

# SUSSER PETROLEUM PARTNERS LP

## FORM 8-K/A

(Amended Current report filing)

Filed 10/21/14 for the Period Ending 10/01/14

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Telephone (832) 234-3600  
CIK 0001552275  
Symbol SUSP  
SIC Code 5172 - Petroleum and Petroleum Products Wholesalers, Except Bulk Stations and Terminals  
Industry Oil & Gas Operations  
Sector Energy  
Fiscal Year 12/31

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

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**FORM 8-K/A**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **October 21, 2014 (October 1, 2014)**

**Susser Petroleum Partners LP**

(Exact name of registrant as specified in its charter)

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

**001-35653**  
(Commission File Number)

**30-0740483**  
(I.R.S. Employer  
Identification No.)

**555 East Airtex Drive  
Houston, Texas 77073**  
(Address of principal executive offices)

**(832) 234-3600**  
(Registrant's telephone number, including area code)

**Not applicable**  
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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This Current Report on Form 8-K/A amends the Current Report on Form 8-K of Susser Petroleum Partners LP (the “Partnership”) filed with the Securities and Exchange Commission on October 1, 2014 (the “Original Filing”), which reported (i) the contribution of all of the issued and outstanding membership interests of Mid-Atlantic Convenience Stores, LLC, a Delaware limited liability company (“MACS”), by an affiliate of Energy Transfer Partners, L.P., a Delaware limited Partnership (“ETP”), to the Partnership, which closed on October 1, 2014 (the “MACS Contribution”) and (ii) the pending purchase by Susser Petroleum Property Company LLC, a Delaware limited liability company and wholly owned subsidiary of the Partnership, of all of the issued and outstanding shares of capital stock of Aloha Petroleum, Ltd., a Hawaii corporation (“Aloha”), from Henger BV Inc., a private company organized under the laws of the British Virgin Islands, which the Partnership expects will close in the fourth quarter of 2014 (the “Aloha Acquisition”). This Current Report on Form 8-K/A is filed to amend the Original Filing to include the audited financial statements and unaudited pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K and to include exhibits under Item 9.01(d) of Form 8-K. In addition, this Current Report on Form 8-K/A is filed to provide (i) a press release announcing the commencement of the Partnership’s registered underwritten public offering (the “Offering”), (ii) estimated information regarding expected negative impacts on the financial results that the Partnership expects to report for the third quarter of 2014, (iii) business and other information relating to MACS and Aloha, and (iv) additional risk factors relating to the Partnership. Except for the following, this Current Report on Form 8-K/A does not modify or update any other disclosure contained in the Original Filing, and this Current Report on Form 8-K/A should be read in conjunction with the Original Filing.

## **Item 7.01 Regulation FD Disclosure.**

The following information is furnished under Item 7.01, “Regulation FD Disclosure.” This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

### *Press Release Announcing the Offering*

On October 21, 2014, the Partnership issued a press release announcing the commencement of the Offering of 8,000,000 common units representing limited partner interests. A copy of this press release is furnished as Exhibit 99.6 hereto and is incorporated in this Item 7.01 by reference. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, the common units.

### *Recent Developments*

In connection with the Offering, we will file a prospectus supplement (the “Prospectus Supplement”) relating to the shelf registration statement on Form S-3 previously filed with, and declared effective on December 5, 2013 by, the Securities and Exchange Commission. The Prospectus Supplement will disclose that the Partnership is still in the process of finalizing its financial results for the three months ended September 30, 2014. However, the Prospectus Supplement will disclose that the Partnership expects that its financial results for the third quarter of 2014 will be negatively impacted by (i) estimated non-cash charges of between \$2 million and \$2.5 million primarily relating to the implementation of last-in-first-out accounting method for fuel inventory on August 29, 2014 in connection with the acquisition of Susser Holdings Corporation by ETP (the “Merger”), and (ii) estimated non-recurring transaction costs relating to the Merger, the MACS Contribution and the pending Aloha Acquisition of between \$0.70 million and \$0.75 million. The estimates above represent the most current information available to management and the Partnership currently expects that these charges will be within the ranges described above.

This Current Report on Form 8-K/A includes “forward-looking statements.” All statements, other than statements of historical facts, included in this Current Report on Form 8-K/A that address activities, events or developments that the Partnership expects, believes or anticipates will or may occur in the future are forward-looking statements. 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. These statements include but are not limited to forward-looking statements about the Aloha Acquisition and the preliminary estimates of financial results for the third quarter of 2014 described above. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if new information becomes available in the future.

## **Item 8.01 Other Events.**

### *MACS and Aloha Information*

In connection with the pending Aloha Acquisition and the MACS Contribution, the Partnership is providing business and other information relating to MACS and Aloha as set forth in Exhibit 99.7 hereto and incorporated herein by reference. In addition, the Partnership is providing the risk factors set forth in Exhibit 99.8 hereto, and incorporated herein by reference, to update its risk factors contained in its Annual Report on Form 10-K for the year ended December 31, 2013 to take into account the MACS Contribution and the pending Aloha Acquisition.

## **Item 9.01 Financial Statements and Exhibits.**

### **(a) Financial Statements of Businesses Acquired.**

The following financial statements of MACS, and MACS Holdings, LLC and its subsidiaries as the predecessor of MACS, are filed as Exhibit 99.2 and Exhibit 99.3 hereto and incorporated herein by reference:

- Audited Consolidated Financial Statements as of December 31, 2013 (successor) and December 31, 2012 (predecessor), for the period from October 3, 2013 to December 31, 2013 (successor) and the period from January 1, 2013 to October 2, 2013 (predecessor) and for each of the two years in the period ended December 31, 2012 (predecessor) of Mid-Atlantic Convenience



- Unaudited Consolidated Financial Statements as of June 30, 2014 (successor) and for the six month periods ended June 30, 2014 (successor) and 2013 (predecessor) of Mid-Atlantic Convenience Stores, LLC (successor) and subsidiaries and MACS Holdings, LLC (predecessor) and subsidiaries.

The following financial statements of Aloha are filed as Exhibit 99.4 and Exhibit 99.5 hereto and incorporated herein by reference:

- Audited Financial Statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 of Aloha Petroleum, Ltd; and
- Unaudited Condensed Financial Statements as of June 30, 2014 and for the six month periods ended June 30, 2014 and 2013 of Aloha Petroleum, Ltd.

**(b) Pro Forma Financial Information.**

The following pro forma financial statements of the Partnership reflecting the MACS Contribution and the pending Aloha Acquisition, which have been prepared in accordance with Article 11 of Regulation S-X, are filed as Exhibit 99.1 hereto and incorporated herein by reference:

- Unaudited pro forma condensed combined balance sheet as of June 30, 2014;
- Unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2014 and the year ended December 31, 2013; and
- Notes to unaudited pro forma condensed consolidated financial information.

**(d) Exhibits .**

| Exhibit Number | EXHIBIT  |
|----------------|--|
| 23.1           | Consent of Grant Thornton LLP.   |
| 23.2           | Consent of PricewaterhouseCoopers LLP.   |
| 23.3           | Consent of Deloitte & Touche LLP.  |
| 99.1           | Unaudited Pro Forma Consolidated Financial Statements of Susser Petroleum Partners LP.   |
| 99.2           | Audited Consolidated Financial Statements as of December 31, 2013 (successor) and December 31, 2012 (predecessor), and for the period from October 3, 2013 to December 31, 2013 (successor) and the period from January 1, 2013 to October 2, 2013 (predecessor) and for each of the two years in the period ended December 31, 2012 (predecessor) of Mid-Atlantic Convenience Stores, LLC (successor) and subsidiaries and MACS Holdings, LLC (predecessor) and subsidiaries. |
| 99.3           | Unaudited Consolidated Financial Statements as of June 30, 2014 (successor) and for the six month periods ended June 30, 2014 (successor) and 2013 (predecessor) of Mid-Atlantic Convenience Stores, LLC (successor) and subsidiaries and MACS Holdings, LLC (predecessor) and subsidiaries.   |
| 99.4           | Audited Financial Statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 of Aloha Petroleum, Ltd.   |
| 99.5           | Unaudited Condensed Financial Statements as of June 30, 2014 and for the six month periods ended June 30, 2014 and 2013 of Aloha Petroleum, Ltd.   |
| 99.6           | Press Release, dated October 21, 2014, announcing the commencement of the Offering.  |
| 99.7           | MACS and Aloha Businesses.   |
| 99.8           | Risk Factors of the Partnership.   |

## **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 hereunto duly authorized.

### **SUSSER PETROLEUM PARTNERS LP**

**By: SUSSER PETROLEUM PARTNERS GP LLC,  
its general partner**

**By:** /s/ Mary E. Sullivan  
**Name:** Mary E. Sullivan  
**Title:** Executive Vice President, Chief Financial Officer and  
Treasurer

Date: October 21, 2014

## EXHIBIT INDEX

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| 99.3           | Unaudited Consolidated Financial Statements as of June 30, 2014 (successor) and for the six month periods ended June 30, 2014 (successor) and 2013 (predecessor) of Mid-Atlantic Convenience Stores, LLC (successor) and subsidiaries and MACS Holdings, LLC (predecessor) and subsidiaries.   |
| 99.4           | Audited Financial Statements as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 of Aloha Petroleum, Ltd.   |
| 99.5           | Unaudited Condensed Financial Statements as of June 30, 2014 and for the six month periods ended June 30, 2014 and 2013 of Aloha Petroleum, Ltd.   |
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| 99.8           | Risk Factors of the Partnership.   |

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**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

We have issued our report dated October 21, 2014, with respect to the consolidated financial statements of Mid-Atlantic Convenience Stores, LLC (successor) and subsidiaries and MACS Holdings, LLC (predecessor) and subsidiaries as of December 31, 2013 (successor) and for the period from October 3, 2013 to December 31, 2013 (successor) and the period from January 1, 2013 to October 2, 2013 (predecessor) included in this Current Report of Susser Petroleum Partners LP on Form 8-K/A. We hereby consent to the incorporation by reference of said report in the Registration Statements of Susser Petroleum Partners LP on Form S-3 (File No. 333-192335) and on Form S-8 (File No. 333-184035).

/s/ GRANT THORNTON LLP

Dallas, Texas  
October 21, 2014

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**Consent of Independent Accountants**

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 (No. 333-192335) and on Form S-8 (No. 333-184035) of Susser Petroleum Partners LP of our report dated April 15, 2013 relating to the consolidated financial statements of MACS Holdings, LLC and its subsidiaries as of December 31, 2012 and for each of the two years in the period ended December 31, 2012, which appear in this Current Report on Form 8-K/A dated October 21, 2014.

