued and other current liabilities	—	(28)
Other operating	—	(14)
Net cash provided by operating activities	\$ 21	66
<b>Cash flows from investing activities:</b>		
Capital expenditures	—	(16)
Sunoco Retail Transaction	2,200	—
Purchase of intangibles	—	(28)
Proceeds from dispositions	—	2
Net cash provided by (used in) investing activities	2,200	(42)
<b>Cash flows from financing activities:</b>		
Advances (to) from affiliates — Sunoco, Inc.	(21)	155
Distributions to ETP	—	(179)
R&M and Atlantic Distribution	(2,200)	—
Net cash provided by (used in) used in financing activities	(2,221)	(24)
Change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	\$ —	\$ —
<b>Non-Cash Financing Activities:</b>		
Non-cash distribution to members	\$ 136	\$ —
Non-cash distribution to non-controlling interest	\$ 19	\$ —

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

**ETP Retail Holdings, LLC**  
**Notes to Consolidated Financial Statements**  
(Tabular dollar amounts are in millions)  
(unaudited)

**1. Operations and Organization:**

ETP Retail Holdings, LLC, a Delaware limited liability company, (the “Company”) is an indirect wholly-owned subsidiary of ETP formed in May 2014. In June 2014, the equity interests in multiple entities were contributed to the Company, including (a) 100% of the membership interests in Sunoco LLC, (b) a 99% membership interest in ETC M-A Acquisition, which owned 100% of the membership interests in MACS and (c) a non-controlling membership interest in PES comprising 33% of PES’ outstanding common units (collectively, the “Contributed Businesses”).

Sunoco LLC was formed by Sunoco in June 2014, at which time Sunoco contributed certain retail assets (the “Contributed Assets”) of its subsidiaries to Sunoco LLC. Pursuant to the contribution agreement, Sunoco contributed substantially all of its wholesale motor fuel distribution business which included:

- dealer, distributor and fuel supply agreements,
- fuel supply agreements to distribute motor fuel to Sunoco convenience stores and other retail fuel outlets,
- real property owned in fee,
- leases and subleases under which it was a tenant, and
- leases and subleases under which it was a landlord.

All of the Contributed Assets were recorded at book value as this transaction was considered to be a reorganization of entities under common control. As discussed above, Sunoco contributed its interest in Sunoco LLC to the Company in June 2014. Sunoco was acquired by ETP in October 2012.

In October 2014, Sunoco LP, a publicly traded master limited partnership, acquired MACS from ETC M-A Acquisition in a transaction valued at \$768 million (the “MACS Transaction”). The transaction included company-operated retail convenience stores and dealer-operated and consignment sites, which had originally been acquired by ETC M-A Acquisition in October 2013. The consideration paid by Sunoco LP consisted of 3,983,540 Sunoco LP common units and \$556 million in cash.

In April 2015, Sunoco LP acquired a 31.58% equity interest and 50.1% voting interest in Sunoco LLC from the Company for \$816 million (the “Sunoco LLC Transaction”). Sunoco LP paid \$775 million in cash and issued 795,482 Sunoco LP common units to the Company. As a result of the Sunoco LLC Transaction, the Company no longer has a controlling interest in Sunoco LLC, therefore all of the Sunoco LLC operations were deconsolidated as of April 1, 2015.

Effective January 1, 2016, ETP contributed 100% of the equity interests in Sunoco Retail to the Company. Sunoco Retail’s assets included (i) the retail assets and the ethanol plant located in Fulton, NY formerly owned by Sunoco R&M, (ii) the retail assets formerly owned by Atlantic Refining and Marketing Corp; and (iii) 100% of the membership interests in Sunmarks LLC.

Effective January 1, 2016, the Company contributed to Sunoco LP the remaining 68.42% membership interest and 49.9% voting interest in Sunoco LLC and 100% of the membership interest in Sunoco Retail for \$2.2 billion in cash (including working capital) and the issuance to the Company of 5,710,922 Sunoco LP common units (the “Sunoco Retail Transaction”). Concurrently with the execution of the transaction, the Company distributed the \$2.2 billion in cash to Sunoco R&M and Atlantic Refining & Marketing Corp in the amount of \$2 billion and \$0.2 billion, respectively (the “R&M and Atlantic Distribution”). In exchange for the R&M and Atlantic Distribution, Sunoco R&M and Atlantic Refining & Marketing Corp agreed to provide support to the Company related to the Company’s guarantee of the Term Loan Facility.

Through its membership interest in Sunoco LLC, the Company was primarily engaged in the wholesale distribution of motor fuels to Sunoco R&M and third parties in the United States. Sunoco R&M operated convenience stores and retail fuel outlets under the proprietary Sunoco brand, primarily in the east coast and southeast regions of the United States. Through its membership interest in Sunoco LLC, the Company also distributed motor fuel to Sunoco-branded retail fuel outlets operated by third parties under long-term contracts and supplied other commercial customers on a spot or short-term contract basis.