/s/PricewaterhouseCoopers LLP

Richmond, Virginia  
October 21, 2014

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**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statements No. 333-192335 on Form S-3 and No. 333-184035 on Form S-8 of Susser Petroleum Partners LP of our report dated April 29, 2014 (October 21, 2014 as to Note 11) related to the financial statements of Aloha Petroleum, Ltd. as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 appearing in this Current Report on Form 8-K/A of Susser Petroleum Partners LP dated October 21, 2014.

/s/ DELOITTE & TOUCHE LLP

Honolulu, Hawaii  
October 21, 2014

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## SUSSE PETROLEUM PARTNERS LP

### UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

#### Introduction

The following unaudited pro forma combined financial information of Susser Petroleum Partners LP (“SUSP”) reflects the pro forma impacts of multiple transactions, each of which is described in the following sections. Our unaudited pro forma condensed combined balance sheet as of June 30, 2014 and our unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2014 and the year ended December 31, 2013, reflect the following transactions:

- the assumed offering of approximately 8.0 million common units for estimated aggregate net proceeds of approximately \$389 million based on the last sale price of our common units on October 17, 2014 of \$50.21 per common unit (excluding the up to 1.2 million additional common units that may be purchased at the option of the underwriters, and after deducting underwriting discounts and commissions and estimated offering expenses) (“Equity Offering”);
- the October 1, 2014 acquisition of Mid-Atlantic Convenience Stores, LLC (“MACS”) from Energy Transfer Partners, L.P. (“ETP”), the owner of our general partner and a 57.8% limited partner interest in us, for total consideration consisting of (i) \$556 million in cash, subject to adjustment for working capital, and (ii) 3,983,540 of our common units (the “MACS Acquisition”); and
- the pending acquisition of Aloha Petroleum, Ltd (“Aloha”) for cash consideration of \$240 million, subject to a post-closing earn-out and certain closing adjustments (the “Aloha Acquisition”). This pending acquisition was announced on September 25, 2014, and is expected to close during the fourth quarter of 2014.

The unaudited pro forma condensed combined balance sheet gives effect to the MACS Acquisition, the Aloha Acquisition and the Equity Offering as if they had occurred on June 30, 2014; the unaudited pro forma condensed combined statements of operations assume that the MACS Acquisition, the Aloha Acquisition and the Equity Offering were consummated as of the beginning of the respective periods presented. The unaudited pro forma condensed combined balance sheet and condensed combined statements of operations should be read in conjunction with SUSP’s Annual Report on Form 10-K for the year ended December 31, 2013 and subsequent Quarterly Reports on Form 10-Q.

The historical financial information included in the columns entitled “SUSP” was derived from the audited consolidated financial statements included in SUSP’s Annual Report on Form 10-K for the year ended December 31, 2013, and the unaudited consolidated financial statements included in SUSP’s Quarterly Report on Form 10-Q for the six months ended June 30, 2014. The historical financial information in the columns entitled “MACS” was derived from its audited financial statements for the year ended December 31, 2013 and from its unaudited financial statements for the six months ended June 30, 2014, included in this Current Report on Form 8-K/A as Exhibits 99.2 and 99.3, respectively. The historical financial information included in the columns entitled “Aloha” was derived from its audited financial statements for the year ended December 31, 2013 and from its unaudited financial statements for the six months ended June 30, 2014, included in this Current Report on Form 8-K/A at Exhibits 99.4 and 99.5, respectively.

#### MACS Acquisition

On September 25, 2014, SUSP entered into a contribution agreement with MACS, ETC M-A Acquisition LLC (“ETC”) and ETP, whereby SUSP agreed to acquire all of the issued and outstanding membership interests of MACS from ETC for \$556 million in cash, subject to adjustment for working capital, and 3,983,540 SUSP common units. SUSP financed the cash portion of the purchase price by utilizing availability under its revolving credit facility. The MACS Acquisition was completed on October 1, 2014.

ETP acquired MACS in October 2013. MACS was previously a wholly-owned subsidiary of MACS Holdings, LLC, which is presented as the predecessor company of MACS in the historical financial statements included elsewhere in this Current Report on Form 8-K/A, as MACS and the Variable Interest Entities comprised substantially all of the consolidated assets and operations of MACS Holdings, LLC. Pro forma adjustments to eliminate the activity of MACS Holdings, LLC are reflected in the following unaudited pro forma condensed combined statements of operations for the year ended December 31, 2013. The historical financial results of operations for the year ended December 31, 2013 are being presented in this pro forma schedule as a combined amount of the predecessor and successor results for the respective periods. The separate financial results for the predecessor and successor companies are provided in Exhibit 99.2 to this Current Report on Form 8-K/A. Adjustments for the predecessor are not required for the six months ended June 30, 2014 or in the unaudited pro forma combined condensed balance sheet as of June 30, 2014, as those statements already reflect only the operations and financial position of MACS.

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On May 6, 2014, MACS acquired 40 company operated sites from Tiger Management Group, LLC. This acquisition is reflected in the unaudited historical condensed balance sheet as of June 30, 2014, and is reflected in the unaudited historical statements of operations for the six months ended June 2014 since the date of acquisition.

SUSP will account for the acquisition of MACS as a transfer of net assets between entities under common control. As such, the MACS assets acquired from ETP will be initially recorded by SUSP at ETP's historic carrying value, and SUSP will include the activities of MACS in its future financial statements on a retrospective basis, as of the date of common control. However, since SUSP and MACS only became under common control as of August 29, 2014, subsequent to the date of the historical financial statements presented, the pro forma condensed combined statements of operations are presented to include the results of operations of MACS from the beginning of the periods presented.

### **Aloha Acquisition**

On September 25, 2014, SUSP and Susser Petroleum Property Company LLC ("Propco"), a wholly owned subsidiary of SUSP, entered into a purchase and sale agreement in which SUSP and Propco agreed to acquire all of the issued and outstanding shares of capital stock of Aloha for total consideration of \$240 million in cash, subject to a post-closing earn-out and certain closing adjustments. Consummation of the Aloha Acquisition is expected to occur during the fourth quarter of 2014 and is subject to customary closing conditions. SUSP plans to finance the purchase of Aloha by utilizing availability under its revolving credit facility. SUSP management currently plans to contribute certain assets from Propco to SUSP; however, the impacts of this discretionary management action is not included in the accompanying pro forma combined financial information.

The pro forma adjustments reflect a preliminary purchase price allocation. The book value for Aloha's fixed assets is assumed to approximate fair value. The final allocation of the purchase price is dependent upon certain valuations of the assets and liabilities and other studies that will be initiated once this transaction closes. Differences between this preliminary purchase price allocation and the final purchase accounting will occur, and these differences could have a material impact on the unaudited pro forma combined financial information.

### **Equity Offering**

Concurrent with the filing of this Current Report on Form 8-K/A, SUSP has filed a preliminary prospectus supplement offering to sell 8.0 million common units representing limited partner interests of SUSP. SUSP expects to receive net proceeds of approximately \$389 million from the Equity Offering, excluding the underwriters' option to purchase additional common units, and after deducting underwriting discounts and commissions and estimated offering expenses. SUSP intends to use the net proceeds of this offering to repay indebtedness under our revolving credit facility and for general partnership purposes.

Adjustments for the above-listed transactions on an individual basis are presented in separate columns in the following schedules, and further described in the notes to the unaudited pro forma combined financial statements. Certain information normally included in the financial statements prepared in accordance with GAAP has been condensed or omitted in accordance with the rules and regulations of the SEC. The unaudited pro forma combined financial statements and accompanying notes should be read in conjunction with the historical financial statements and related notes thereto appearing elsewhere herein.

The unaudited pro forma condensed combined financial statements do not purport to be indicative of the results of operations or financial position that we actually would have achieved if the transactions had been consummated on the dates indicated, nor do they project our results of operations or financial position for any future period or date.

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**SUSSER PETROLUEM PARTNERS LP**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**AS OF JUNE 30, 2014**  
(dollars in thousands except per unit)

|   | Historical        |                   |                   | Pro Forma Adjustments |                   |               | Equity Offering | Pro Forma Combined  |
|---|-------------------|-------------------|-------------------|-----------------------|-------------------|---------------|-----------------|---------------------|
|   | SUSP              | MACS              | Aloha             | MACS                  | Aloha             |               |                 |                     |
| <b>ASSETS:</b>                                |                   |                   |                   |                       |                   |               |                 |                     |
| Cash and cash equivalents                     | \$ 6,769          | \$ 45,661         | \$ 26,191         | \$ —                  | \$ (33,800) (d)   | \$ —          | \$ —            | \$ 52,475           |
|   |                   |                   |                   |                       | 240,000 (e)       |               |                 |                     |
|   |                   |                   |                   |                       | (232,346) (f)     |               |                 |                     |
| Accounts receivable, net of allowance         | 74,212            | 17,410            | 18,263            | —                     | —                 | —             | —               | 109,885             |
| Accounts receivable affiliates                | 51,727            | 356               | —                 | —                     | —                 | —             | —               | 52,083              |
| Inventories, net                              | 38,971            | 15,530            | 23,039            | —                     | —                 | —             | —               | 77,540              |
| Other current assets                          | 710               | 1,533             | 5,205             | —                     | —                 | —             | —               | 7,448               |
| Total current assets                          | 172,389           | 80,490            | 72,698            | —                     | (26,146)          | —             | —               | 299,431             |
| Property and equipment, net                   | 239,590           | 478,307           | 92,154            | —                     | —                 | —             | —               | 810,051             |
| Goodwill                                      | 22,823            | 107,781           | 23,235            | —                     | 127,836 (f)       | —             | —               | 281,675             |
| Intangible assets, net                        | 24,292            | 95,658            | 8,058             | —                     | 3,058 (f)         | —             | —               | 131,066             |
| Other noncurrent assets                       | 259               | 11,475            | 1,625             | 49,677 (a)            | (664) (d)         | —             | —               | 62,372              |
| <b>Total Assets</b>                           | <b>\$ 459,353</b> | <b>\$ 773,711</b> | <b>\$ 197,770</b> | <b>\$ 49,677</b>      | <b>\$ 104,084</b> | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ 1,584,595</b> |
| <b>LIABILITIES AND PARTNERS' EQUITY:</b>      |                   |                   |                   |                       |                   |               |                 |                     |
| Accounts payable and accrued liabilities      | \$ 141,424        | \$ 28,774         | \$ 21,733         | \$ —                  | \$ —              | \$ —          | \$ —            | \$ 191,931          |
| Affiliated payable affiliates                 | —                 | 3,043             | —                 | —                     | —                 | —             | —               | 3,043               |
| Current maturities of long-term debt          | 525               | 12,860            | 7,100             | —                     | (7,100) (d)       | —             | —               | 13,385              |
| Current maturities of capital leases          | —                 | 271               | —                 | —                     | —                 | —             | —               | 271                 |
| Other current liabilities                     | —                 | 694               | —                 | —                     | —                 | —             | —               | 694                 |
| Total current liabilities                     | 141,949           | 45,642            | 28,833            | —                     | (7,100)           | —             | —               | 209,324             |
| Revolving line of credit                      | 232,240           | —                 | —                 | 556,000 (a)           | 240,000 (e)       | (388,880) (g) | —               | 639,360             |
| Long term debt                                | 3,536             | 172,509           | 26,700            | —                     | (26,700) (d)      | —             | —               | 176,045             |
| Capital leases                                | —                 | 3,283             | —                 | —                     | —                 | —             | —               | 3,283               |
| Other noncurrent liabilities                  | 2,399             | 14,204            | 32,056            | —                     | 8,065 (f)         | —             | —               | 56,724              |
| Total liabilities                             | 380,124           | 235,638           | 87,589            | 556,000               | 214,265           | (388,880)     | —               | 1,084,736           |
| Noncontrolling interest                       | —                 | (7,154)           | —                 | —                     | —                 | —             | —               | (7,154)             |
| Stockholders equity                           | —                 | —                 | 110,181           | —                     | (664) (d)         | —             | —               | —                   |
|   |                   |                   |                   |                       | (109,517) (f)     | —             | —               | —                   |
| Partners' equity                              | 79,229            | 545,227           | —                 | (506,323) (a)         | —                 | 388,880 (g)   | —               | 507,013             |
| <b>Total Liabilities and Partners' Equity</b> | <b>\$ 459,353</b> | <b>\$ 773,711</b> | <b>\$ 197,770</b> | <b>\$ 49,677</b>      | <b>\$ 104,084</b> | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ 1,584,595</b> |

**SUSSER PETROLUEM PARNTERS LP**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR SIX MONTHS ENDED JUNE 30, 2014**  
(dollars in thousands except per unit)

|  | Historical |           |           | Pro Forma Adjustments |              |  | Equity Offering | Pro Forma Combined |
|--|------------|-----------|-----------|-----------------------|--------------|--|-----------------|--------------------|
|  | SUSP       | MACS      | Aloha     | MACS                  | Aloha        |  |                 |                    |
| <b>Revenues:</b>   |            |           |           |                       |              |  |                 |                    |
| Merchandise sales  | \$ —       | \$ 59,474 | \$ 22,832 | \$ —                  | \$ —         |  | \$ —            | \$ 82,306          |
| Motor fuel sales   | 2,580,780  | 728,285   | 332,821   | (32,249) (h)          | (41,241) (h) |  | —               | 3,568,396          |
| Other Income   | 11,832     | 13,513    | 9,865     | —                     | —            |  | —               | 35,210             |
| Total revenues   | 2,592,612  | 801,272   | 365,518   | (32,249)              | (41,241)     |  | —               | 3,685,912          |
| <b>Cost of Sales:</b>  |            |           |           |                       |              |  |                 |                    |
| Merchandise  | —          | 43,426    | 16,550    | —                     | —            |  | —               | 59,976             |
| Motor fuel   | 2,546,503  | 693,257   | 302,728   | (32,249) (h)          | (41,241) (h) |  | —               | 3,468,998          |
| Other  | 1,786      | —         | 1,117     | —                     | —            |  | —               | 2,903              |
| Total Cost of Sales  | 2,548,289  | 736,683   | 320,395   | (32,249)              | (41,241)     |  | —               | 3,531,877          |
| Gross Profit   | 44,323     | 64,589    | 45,123    | —                     | —            |  | —               | 154,035            |
| <b>Operating Expenses:</b>   |            |           |           |                       |              |  |                 |                    |
| Selling, general and administrative                                  | 14,570     | 26,263    | 30,526    | —                     | —            |  | —               | 71,359             |
| Loss (gain) on disposal of assets and impairment charge              | (36)       | 259       | —         | —                     | —            |  | —               | 223                |
| Depreciation, amortization and accretion                             | 6,659      | 16,537    | 5,867     | —                     | 102 (f)      |  | —               | 29,165             |
| Acquisition transaction costs  | —          | 614       | 211       | (614) (b)             | (211) (f)    |  | —               | —                  |
| Total operating expenses   | 21,193     | 43,673    | 36,604    | (614)                 | (109)        |  | —               | 100,747            |
| Income from operations   | 23,130     | 20,916    | 8,519     | 614                   | 109          |  | —               | 53,288             |
| <b>Other income (expense):</b>                                       |            |           |           |                       |              |  |                 |                    |
| Interest expense, net  | (3,276)    | (4,635)   | (1,682)   | (5,983) (a)           | 1,682 (d)    |  | 4,184 (g)       | (12,292)           |
|  |            |           |           |                       | (2,582) (e)  |  |                 |                    |
| Other miscellaneous  | —          | (498)     | —         | —                     | —            |  | —               | (498)              |
| Total other income (expense)   | (3,276)    | (5,133)   | (1,682)   | (5,983)               | (900)        |  | 4,184           | (12,790)           |
| Income (loss) before income tax                                      | 19,854     | 15,783    | 6,837     | (5,369)               | (791)        |  | 4,184           | 40,498             |
| Income tax (expense) benefit   | (127)      | —         | (2,629)   | 72 (c)                | —            |  | —               | (2,684)            |
| Net Income   | 19,727     | 15,783    | 4,208     | (5,297)               | (791)        |  | 4,184           | 37,814             |
| Less: Net income attributable to noncontrolling interest             | —          | (1,619)   | —         | —                     | —            |  | —               | (1,619)            |
| Net income attributable to Susser Petroleum Partners                 | \$ 19,727  | \$ 14,164 | \$ 4,208  | \$ (5,297)            | \$ (791)     |  | \$ 4,184        | \$ 36,195          |
| Net income per limited partner unit:                                 |            |           |           |                       |              |  |                 |                    |
| Common - basic   | \$ 0.90    |           |           |                       |              |  |                 | \$ 1.07            |
| Common - diluted   | \$ 0.89    |           |           |                       |              |  |                 | \$ 1.07            |
| Subordinated - (basic and diluted)                                   | \$ 0.90    |           |           |                       |              |  |                 | \$ 1.07            |
| <b>Weighted average limited partner units outstanding (diluted):</b> |            |           |           |                       |              |  |                 |                    |
| Common units - public  | 10,965,066 |           |           |                       |              |  | 8,000,000 (g)   | 18,965,066         |
| Common units - affiliated  | 79,308     |           |           | 3,983,540 (a)         |              |  |                 | 4,062,848          |
| Subordinated units - affiliated                                      | 10,939,436 |           |           |                       |              |  |                 | 10,939,436         |

**SUSSER PETROLUEM PARNTERS LP**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR TWELVE MONTHS ENDED DECEMBER 31, 2013**  
(dollars in thousands except per unit)

|   | Historical |           |           | Pro Forma Adjustments |             |           | Equity Offering | Pro Forma Combined |
|---|------------|-----------|-----------|-----------------------|-------------|-----------|-----------------|--------------------|
|   | SUSP       | MACS      | Aloha     | MACS                  | Aloha       |           |                 |                    |
| Revenues:   |            |           |           |                       |             |           |                 |                    |
| Merchandise sales   | \$ —       | \$ 97,219 | \$ 45,074 | \$ —                  | \$ —        | \$ —      | \$ —            | \$ 142,293         |
| Motor fuel sales  | 4,476,908  | 1,384,457 | 702,345   | (46,696)(h)           | (99,077)(h) | —         | —               | 6,417,937          |
| Other Income  | 15,671     | 26,700    | 19,654    | —                     | —           | —         | —               | 62,025             |
| Total revenues  | 4,492,579  | 1,508,376 | 767,073   | (46,696)              | (99,077)    | —         | —               | 6,622,255          |
| Cost of Sales:  |            |           |           |                       |             |           |                 |                    |
| Merchandise   | —          | 72,126    | 32,291    | —                     | —           | —         | —               | 104,417            |
| Motor fuel  | 4,419,004  | 1,329,890 | 635,205   | (46,696)(h)           | (99,077)(h) | —         | —               | 6,238,326          |
| Other   | 2,611      | —         | 2,431     | —                     | —           | —         | —               | 5,042              |
| Total Cost of Sales   | 4,421,615  | 1,402,016 | 669,927   | (46,696)              | (99,077)    | —         | —               | 6,347,785          |
| Gross Profit  | 70,964     | 106,360   | 97,146    | —                     | —           | —         | —               | 274,470            |
| Operating Expenses:   |            |           |           |                       |             |           |                 |                    |
| Selling, general and administrative                           | 21,015     | 45,699    | 60,994    | (142)                 | (b)         | —         | —               | 127,566            |
| Loss (gain) on disposal of assets and impairment charge       | 324        | 1,511     | —         | —                     | —           | —         | —               | 1,835              |
| Depreciation, amortization and accretion                      | 8,687      | 18,138    | 8,224     | —                     | 204         | (f)       | —               | 35,253             |
| Acquisition transaction costs                                 | —          | 6,555     | —         | (6,555)               | (b)         | —         | —               | —                  |
| Total operating expenses                                      | 30,026     | 71,903    | 69,218    | (6,697)               | 204         | —         | —               | 164,654            |
| Income from operations  | 40,938     | 34,457    | 27,928    | 6,697                 | (204)       | —         | —               | 109,816            |
| Other income (expense):                                       |            |           |           |                       |             |           |                 |                    |
| Interest expense, net   | (3,471)    | (24,826)  | (3,288)   | (11,965)              | (a)         | 3,288     | (d) 8,369       | (g) (37,058)       |
|   |            |           |           |                       |             | (5,165)   | (e)             |                    |
| Other miscellaneous   | —          | (1,426)   | —         | —                     | —           | —         | —               | (1,426)            |
| Total other income (expense)                                  | (3,471)    | (26,252)  | (3,288)   | (11,965)              | (1,877)     | —         | 8,369           | (38,484)           |
| Income (loss) before income tax                               | 37,467     | 8,205     | 24,640    | (5,268)               | (2,081)     | —         | 8,369           | 71,332             |
| Income tax (expense) benefit                                  | (440)      | —         | (9,192)   | 4,079                 | (c)         | —         | —               | (5,553)            |
| Net Income  | 37,027     | 8,205     | 15,448    | (1,189)               | (2,081)     | —         | 8,369           | 65,779             |
| Less: Net income attributable to noncontrolling interest      | —          | (2,816)   | —         | —                     | —           | —         | —               | (2,816)            |
| Net income attributable to Susser Petroleum Partners          | \$ 37,027  | \$ 5,389  | \$ 15,448 | \$ (1,189)            | \$ (2,081)  | \$ 8,369  | \$ 8,369        | \$ 62,963          |
| Net income per limited partner unit:                          |            |           |           |                       |             |           |                 |                    |
| Common - basic  | \$ 1.69    |           |           |                       |             |           |                 | \$ 1.86            |
| Common - diluted  | \$ 1.69    |           |           |                       |             |           |                 | \$ 1.86            |
| Subordinated - (basis and diluted)                            | \$ 1.69    |           |           |                       |             |           |                 | \$ 1.86            |
| Weighted average limited partner units outstanding (diluted): |            |           |           |                       |             |           |                 |                    |
| Common units - public   | 10,928,198 |           |           |                       |             | 8,000,000 | (g)             | 18,928,198         |
| Common units - affiliated                                     | 36,060     |           |           | 3,983,540             | (a)         |           |                 | 4,019,600          |
| Subordinated units - affiliated                               | 10,939,436 |           |           |                       |             |           |                 | 10,939,436         |

**SUSSER PETROLEUM PARTNERS LP**  
**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

The unaudited pro forma condensed combined financial information presented above gives effect to multiple transactions. The unaudited pro forma condensed combined balance sheet gives effect to the MACS Acquisition, the Aloha Acquisition and the Equity Offering as if these transactions had been consummated on June 30, 2014. The unaudited pro forma condensed combined statements of operations give effect to the MACS Acquisition, the Aloha Acquisition and the Equity Offering as if all of these transactions had been consummated as of the beginning of the respective periods presented.