At September 30, 2016, the Company and its consolidated subsidiaries owned the following:

- 6,506,404 Sunoco LP common units.
- 3,983,540 Sunoco LP common units via a 99% membership interest in ETC M-A Acquisition; and
- a non-controlling membership interest in PES comprising 33% of PES’ outstanding common units.

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



## **2. Summary of Significant Accounting Policies:**

### **Basis of Presentation and Principles of Consolidation**

The unaudited financial information included in this Form 10-Q has been prepared on the accrual basis of accounting in conformity with GAAP. In the opinion of the Company's management, such financial information reflects all adjustments necessary for a fair presentation of the financial position and the results of operations for such interim periods in accordance with GAAP. All intercompany items and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the SEC.

Sunoco allocated various corporate overhead expenses to the Contributed Assets based on percentage of property, plant and equipment, cost of goods sold, margin and headcount. These allocations are not necessarily indicative of the cost that the Contributed Assets would have incurred by operating as an independent stand-alone entity. As such, the consolidated financial statements may not fully reflect what the Contributed Assets' financial position, results of operations and cash flows would have been had the Contributed Assets operated as a stand-alone company during the periods presented.

### **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.

### **New Accounting Pronouncements**

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"), which changed the requirements for consolidations analysis. Under ASU 2015-02, reporting entities are required to evaluate whether they should consolidate certain legal entities. The Company adopted this standard on January 1, 2016, and the adoption did not impact the Company's financial position or results of operations.

### **Cash**

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

### **Investments in Unconsolidated Affiliates**

The Company owns interests in Sunoco LP and PES that are 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.

### **Revenue Recognition**

During the periods presented, the Company derived revenue from the sale of fuel. Revenue was recognized at the time of sale or when fuel was delivered to the customer.

Refined product exchange transactions, which are entered into primarily to acquire refined products of a desired quantity or at a desired location, are netted in cost of products sold in the consolidated statements of operations.

### **Motor Fuel Taxes**

Consumer excise taxes on sales of refined products are excluded from both revenues and costs and expenses in the consolidated statements of operations, with no effect on net income.

### **Income Taxes**

Income taxes are accounted for under the asset and liability method as if the Company were a separate taxpayer during the period that its operations were included as part of a federal consolidated tax return filing group with its parent company. Under this method, deferred tax assets and liabilities of the Company are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

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

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized. The determination of the provision for income taxes requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. Then, the tax benefit recognized is the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement. When facts and circumstances change, the Company reassesses these probabilities and record any changes through the provision for income taxes.

Under the separate entity method, the Company is assumed to file a separate return with the taxing authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from its parent. However, since there is no tax-sharing agreement in place between the Company and its parent, any taxes payable or receivable on current taxable income or loss at the end of each reporting date is treated as a capital contribution or dividend.

The Company's investment in PES is treated as a partnership for federal and state income tax purposes. Since income taxes are not provided for partnerships, no income taxes are reflected in the financial statements for those operations.

#### **Fair Value of Financial Instruments**

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

### **3. Investments in Unconsolidated Affiliates:**

#### **PES**

The Company's investment in PES consists of a non-controlling membership interest in PES comprising 33% of PES' outstanding common units. PES is a joint venture with The Carlyle Group, L.P. ("The Carlyle Group"), which owns two crude oil refining facilities in Philadelphia, Pennsylvania and an adjacent crude oil rail unloading terminal.

#### **Sunoco LP**

At September 30, 2016, the Company's investment in Sunoco LP consists of 10,489,944 Sunoco LP common units, representing approximately 11% of the total outstanding Sunoco LP common units at September 30, 2016.

#### **Summarized Financial Information**

The following tables present aggregated selected income statement data for PES and Sunoco LP (on a 100% basis for all periods presented):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	\$ 5,855	\$ 7,332	\$ 16,412	\$ 21,063
Operating income	60	167	334	563
Net income	3	97	170	421

### **4. Commitments and Contingencies:**

#### **ETP Retail Holdings Guarantee of Sunoco LP Notes**

In April 2015, Sunoco LP acquired a 31.58% equity interest in Sunoco LLC from the Company for \$775 million of cash and 795,482 Sunoco LP common units. The cash portion of the consideration was financed through Sunoco LP's issuance of \$800 million principal amount of 6.375% senior notes due 2023. The Company entered into a guarantee of collection with Sunoco LP and Sunoco Finance Corp., a wholly owned subsidiary of Sunoco LP, pursuant to which the Company has agreed to provide a limited contingent guarantee of collection to Sunoco LP with respect to the principal amount of the 6.375% senior notes issued by Sunoco LP.