(a) To reflect the acquisition of MACS from ETP as follows:

- To reflect the issuance of 3,983,540 SUSP common units in exchange for the net assets acquired of \$545.2 million.
- To reflect the elimination of historic partners' equity of \$545.2 million.
- To reflect the cash payment of \$556 million for the net assets acquired as a deemed distribution.
- To reflect the estimated \$49.7 million deferred income tax impact resulting from the transfer of certain acquired MACS assets to SUSP's wholly-owned subsidiary Propco.
- To reflect a \$556 million draw on our revolving credit facility to finance the cash payment made to ETP. Interest of the revolving credit facility is calculated based on a variable rate. The initial borrowing rate of 2.152% is assumed for the entire period presented.

The net adjustment to partners' equity is comprised of the following adjustments (in millions):

|   |                   |
|---|-------------------|
| Eliminate historic partners' equity                   | \$ (545.2)        |
| Issuance of units in exchange for net assets acquired | 545.2             |
| Deemed distribution                                   | (556.0)           |
| Record deferred income tax                            | 49.7              |
| Net adjustment to partners' equity                    | <u>\$ (506.3)</u> |

- (b) To eliminate operations attributed to MACS Holdings, LLC (predecessor company of MACS) and acquisition costs related to ETP's purchase of MACS in October 2013, as they do not have a continuing impact on SUSP's results of operations.
- (c) To reflect the income tax provision for the estimated portion of MACS operations that will be included in Propco's results of operations, at an estimated combined federal and state statutory tax rate of 39.6%.
- (d) To reflect Aloha's debt repayment required prior to closing of the Aloha Acquisition, as required by the purchase and sale agreement, including related interest expense and \$0.7 million of unamortized loan costs which is charged to equity. The amount of outstanding debt as of June 30, 2014 was \$33.8 million. The cash balance at June 30, 2014 is insufficient to pay off the debt and maintain and agreed \$45 thousand cash at closing, resulting in a \$7.7 million cash deficit which is deducted from the purchase price. Interest expense related to Aloha's historic debt was \$3.3 million and \$1.7 million for the year ended December 31, 2013 and six months ended June 30, 2014, respectively.
- (e) To reflect proposed funding of Aloha Acquisition with a \$240 million draw on our revolving credit facility. Assumed interest rate of 2.152%, reflecting our 30-day LIBOR borrowing cost as of October 10, 2014, resulting in interest expense of \$5.2 million and \$2.6 million for the year ended December 31, 2013 and six months ended June 30, 2014, respectively. A 1/8% change in the interest rate would impact annual interest expense by \$0.3 million.
- (f) To reflect the acquisition of Aloha by Propco as follows:
- To reflect cash consideration paid of \$240 million, less the \$7.7 million required to complete the debt pay off.
  - To reflect preliminary purchase price allocation, including estimated value of earn-out liability, which will be calculated as 50% of the amount by which certain gross profits of Aloha exceed a threshold amount each year through December 31, 2022. An estimated value for trade name is included in intangible assets, and assumed to be amortized over 15 years. A deferred income tax liability related to intangible assets is included in other noncurrent liabilities.



Following is the preliminary purchase price allocation for Aloha (in millions):

|                                |    |              |
|--------------------------------|----|--------------|
| Total current assets           | \$ | 38.8         |
| Property, plant and equipment  |    | 92.2         |
| Goodwill                       |    | 151.1        |
| Intangible assets              |    | 10.5         |
| Other assets                   |    | 1.6          |
| Total assets                   |    | <u>294.2</u> |
| Total current liabilities      |    | 21.7         |
| Deferred income taxes          |    | 13.2         |
| Other non-current liabilities  |    | 27.0         |
| Total liabilities              |    | <u>61.9</u>  |
| Total consideration to be paid | \$ | <u>232.3</u> |

- (g) To reflect the proposed equity offering of 8.0 million common units at an assumed price of \$50.21 per unit, before discounts, commissions and other expenses. Estimated net proceeds of \$388.9 million are assumed to reduce borrowings on SUSP's revolving credit facility, a portion of which was used to finance the MACS Acquisition. Interest savings were calculated at our current revolver borrowing rate of 2.152%.
- (h) To conform the MACS and Aloha accounting policies for the presentation of motor fuel taxes as gross in motor fuel sales and motor fuel cost of sales, to SUSP's accounting policy to present motor fuel taxes net in motor fuel sales and motor fuel cost of sales.
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**MID-ATLANTIC CONVENIENCE STORES, LLC**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## Report of Independent Certified Public Accountants

Member  
Mid-Atlantic Convenience Stores, LLC

We have audited the accompanying consolidated financial statements of Mid-Atlantic Convenience Stores, LLC (successor, a Delaware limited liability company) and subsidiaries and MACS Holdings, LLC (predecessor, a Delaware limited liability company) and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013 (successor), and the related consolidated statements of operations and comprehensive income, equity, and cash flows for the period from October 3, 2013 to December 31, 2013 (successor) and the period from January 1, 2013 to October 2, 2013 (predecessor), and the related notes to the financial statements.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mid-Atlantic Convenience Stores, LLC and subsidiaries as of December 31, 2013 (successor), and the results of their operations and their cash flows for the period from October 3, 2013 to December 31, 2013 (successor) and the results of MACS Holdings, LLC and subsidiaries' operations and their cash flows for the period from January 1, 2013 to October 2, 2013 (predecessor) in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Dallas, Texas

October 21, 2014

## Independent Auditor's Report

To the Members of MACS Holdings, LLC:

We have audited the accompanying consolidated financial statements of MACS Holdings, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the two years in the period ended December 31, 2012.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MACS Holdings, LLC and its subsidiaries at December 31, 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Richmond, Virginia  
April 15, 2013

**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Balance Sheets**

|  | <b>MACS<br/>Successor<br/>December 31,<br/>2013</b> | <b>MACS Holdings<br/>Predecessor<br/>December 31,<br/>2012</b> |
|--|---|--|
|  | (in thousands)                                      | except units)  |
| <b>Assets</b>  |   |  |
| Current assets:  |   |  |
| Cash and cash equivalents  | \$ 16,401   | \$ 1,797   |
| Accounts receivable, net   | 7,819   | 9,860  |
| Affiliated receivable  | 156   | —  |
| Environmental receivable   | 694   | 694  |
| Inventories  | 9,056   | 8,477  |
| Prepaid expenses   | 1,164   | 1,629  |
| Assets held for sale   | 666   | 786  |
| Total current assets   | 35,956  | 23,243   |
| Property, plant & equipment, net                                   | 376,880   | 344,863  |
| Intangible assets, net   | 96,943  | 10,516   |
| Deferred financing costs   | 5,333   | 6,000  |
| Goodwill   | 107,781   | 41,299   |
| Environmental receivable   | 1,867   | 2,570  |
| Other assets   | 10,858  | 11,001   |
| Total assets   | <u>\$ 635,618</u>                                   | <u>\$ 439,492</u>  |
| <b>Liabilities &amp; Equity</b>                                    |   |  |
| Current liabilities:   |   |  |
| Accounts payable   | \$ 10,489   | \$ 15,024  |
| Affiliated payable   | 1,270   | —  |
| Accrued liabilities  | 8,439   | 2,247  |
| Revolver   | —   | 512  |
| Current maturities of long term debt                               | 8,579   | 22,892   |
| Current maturities of capital leases                               | 268   | 587  |
| Liability for environmental remediation                            | 694   | 694  |
| Total current liabilities  | 29,739  | 41,956   |
| Long-term debt, net of current maturities                          | 180,176   | 272,289  |
| Capital leases, net of current maturities                          | 3,755   | 2,299  |
| Other liabilities  | 13,858  | 15,563   |
| Total liabilities  | 227,528   | 332,107  |
| Equity:  |   |  |
| Preferred units (115,518 units authorized, issued and outstanding) | —   | 115,518  |
| Common units (23,725 units authorized, issued and outstanding)     | —   | 23,725   |
| Capital  | 412,254   | —  |
| Retained earnings  | 4,609   | (20,269)   |
| Total equity attributable to MACS/MACS Holdings                    | 416,863   | 118,974  |
| Noncontrolling interest  | (8,773)   | (11,589)   |
| Total equity   | 408,090   | 107,385  |
| Total liabilities & equity   | <u>\$ 635,618</u>                                   | <u>\$ 439,492</u>  |

*See accompanying notes*

**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Statements of Operations and Comprehensive Income**

|  | MACS<br>Successor                                      | MACS Holdings<br>Predecessor                         |                                    |                                    |
|--|--|--|------------------------------------|------------------------------------|
|  | Period from<br>October 3, 2013 to<br>December 31, 2013 | Period from<br>January 1, 2013 to<br>October 2, 2013 | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 |
|  |  | (in thousands)                                       |                                    |                                    |
| Revenues:  |  |  |                                    |                                    |
| Merchandise sales  | \$ 24,312  | \$ 72,907  | \$ 100,263                         | \$ 69,287                          |
| Fuel sales   | 314,391  | 1,070,066  | 1,430,349                          | 1,415,938                          |
| Other income   | 164  | 452  | 711                                | 655                                |
| Total revenues   | 338,867  | 1,143,425  | 1,531,323                          | 1,485,880                          |
| Cost of sales:   |  |  |                                    |                                    |
| Merchandise  | 18,275   | 53,851   | 77,375                             | 50,016                             |
| Fuel   | 301,688  | 1,028,202  | 1,374,999                          | 1,359,985                          |
| Total cost of sales  | 319,963  | 1,082,053  | 1,452,374                          | 1,410,001                          |
| Gross margin   | 18,904   | 61,372   | 78,949                             | 75,879                             |
| Lease revenue  | 6,482  | 19,602   | 26,393                             | 27,960                             |
| Operating expenses   |  |  |                                    |                                    |
| Compensation and benefits  | 5,377  | 16,780   | 20,668                             | 20,029                             |
| General and administrative   | 2,818  | 10,822   | 15,070                             | 17,089                             |
| Other operating  | 1,510  | 3,652  | 6,007                              | 5,902                              |
| Rent   | 1,256  | 3,484  | 4,701                              | 5,283                              |
| Asset impairments and loss (gain) on disposal of<br>assets, net                | 1  | 1,510  | 2,480                              | (1,622)                            |
| Depreciation, amortization and accretion                                       | 6,368  | 11,770   | 18,996                             | 17,862                             |
| Acquisition transaction costs  | —  | 6,555  | —                                  | 100                                |
| Total operating expenses   | 17,330   | 54,573   | 67,922                             | 64,643                             |
| Income from operations   | 8,056  | 26,401   | 37,420                             | 39,196                             |
| Other expense  |  |  |                                    |                                    |
| Interest expense, net  | 2,499  | 22,327   | 26,933                             | 29,466                             |
| Board and management fees  | 244  | 1,182  | 1,638                              | 1,802                              |
| Net income and comprehensive income  | \$ 5,313   | \$ 2,892   | \$ 8,849                           | \$ 7,928                           |
| Net income and comprehensive income attributable to<br>noncontrolling interest | (704)  | (2,112)  | (3,304)                            | (2,281)                            |
| Net income and comprehensive income attributable to<br>MACS/MACS Holdings      | \$ 4,609   | \$ 780   | \$ 5,545                           | \$ 5,647                           |

*See accompanying notes*

**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Statements of Equity**

|                                     | MACS Holdings<br>Predecessor |           |         |         |                |             |           |                |            |             |           |
|-------------------------------------|------------------------------|-----------|---------|---------|----------------|-------------|-----------|----------------|------------|-------------|-----------|
|                                     | Capital                      | Preferred |         | Common  |                | Accumulated | Total     | Noncontrolling |            |             |           |
|                                     |                              | Units     | \$      | Units   | \$             | Deficit     | MACS      | Interests      | Total      |             |           |
|                                     |                              |           |         |         | (in thousands) |             | Holdings  |                |            |             |           |
| Balance, December 31, 2010          | \$                           | —         | 115,518 | \$      | 115,518        | 23,725      | \$ 23,725 | \$ (27,482)    | \$ 111,761 | \$ (13,196) | \$ 98,565 |
| Net income and comprehensive income |                              | —         | —       | —       | —              | —           | 5,647     | 5,647          | 2,281      | 7,928       |           |
| Member distribution                 |                              | —         | —       | —       | —              | —           | (3,979)   | (3,979)        | (1,057)    | (5,036)     |           |
| Balance, December 31, 2011          |                              | —         | 115,518 | 115,518 | 23,725         | 23,725      | (25,814)  | 113,429        | (11,972)   | 101,457     |           |
| Net income and comprehensive income |                              | —         | —       | —       | —              | —           | 5,545     | 5,545          | 3,304      | 8,849       |           |
| Member distribution                 |                              | —         | —       | —       | —              | —           | —         | —              | (2,921)    | (2,921)     |           |
| Balance, December 31, 2012          |                              | —         | 115,518 | 115,518 | 23,725         | 23,725      | (20,269)  | 118,974        | (11,589)   | 107,385     |           |
| Net income and comprehensive income |                              | —         | —       | —       | —              | —           | 780       | 780            | 2,112      | 2,892       |           |
| Member distribution                 |                              | —         | —       | —       | —              | —           | (21,682)  | (21,682)       | —          | (21,682)    |           |
| Balance, October 2, 2013            | \$                           | —         | 115,518 | \$      | 115,518        | 23,725      | \$ 23,725 | \$ (41,171)    | \$ 98,072  | \$ (9,477)  | \$ 88,595 |

|                                     | MACS<br>Successor |                |    |        |    |                      |               |                             |       |         |    |         |    |         |
|-------------------------------------|-------------------|----------------|----|--------|----|----------------------|---------------|-----------------------------|-------|---------|----|---------|----|---------|
|                                     | Capital           | Preferred      |    | Common |    | Retained<br>Earnings | Total<br>MACS | Noncontrolling<br>Interests | Total |         |    |         |    |         |
|                                     |                   | Units          | \$ | Units  | \$ |                      |               |                             |       |         |    |         |    |         |
|                                     |                   | (in thousands) |    |        |    |                      |               |                             |       |         |    |         |    |         |
| Balance, October 3, 2013            | \$                | 412,254        | —  | \$     | —  | —                    | \$            | —                           | \$    | 412,254 | \$ | (9,477) | \$ | 402,777 |
| Net income and comprehensive income |                   | —              | —  | —      | —  | —                    | 4,609         | 4,609                       | 704   | 5,313   |    |         |    |         |
| Balance, December 31, 2013          | \$                | 412,254        | —  | \$     | —  | —                    | \$            | 4,609                       | \$    | 416,863 | \$ | (8,773) | \$ | 408,090 |

*See accompanying notes*

## Mid-Atlantic Convenience Stores, LLC Consolidated Statements of Cash Flows

|  | MACS<br>Successor   | MACS Holdings<br>Predecessor                                  |   |   |
|--|---|---|---|---|
|  | <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> | <i>Year Ended<br/>December 31,<br/>2012</i> | <i>Year Ended<br/>December 31,<br/>2011</i> |
|  |   | <i>(in thousands)</i>   |   |   |
| <b>Cash flows from operating activities:</b>   |   |   |   |   |
| Net income (loss) and comprehensive income (loss)  | \$ 5,313  | \$ 2,892  | \$ 8,849                                    | \$ 7,928                                    |
| Adjustments to reconcile net income and comprehensive income to net cash provided by operating activities: |   |   |   |   |
| Depreciation, amortization and accretion   | 6,368   | 11,770  | 19,069                                      | 18,292                                      |
| Amortization of debt issue costs   | 65  | 6,050   | 2,215                                       | 3,393                                       |
| Amortization of fair value premium   | —   | —   | (391)                                       | (976)                                       |
| Asset impairments and loss (gain) on disposal of assets, net   | 1   | 1,510   | 2,480                                       | (1,622)                                     |
| Straight-line rent   | —   | (218)   | (460)                                       | 190   |
| Mark-to-market valuation adjustment  | —   | (488)   | (313)                                       | 732   |
| Accrued interest added to long-term debt   | —   | (683)   | 2,284                                       | 2,014                                       |
| Changes in operating assets and liabilities, net of effects of acquisitions:                               |   |   |   |   |
| Accounts receivable, net   | 1,666   | 391   | 585   | (1,933)                                     |
| Affiliated receivables   | (155)   | —   | —   | —   |
| Inventories  | (852)   | 273   | (6)   | (1,896)                                     |
| Prepaid expenses   | 2,222   | (1,757)   | 701   | (424)                                       |
| Other non-current assets   | (685)   | 1,707   | —   | —   |
| Accounts payable and accrued liabilities   | (5,567)   | 7,024   | (6,116)                                     | (82)  |
| Other non-current liabilities  | 51  | (665)   | —   | —   |
| Other  | 11  | —   | (75)  | (309)                                       |
| Net cash provided by (used in) operating activities  | 8,438   | 27,806  | 28,822                                      | 25,307                                      |
| <b>Cash flows from investing activities:</b>   |   |   |   |   |
| Reduction in restricted cash   | 75  | —   | 761   | 1,071                                       |
| Capital expenditures   | (3,480)   | (4,710)   | (12,593)                                    | (5,764)                                     |
| Proceeds from sale of property and equipment   | 5   | —   | 2,390                                       | 19,388                                      |
| Other investing  | —   | 120   | 107   | (103)                                       |
| Net cash provided by (used in) investing activities  | (3,400)   | (4,590)   | (9,335)                                     | 14,592                                      |
| <b>Cash flows from financing activities:</b>   |   |   |   |   |
| Net borrowings (repayments) under revolver   | —   | —   | 409   | (1,854)                                     |
| Payment of debt issuance costs   | —   | (5,220)   | (87)  | (1,467)                                     |
| Tax distributions to members   | —   | (21,682)  | —   | (3,979)                                     |
| VIE member distributions   | —   | —   | (2,920)                                     | (1,057)                                     |
| Principal payments on capital leases and long-term debt  | (2,015)   | (123,849)   | (16,670)                                    | (51,546)                                    |
| Net proceeds from issuance of long-term debt   | —   | 138,255   | 1,350                                       | —   |
| Affiliate payable  | 1,270   | —   | —   | —   |
| Other financing  | (37)  | —   | (552)                                       | 25  |
| Net cash provided by (used in) financing activities  | (782)   | (12,496)  | (18,470)                                    | (59,878)                                    |
| Net increase (decrease) in cash and cash equivalents   | 4,256   | 10,720  | 1,017                                       | (19,979)                                    |
| Cash and cash equivalents at beginning of period   | 12,145  | 1,797   | 780   | 20,759                                      |
| Cash and cash equivalents at end of period   | \$ 16,401   | \$ 12,517   | \$ 1,797                                    | \$ 780                                      |



|   | MACS<br>Successor   |    | MACS Holdings<br>Predecessor                                  |                                    |
|---|---|----|---|------------------------------------|
|   | <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> |    | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> |                                    |
|   |   |    | Year Ended<br>December 31,<br>2012                            | Year Ended<br>December 31,<br>2011 |
| <b>Supplemental disclosure of cash flow information</b> |   |    |   |                                    |
| Interest paid   | \$ 2,477  | \$ | 22,175  | \$ 23,264                          |
| <b>Non-cash transactions</b>                            |   |    |   | \$ 25,298                          |
| Exchange of sites                                       | \$ —  | \$ | —   | \$ 2,894                           |

*See accompanying notes*

**Mid-Atlantic Convenience Stores, LLC**  
**Notes to Consolidated Financial Statements**  
(dollars in thousands)

**1. Organization and Nature of Business**

Mid-Atlantic Convenience Stores, LLC (“MACS” or “the Company”) is a leading convenience store operator in Maryland and Virginia. With a network of approximately 300 company-owned and dealer operated retail locations, in addition to its wholesale fuel distribution network, MACS is one of the largest distributors of ExxonMobil and Sunoco fuels in the region. MACS is also the exclusive developer for the Circle K® brand in Delaware, Maryland, Virginia and Washington, D.C. operating 70 locations in Maryland and Virginia.