In March 2016, Sunoco LP entered into a term loan in an aggregate principal amount of up to \$2.035 billion due October 1, 2019 (the "Term Loan Facility"). The Company entered into a guarantee of collection with Sunoco LP pursuant to which the Company

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

provided a limited contingent guarantee of collection with respect to the payment of the principal amount of the Term Loan Facility. As of September 30, 2016, Sunoco LP had \$1.2 billion outstanding under the Term Loan Facility.

In April 2016, Sunoco LP issued \$800 million of 6.250% senior notes due 2021. The proceeds from the 6.250% senior notes were used to repay a portion of Sunoco LP's indebtedness under its Term Loan Facility. The Company entered into a guarantee of collection with Sunoco LP and Sunoco Finance Corp., a wholly owned subsidiary of Sunoco LP, pursuant to which the Company has agreed to provide a limited contingent guarantee of collection to Sunoco LP with respect to the principal amount of the 6.250% senior notes issued by Sunoco LP.

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

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Introduction**

ETP Retail Holdings, LLC (the "Company") is an indirect wholly owned subsidiary of ETP formed in May 2014. In June 2014, the equity interests in multiple entities were contributed to the Company, including (a) 100% of the membership interests in Sunoco LLC, (b) a 99% membership interest in ETC M-A Acquisition, which owned 100% of the membership interests in MACS and (c) a non-controlling membership interest in PES comprising 33% of PES' outstanding common units.

In October 2014, Sunoco LP, a publicly traded master limited partnership, acquired MACS from ETC M-A Acquisition. The transaction included company-operated retail convenience stores and dealer-operated and consignment sites, which had originally been acquired by ETC M-A Acquisition in October 2013.

In April 2015, Sunoco acquired a 31.58% equity interest and a 50.1% voting interest in Sunoco LLC from the Company. As a result of the transaction, the Company no longer has a controlling interest in Sunoco LLC; therefore, all of the Sunoco LLC operations were deconsolidated as of April 1, 2015.

Effective January 1, 2016, ETP contributed 100% of the equity interests in Sunoco Retail to the Company. Immediately prior to this contribution, Sunoco Retail's assets included (i) the retail assets and the ethanol plant located in Fulton, NY formerly owned by Sunoco R&M, (ii) the retail assets formerly owned by Atlantic Refining; and (iii) 100% of the membership interests in Sunmarks LLC.

Effective January 1, 2016, the Company contributed to Sunoco LP the remaining 68.42% membership interest in Sunoco LLC and 100% of the membership interest in Sunoco Retail (described below). Prior to this transaction, the Company, through its interest in Sunoco LLC, was primarily engaged in the wholesale distribution of motor fuels to Sunoco R&M and third parties in the United States. Sunoco R&M operated convenience stores and retail fuel outlets under the proprietary Sunoco brand, primarily in the east coast and southeast regions of the United States. Through its membership interest in Sunoco LLC, the Company also distributed motor fuel to Sunoco-branded retail fuel outlets operated by third parties under long-term contracts. Through its membership interest in Sunoco LLC, the Company also supplied other commercial customers on a spot or short-term contract basis.

At September 30, 2016, the Company owned the following:

- 6,506,404 Sunoco LP common units.
- 3,983,540 Sunoco LP common units via a 99% membership interest in ETC M-A Acquisition; and
- a non-controlling membership interest in PES comprising 33% of PES' outstanding common units.

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

## Results of Operations

	Nine Months Ended September 30,	
	2016	2015
<b>Revenues:</b>		
Sales and other operating revenue	\$ —	\$ 1,960
Sales to affiliates	—	424
Other	—	10
Total revenues	—	2,394
<b>Costs and expenses:</b>		
Cost of products sold	—	1,636
Purchases from affiliates	—	685
Operating expenses	—	20
Selling, general and administrative	—	17
Depreciation and amortization	—	13
Total costs and expenses	—	2,371
<b>Operating income</b>	—	23
Other income:		
Income from unconsolidated affiliates	11	218
Other, net	—	1
Total other income, net	11	219
Income before income tax expense	11	242
Income tax expense	—	3
<b>Net income</b>	\$ 11	\$ 239
<b>Comprehensive income</b>	11	239

The following is a discussion of the significant items and variances impacting the Company's net income during the periods presented above:

*Revenues.* Revenues for the nine months ended September 30, 2016 decreased compared to the nine months ended September 30, 2015 due to the deconsolidation of Sunoco LLC in April 2015.

*Costs and expenses.* Costs and expenses for the nine months ended September 30, 2016 decreased compared to the nine months ended September 30, 2015 due to the deconsolidation of Sunoco LLC in April 2015.

*Income from unconsolidated affiliates.* Income from unconsolidated affiliates for the nine months ended September 30, 2016 decreased compared to the nine months ended September 30, 2015 due to the contribution of the Company's remaining 68.42% membership interest in Sunoco LLC in the Sunoco Retail Transaction.

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