On October 3, 2013, MACS was acquired by an indirect, wholly-owned subsidiary of Energy Transfer Partners, L.P. (“ETP”). As a result of this transaction, MACS became a consolidated entity of ETP and applied “push-down” accounting which required its assets and liabilities to be adjusted to fair value on the closing date. Due to the application of push-down accounting, the MACS consolidated financial statements and certain footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented. The periods prior to the acquisition date, October 3, 2013, are identified as “Predecessor” and the period from October 3, 2013 forward is identified as “Successor”.

MACS Holdings, LLC (“MACS Holdings”), the former parent company of MACS, is presented as the Predecessor in these consolidated financial statements. MACS and the Variable Interest Entities in footnote 4 comprised substantially all of the consolidated assets and operations of MACS Holdings during the Predecessor periods. References to the Company within these consolidated financial statements refer to MACS Holdings for the Predecessor periods and MACS for the Successor period.

MACS, along with the assistance of a third party valuation firm, determined the estimated fair value of its assets and liabilities as of the date of acquisition by ETP. The carrying values of MACS assets and liabilities (excluding Property, Plant and Equipment & Intangibles) were assumed to approximate their fair values. MACS’ identifiable intangible assets consist primarily of dealer relationships, the fair value of which were estimated by applying a discounted cash flow approach which was adjusted for customer attrition assumptions and projected market conditions. The amount of goodwill recorded by MACS through “push-down” accounting represents the excess of ETP’s purchase price over the fair value of MACS’ assets and liabilities. The following table summarizes the final allocation of the assets and liabilities of MACS.

|                               | October 3,<br>2013 |
|-------------------------------|--------------------|
|                               | (in thousands)     |
| Current assets                | \$ 34,626          |
| Property, plant and equipment | 377,713            |
| Goodwill                      | 107,781            |
| Intangible assets             | 99,000             |
| Other noncurrent assets       | 17,767             |
| Current liabilities           | (31,600)           |
| Other noncurrent liabilities  | (202,510)          |
| Total assets and liabilities  | \$ 402,777         |

**2. New Accounting Pronouncements**

**FASB ASU No 2014-09.** In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with earlier adoption not permitted. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact, if any, that adopting this new accounting standard will have on our revenue recognition policies.

### 3. Summary of Significant Accounting Policies

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

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements of the Company include accounts of all wholly owned subsidiaries and all entities in which the Company has a direct or indirect controlling financial interest in Variable Interest Entities ("VIE"). Intercompany transactions have been eliminated in consolidation.

#### *Use of Estimates*

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

#### *Cash and Cash Equivalents*

The Company considers cash and cash equivalents to include investments with original maturities of three months or less. As of December 31, 2013 and 2012, the Company held approximately \$22,270 and \$6,452 of cash and restricted cash in excess of government insured limits.

#### *Restricted Cash and Security Deposits*

Total security deposits payable was \$4,649 and \$4,640 as of December 31, 2013 and 2012, respectively, and is included in other long-term liabilities. Restricted cash is included in other long term assets on the consolidated balance sheet and consists of the following (in thousands):

|  | December 31,<br>2013 | December 31,<br>2012 |
|--|----------------------|----------------------|
| Funds held on security deposits                        | \$ 3,852             | \$ 4,272             |
| Held by VIE for certain environmental and rent escrows | 3,335                | 3,335                |
| Total restricted cash                                  | <u>\$ 7,187</u>      | <u>\$ 7,607</u>      |

#### *Accounts Receivable*

At each balance sheet date, the Company assesses its need for an allowance for potential losses in the collection of its receivables. Accounts that are outstanding longer than the payment terms are considered past due. As its receivables are typically from dealers, vendors, and petroleum companies in the ordinary course of business, the Company has not experienced significant write-offs. The Company will write off receivables after determination that the balances are uncollectible.

Receivables consist of the following (in thousands):

|                                       | December 31,<br>2013 | December 31,<br>2012 |
|---------------------------------------|----------------------|----------------------|
| Dealer receivables                    | \$ 3,018             | \$ 4,854             |
| Fuel and other tax receivables        | 3,316                | 2,973                |
| Vendor receivables                    | 782                  | 1,070                |
| Other                                 | 840                  | 1,109                |
| Total account receivables             | 7,956                | 10,006               |
| Less: Allowance for doubtful accounts | (137)                | (146)                |
| Accounts Receivable, net              | <u>\$ 7,819</u>      | <u>\$ 9,860</u>      |

## ***Inventories***

Merchandise inventories are stated at the lower of cost or market using the retail inventory method as of December 31, 2013 and 2012. Fuel inventories are stated at the lower of cost or market average cost using the weighted average costs basis. Inventories consist of the following (in thousands):

|             | <u>December 31,<br/>2013</u> | <u>December 31,<br/>2012</u> |
|-------------|------------------------------|------------------------------|
| Merchandise | \$ 4,960                     | \$ 4,659                     |
| Fuel        | 4,096                        | 3,818                        |
| Inventories | <u>\$ 9,056</u>              | <u>\$ 8,477</u>              |

## ***Assets Held For Sale***

Long term assets are reclassified as held for sale when management has committed to a plan to sell the assets and they are ready for immediate sale. Assets are reduced to their net realizable value, if necessary, when they are reclassified.

## ***Goodwill***

Goodwill, which represents the excess of the purchase price in a business combination over the fair value of net assets acquired, is tested for impairment annually or more often if warranted by events or changes in circumstances indicating that the carrying value may exceed the estimated fair value.

In September 2011, the Financial Accounting Standards Board ("FASB") codified guidance related to the testing of goodwill for impairment. The guidance provides entities with the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit is not less than its carrying amount, then performing the two-step impairment test is not required. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. Entities have the option of bypassing the qualitative analysis in any period and proceeding directly to the two-step impairment test. The provisions of this guidance, effective for the Company beginning January 1, 2012, did not have an impact on the Company's consolidated financial statements and disclosures.

The Company's impairment testing of goodwill is performed as of October 1, and no impairment has been recorded by the Company during the periods presented in the Consolidated Financial Statements. In addition, no cumulative impairment has been recorded. Goodwill consists of the following (in thousands):

|  |                  |
|--|------------------|
| Balance, December 31, 2011                     | \$ 41,771        |
| Conversion of Dealer Sites                     | 126              |
| Transfers                                      | —                |
| Sold sites                                     | (598)            |
| Balance, December 31, 2012 and October 2, 2013 | <u>\$ 41,299</u> |

|                            |                   |
|----------------------------|-------------------|
| Balance, October 3, 2013   | \$ 0              |
| ETP Acquisition            | 107,781           |
| Balance, December 31, 2013 | <u>\$ 107,781</u> |

## Other Assets

Included in other assets are notes receivable related to the 2011 sale of five dealer operated sites. The notes range from \$100 to \$600, interest rate is 10%, and they will be paid by 2015. As of December 31, 2013 and 2012, the total balance due is \$1,376 and \$1,652, respectively. Other assets consist of the following (in thousands):

|                      | December 31,<br>2013 | December 31,<br>2012 |
|----------------------|----------------------|----------------------|
| Restricted cash      | \$ 7,187             | \$ 7,607             |
| Notes receivable     | 1,832                | 2,094                |
| Deferred rent income | 849                  | 539                  |
| Prepaid expenses     | 94                   | 564                  |
| Other                | 896                  | 197                  |
| Total other assets   | <u>\$ 10,858</u>     | <u>\$ 11,001</u>     |

## Property and Equipment

Property and equipment, including leasehold improvements, are carried at cost or at the fair value of the assets as of the acquisition date. Depreciation for financial reporting purposes is computed by the straight-line method over the shorter of estimated useful asset lives or lease terms of the respective assets.

## Impairment of Long-lived Assets

The Company reviews long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs an undiscounted operating cash flow analysis to determine if an impairment exists. For purposes of recognition and measurement of an impairment for assets held for use, the Company groups assets and liabilities at the lowest level for which cash flows are separately identifiable, which is generally at the store level. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. No material impairments have been recorded by the Company except for the write off of a trade name acquired on June 23, 2010, in the amount of \$980 during the year ended December 31, 2012.

## Asset Retirement Obligations

The Company recognizes the estimated future cost to decommission underground storage tanks over the estimated useful life of the storage tank. The Company records a discounted liability, which is recorded in other long-term liabilities, for the fair value of an asset retirement obligation at the time an underground storage tank is installed or acquired. The Company amortizes the amount added to long-lived assets and recognizes accretion expense in connection with the discounted liability over the remaining life of the tank. The estimate of the anticipated future costs for decommissioning of an underground storage tank is based on the Company's and industry historical experience with removal. The Company will compare the cost estimates to the actual decommissioning cost experienced on an annual basis, and when the actual costs exceed the original estimates, an additional liability for estimated future costs to remove the underground storage tanks will be recognized. The recorded asset for asset retirement obligations is included in the fair value of long-lived assets recorded.

A reconciliation of the Company's liability for the removal of its underground storage tanks is as follows (in thousands):

|                            |                 |
|----------------------------|-----------------|
| Balance, December 31, 2011 | \$ 5,670        |
| Accretion expense          | 448             |
| Disposals                  | (85)            |
| Retirement of tanks        | (47)            |
| Balance, December 31, 2012 | <u>5,986</u>    |
| Accretion expense          | 289             |
| Retirement of tanks        | (113)           |
| Balance, October 2, 2013   | <u>\$ 6,162</u> |
| <hr/>                      |                 |
| Balance, October 3, 2013   | \$ 6,162        |
| Accretion expense          | 96              |
| Retirement of tanks        | (37)            |
| Balance, December 31, 2013 | <u>\$ 6,221</u> |

## Environmental Remediation Liabilities

The Company accrues for environmental remediation liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The estimated liabilities are not discounted.



### Revenue Recognition

Revenues from the two primary product categories, merchandise and fuel, are recognized at the time of sale or when fuel is delivered to the customer. The Company charges its wholesale customers for third-party transportation costs, which are included in revenues and cost of sales. The Company derives other income from ancillary product and service offerings that are recognized at the point of sale.

The Company derives revenues from leasing real estate to third-party dealers which are recorded based on the terms of the underlying lease agreements. Revenues on lease agreements with contractual escalations are recognized on a straight-line basis over the life of the lease.

### Vendor Allowances, Rebate and Deferred Branding Incentives

The Company receives payments for vendor allowances, volume rebates, and branding incentives related to its fuel supply contracts and other supply arrangements in connection with various programs. Earned payments are recorded as a reduction to cost of sales or expenses to which the particular payment relates. Unearned payments are deferred and amortized as earned over the term of the respective agreement. The following table represents rebates the Company earned and recognized (in thousands):

| MACS<br>Successor   | MACS Holdings<br>Predecessor                                  |   |   |
|---|---|---|---|
| <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> | <i>Year Ended<br/>December 31,<br/>2012</i> | <i>Year Ended<br/>December 31,<br/>2011</i> |
| \$ 394  | \$ 1,674  | \$ 2,486                                    | \$ 2,378                                    |

### Motor Fuel Taxes

Certain motor fuel taxes are collected from customers and remitted to governmental agencies either directly or through suppliers. The following table represents taxes on retail fuel sales included in gross fuel sales and cost of fuel sold (in thousands):

| MACS<br>Successor   | MACS Holdings<br>Predecessor                                  |   |   |
|---|---|---|---|
| <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> | <i>Year Ended<br/>December 31,<br/>2012</i> | <i>Year Ended<br/>December 31,<br/>2011</i> |
| \$ 10,799   | \$ 35,897   | \$ 43,720                                   | \$ 36,616                                   |

### Advertising Costs

The following table represents advertising costs expensed when incurred (in thousands):

| MACS<br>Successor   | MACS Holdings<br>Predecessor                                  |   |   |
|---|---|---|---|
| <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> | <i>Year Ended<br/>December 31,<br/>2012</i> | <i>Year Ended<br/>December 31,<br/>2011</i> |
| \$ 149  | \$ 246  | \$ 779                                      | \$ 352                                      |

### Derivative Instruments and Hedging Activities

The Company periodically enters into interest rate swaps to manage its interest rate risk. The Company does not utilize hedge accounting and therefore records the fair value of its swaps on the balance sheet in other long-term assets or liabilities, with a corresponding adjustment recorded in interest expense.

## Concentration Risk

The following table represents the percent of motor fuel purchases supplied by Exxon (See Note 10, Supply Agreements):

| MACS<br>Successor   | MACS Holdings<br>Predecessor                                  |   |   |
|---|---|---|---|
| <i>Period from<br/>October 3, 2013 to<br/>December 31, 2013</i> | <i>Period from<br/>January 1, 2013 to<br/>October 2, 2013</i> | <i>Year Ended<br/>December 31,<br/>2012</i> | <i>Year Ended<br/>December 31,<br/>2011</i> |
| 93%   | 93%   | 91%   | 91%   |

## Income Taxes

No provision for income taxes is required for MACS or MACS Holdings since each member is individually liable for any income tax that may be payable on its share of the MACS or MACS Holdings taxable income, respectively.

## Right of Offset

The Company offsets assets and liabilities in which the debtor has a legal right to discharge all or a portion of the debt owed to another party by applying against the debt an amount the other party owes to the debtor. Included in accounts payable as of December 31, 2013 and 2012, is \$515 and \$35, respectively, of book overdrafts for outstanding checks.

## Fair Value Measurements

The Company uses fair value measurements to measure, among other items, purchased assets and investments, leases and derivative contracts. The Company also uses such measurements to assess impairment of properties, equipment, intangible assets, and goodwill. The guidance does not apply to inventory pricing.

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 are used to estimate the current fair value, often using an internal valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued.

The Company 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.

## Fair Value of Financial Instruments

The carrying amounts recorded for cash, accounts receivable, certain other current assets, accounts payable, and accrued expenses and other current liabilities in the consolidated financial statements approximate fair value because of the short-term maturity of the instruments.

## 4. Variable Interest Entities

The Company entered into agreements with affiliated entities of the Uphoff Unitholders (members of MACS Holdings prior to the ETP Acquisition) to lease the property, buildings and improvements of 35 sites that are operated by the Company. Under the terms of the purchase agreement of the Southside Oil Group, the Company has the right to purchase the underlying assets of 35 of these leases, along with the assumption of associated debt of up to \$54,300, for \$20,000 less any unreimbursed costs or claims against the Uphoff Unitholders and accrued excess rent, plus any funds disbursed from the excess rent account to the Company or Catterton (members of MACS Holdings prior to the ETP Acquisition). In December 2012, one of the agreements was amended to exclude one site and reduce the purchase price by the dissolution of approximately \$556 of debt for the site. The purchase option was assigned no value in the purchase price allocation, or at December 31, 2013 or 2012, as the fair value of the sites, less the value of associated debt, is less than the exercise price of the option. Because of the purchase option described above, as well as the terms of the leases, the Company is determined to be the primary beneficiary of these entities, and therefore the Company has consolidated these entities.



The assets and liabilities of the VIEs consist of the following (in thousands):

|   | December 31,<br>2013 | December 31,<br>2012 |
|---|----------------------|----------------------|
| Current assets  | \$ 339               | \$ 37                |
| Property, plant & equipment, net                                    | 46,912               | 48,484               |
| Other long-term assets  | 3,665                | 3,665                |
| Accrued liabilities   | (490)                | (490)                |
| Long-term debt, including current maturities of \$3,981 and \$4,325 | (58,009)             | (62,095)             |
| Other long-term liabilities   | (1,190)              | (1,190)              |

The creditors under the VIEs' borrowing arrangements do not have recourse to the Company's assets in the event of default on the VIE long-term debt.

## 5. Acquisitions and Divestitures

On February 7, 2012 the Company sold all of its transport assets, with a net book value of \$1,334, to a third party carrier for gross proceeds of \$2,850. At the same time, the Company entered into a multi-year hauling agreement for all of its locations with the buyer. During 2012, the Company converted two dealer operated sites to company operations. The total consideration paid was \$125. The Company also converted one company operated site to a dealer operated site.

During 2013, the Company sold three dealer operated sites for gross proceeds of \$2,485 during the Predecessor period. The Company purchased one dealer operated site and converted it to a company operated site during the Successor period. The Company also leased two company operated sites (one in each period) and converted four company operated sites into dealers sites (one of which ceased operations in 2013), one in the Predecessor period and three in the Successor period.

## 6. Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

|  | December 31,<br>2013 | December 31,<br>2012 | Useful Lives |
|--|----------------------|----------------------|--------------|
| Land                                       | \$ 197,067           | \$ 182,547           | —            |
| Buildings and site improvements            | 113,031              | 123,167              | 2-37 years   |
| Petroleum and store equipment              | 69,414               | 66,256               | 1-34 years   |
| Transportation vehicles                    | 94                   | 148                  | 2-10 years   |
| Furniture, fixtures and computer equipment | 1,585                | 2,578                | 3-7 years    |
| Total property, plant and equipment        | 381,191              | 374,696              |              |
| Less accumulated depreciation              | (4,311)              | (29,833)             |              |
| Property, plant and equipment, net         | \$ 376,880           | \$ 344,863           |              |

Depreciation expense on property, plant and equipment consist of the following (in thousands):

| MACS<br>Successor                                      | MACS Holdings<br>Predecessor                         |                                    |                                    |
|--|--|------------------------------------|------------------------------------|
| Period from<br>October 3, 2013 to<br>December 31, 2013 | Period from<br>January 1, 2013 to<br>October 2, 2013 | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 |
| \$ 4,311   | \$ 8,249   | \$ 13,147                          | \$ 13,179                          |

## 7. Intangible Assets

The Company has finite-lived intangible assets that are amortized over the respective lives of the agreement or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Unfavorable lease arrangements are included in other long-term liabilities.

Intangible assets consist of the following:

|                      | December 31, 2013     |  |                     |              |
|----------------------|-----------------------|--|---------------------|--------------|
|                      | Gross Carrying Amount | Accumulated Amortization<br>(in thousands) | Net Carrying Amount | Useful Lives |
| Trade name           | \$ 5,000              | \$ —                                       | \$ 5,000            | Indefinite   |
| Franchise            | 4,000                 | (100)                                      | 3,900               | 10 years     |
| Dealer relationships | 90,000                | (1,957)                                    | 88,043              | 11-12 years  |
| Total intangibles    | <u>\$ 99,000</u>      | <u>\$ (2,057)</u>                          | <u>\$ 96,943</u>    |              |

|                                | December 31, 2012     |  |                     |              |
|--------------------------------|-----------------------|--|---------------------|--------------|
|                                | Gross Carrying Amount | Accumulated Amortization<br>(in thousands) | Net Carrying Amount | Useful Lives |
| Trade name                     | \$ 5,879              | \$ (5,879)                                 | \$ —                | 3 years      |
| Supply agreements              | 13,876                | (6,061)                                    | 7,815               | 3-11 years   |
| Franchise agreements           | 3,078                 | (759)                                      | 2,319               | 12-14 years  |
| Noncompete agreement           | 825                   | (516)                                      | 309                 | 4 years      |
| Favorable lease arrangements   | 634                   | (561)                                      | 73                  | 2-4 years    |
| Intangible assets              | 24,292                | (13,776)                                   | 10,516              |              |
| Unfavorable lease arrangements | (1,968)               | 790  | (1,178)             | 5-17 years   |
| Total intangibles, net         | <u>\$ 22,324</u>      | <u>\$ (12,986)</u>                         | <u>\$ 9,338</u>     |              |

Total amortization expense on finite-lived intangibles included in depreciation, amortization and accretion consist of the of the following (in thousands):

| MACS<br>Successor                                      | MACS Holdings<br>Predecessor                         |                                    |                                    |
|--|--|------------------------------------|------------------------------------|
| Period from<br>October 3, 2013 to<br>December 31, 2013 | Period from<br>January 1, 2013 to<br>October 2, 2013 | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 |
| \$ 2,057   | \$ 1,456   | \$ 5,537                           | \$ 13,179                          |

Amortization of intangibles included in depreciation, amortization and accretion is estimated to be as follows for the years ending December 31 (in thousands):

|      |          |
|------|----------|
| 2014 | \$ 8,226 |
| 2015 | 8,226    |
| 2016 | 8,226    |
| 2017 | 8,226    |
| 2018 | 8,226    |

## 8. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

|                           | December 31,<br>2013 | December 31,<br>2012 |
|---------------------------|----------------------|----------------------|
| Interest                  | \$ 484               | \$ 186               |
| Payroll and related       | 2,167                | 769                  |
| Other                     | 5,788                | 1,292                |
| Total accrued liabilities | <u>8,439</u>         | <u>2,247</u>         |

Other consists of various accruals for professional fees, utilities, maintenance and taxes.

## 9. Long-Term Debt

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

|                                       | December 31,<br>2013 | December 31,<br>2012 |
|---------------------------------------|----------------------|----------------------|
| Senior Credit Facility:               |                      |                      |
| Senior Term Loan                      | \$ —                 | \$ 149,081           |
| Revolver                              | —                    | 512                  |
| Senior Term Loan on Uphoff properties | 34,385               | 36,385               |
| Senior Subordinated Notes             | 23,624               | 83,167               |
| Other                                 | 130,746              | 26,548               |
| Total Long-term Debt                  | 188,755              | 295,693              |
| Less revolver and current portion     | (8,579)              | (23,404)             |
| Long-term portion                     | \$ 180,176           | \$ 272,289           |

On April 4, 2013, the Company completed a sale leaseback transaction with two separate companies for 50 of its dealer operated sites. The gross proceeds were \$133,645. The proceeds were used to pay off the Subordinated Notes balance of \$83,635 and approximately \$20,500 of the Senior Credit Facility. In conjunction with this transaction, the Company entered into a third amendment with the senior lender that allowed the repayment of Subordinated Notes. For GAAP purposes, the Company has not met the criteria for sale leaseback accounting and therefore this transaction will be accounted for as a financing arrangement over the course of the lease agreement.

At December 31, 2013, and 2012, the fair value of the Company's debt was estimated to be comparable to the carrying amounts. Aggregate debt maturities, are as follows (in thousands):

|                                 |            |
|---------------------------------|------------|
| 2014                            | \$ 8,579   |
| 2015                            | 12,430     |
| 2016                            | 10,276     |
| 2017                            | 38,850     |
| 2018                            | 5,240      |
| Thereafter                      | 113,380    |
| Total aggregate debt maturities | \$ 188,755 |

### Senior Credit Facility

On June 23, 2010, the Company entered into a \$235,000 financing agreement (the "Senior Credit Facility") maturing in 2015 which consists of (i) initial senior term loan borrowings of up to \$150,000 (ii) delayed senior term loan borrowings of up to \$50,000, and (iii) a revolving credit agreement (the "Revolver") that provides for \$35,000 of aggregate effective borrowings (including a \$25,000 subfacility for letters of credit and a \$10,000 swing line facility). At December 31, 2012, the Company had \$51 outstanding and \$9,392 of letters of credit under the Revolver primarily used to secure supply agreements. The Company drew the maximum amount available under the initial senior term loan of \$150,000 on June 23, 2010 to fund the acquisition of the Exxon MD/DE Portfolio. As of December 31, 2012, the Company had \$9,488 in available borrowings under the Senior Credit Facility. The Senior Credit Facility was repaid in full in conjunction with the acquisition by ETP on October 3, 2013. The Senior Credit Facility balance of \$116,055 was repaid in conjunction with the ETP acquisition on October 3, 2013.

The Company had the right to prepay all or a portion of the Senior Credit Facility prior to maturity without penalty. Interest was payable monthly or quarterly based on the interest selected. Interest could have been at Prime rate, Fed Funds Rate, or LIBOR, plus an applicable margin, based on the Company's ratio of total debt to EBITDA as defined in the Senior Credit Facility. At December 31, 2012, the interest rate on the initial term loan and delayed term loan was 5.07% and the Revolver was 4.96%. The Company paid fees on the Revolver for unused portions at a rate based on its financial covenants. As of December 31, 2012 the rate was 6.25%.

The Senior Credit Facility was collateralized by a first priority interest in substantially all of the Company's assets, excluding those owned by the VIEs. The Senior Credit Facility contained financial covenants and other covenants. The financial covenants included a loan-to-value ratio, debt to EBITDA ratios, a fixed charge coverage ratio and a minimum EBITDA or asset value. The Company was in compliance with the covenants as of December 31, 2012.

### ***Senior Term Loan on Uphoff Properties***

On June 22, 2010, certain consolidated VIEs entered into a senior term loan of \$39,000, collateralized by certain real and personal properties of the consolidated variable interest entities. The senior term loan bore interest at LIBOR plus 3.75%, with a floor of 4.5%. As of December 31, 2012, the interest rate was 4.5%. The senior term loan principal and interest was repayable in equal monthly installments over a 20 year period. The loan terms included the right to prepay all outstanding principal at any time, with a penalty of up to 3% depending on the date of repayment.

The senior term loan on Uphoff properties contained financial covenants that included debt service coverage ratios and loan to value ratios that declined over the term of the loan. The individuals that own the Uphoff Unitholders deposited \$4,000 into escrow accounts in support of this term loan in two transactions on June 23, 2010 and June 25, 2010. The balance in these accounts at December 31, 2013 and 2012 is \$2,824, respectively.

### ***Senior Subordinated Notes***

On June 23, 2010, the Company issued unsecured senior subordinated notes (the "Subordinated Notes") with a principal amount of \$60,000. Total outstanding principal is due upon maturity in 2015 with the Company retaining the right to prepay all or a portion of the note at any time prior to maturity without penalty. Interest is payable quarterly at a rate of 14.75%, with the option to pay 12% in cash with the remaining interest due added to outstanding principal. The Company borrowed \$18,000 in additional Subordinated Notes to fund the acquisition of the Exxon VA Portfolio.

The Subordinated Notes contained financial covenants and other covenants that were similar to, and less restrictive than, the Senior Credit Facility. Any event of default under the Senior Credit Facility would have resulted in an event of default under the Subordinated Notes.

### ***Other Debt***

The other debt consisted of loans collateralized by equipment and property with a net book value of \$17,953 as of December 31, 2012. The average stated interest rate for these loans was approximately 6.2% as of December 31, 2012. The majority of the debt requires monthly principal and interest payments with maturities ranging from 2012 to 2034. These loans were recorded at their fair values on June 23, 2010 and the related premium of approximately \$3,200 is being amortized over the maturity of the debt using the effective interest method, of which \$391 included interest expense for the year ended December 31, 2012. These balances were repaid in conjunction with the ETP acquisition on October 3, 2013.

## **10. Supply Agreements**

The Company is party to agreements with Exxon to purchase monthly quantities of branded Exxon fuel and the rights to execute franchise agreements with dealers for the sale of branded fuel. Certain agreements contain minimum purchase requirements that, if not met, would permit Exxon to terminate the agreement. The agreements expire in 2015 and 2018. In addition, the agreements grant Exxon a right of first refusal in the event the Company sells a site.

The Company has complied with all minimum purchase requirements in accordance with these agreements as of December 31, 2013.

## **11. Related Party Transactions**

Subsequent to the ETP acquisition, the Company executed the following agreements:

The Company is a party to a supply agreement with Sunoco, Inc. (Sunoco), an indirect wholly owned subsidiary of ETP. The terms of the supply agreement are the same terms that would be available to an unrelated third party. Payables due to Sunoco under this agreement are included in affiliate payables.

The Company is also a party to a services agreement with Sunoco. Sunoco provides general and administrative services to the Company under the terms of this agreement. Payables due to Sunoco under this agreement are included in affiliates payables.

## **12. Contingencies**

### ***Environmental Compliance***

The United States Environmental Protection Agency and several states have adopted laws and regulations relating to underground storage tanks used for petroleum products.

Management currently believes that substantially all capital expenditures for electronic monitoring, cathodic protection, and overfill/spill protection to comply with existing regulations have been completed. With the exceptions discussed below, the

Company believes it has no material joint and several environmental liabilities with other parties. Additional regulations or amendments to the existing regulations could result in future revisions to such estimated expenditures.

Under the Exxon MD/DE Portfolio and Exxon VA Portfolio acquisition agreements, the Company assumed environmental compliance and remediation obligations for acquired sites. Prior to closing, Exxon performed Phase I & II environmental evaluations of sites transferred and as a result, certain sites were identified with remediation obligations. Exxon estimated a total cost of \$6,300 to remediate the sites prior to the respective closings and engaged a contractor to perform the work for that cost. The liabilities were assumed by the Company in the Exxon MD/DE and VA Portfolio acquisitions and a \$6,300 liability was recorded on June 23, 2010. The Company believes it is entitled to substantial indemnification for the remediation liabilities under the terms of the Exxon MD/DE Portfolio and Exxon VA Portfolio agreements and Exxon has placed the \$6,300 in escrow to cover the remediation costs. Therefore, the Company recorded a receivable from Exxon for \$6,300 on June 23, 2010. As of December 31, 2013 and 2012, the balance in both the receivable and liability accounts was \$2,560 and \$3,264, respectively. The Company believes the funds in escrow are sufficient to cover all costs to remediate the sites. The Company expects substantially all remediation efforts to be completed in the next four years.

### ***Franchise Agreements***

The Company operates under franchise agreements in accordance with the Petroleum Marketing Practices Act (the “Act”). The Act provides for certain protections to dealers of sites regarding fuel prices, termination, and renewal of agreements as well as establishes uniform rules for the relationship. The agreements grant the franchisee the rights to use the convenience store and/or the obligation to purchase branded fuel from the Company.

On May 25, 2012, the Company executed a second amendment to a regional franchise development agreement that allows the Company to develop, operate and service additional sites located in a designated territory under the Circle K franchise program. Under the agreement, the Company converted 61 company operated sites to Circle K branded sites. The Company pays an agreed upon royalty fee based on merchandise sales which is expensed in cost of sales. Branding funds were allocated on a formula based on sales. There were additions of equipment in 2013 and 2012 of \$1,749 and \$2,498, respectively. These additions were included in fixed assets, with a corresponding capital lease liability.

### ***Legal Matters***

From time to time, the Company is involved in other legal and administrative proceedings or investigations arising from the conduct of business operations, including contractual disputes; environmental contamination or remediation issues; employment or personnel matters; personal injury and property damage claims; and claims by federal, state, and local regulatory authorities relating to the sale of products pursuant to licenses and permits issued by those authorities. Claims for compensatory or exemplary damages in those actions may be substantial. While the outcome of such litigation, proceedings, investigations, or claims is never certain, it is the Company’s position, after taking into consideration legal counsel’s assessment and the availability of insurance proceeds and other collateral sources to cover potential losses, that the ultimate disposition of such matters currently pending or threatened, individually or cumulatively, will not have a material adverse effect on the Company’s consolidated financial position, results of operations, and cash flows.

## **13. Leases**

### ***Operating Leases***

The Company leases office space, certain convenience stores and office equipment under operating leases. Future minimum lease payments under non-cancelable operating leases at December 31, 2013 are as follows (in thousands):

|                                     |    |               |
|-------------------------------------|----|---------------|
| 2014                                | \$ | 4,818         |
| 2015                                |    | 4,382         |
| 2016                                |    | 3,173         |
| 2017                                |    | 1,381         |
| 2018                                |    | 972           |
| Thereafter                          |    | 1,256         |
| Total future minimum lease payments | \$ | <u>15,982</u> |

These leases have initial terms of up to 20 years and certain leases contain one or more renewal options, generally for 5 to 10 years.

### Capital Leases

The Company leases certain equipment under capital leases. Future obligations under capital leases at December 31, 2013 are as follows (in thousands):

|   |                 |
|---|-----------------|
| 2014                                    | \$ 268          |
| 2015                                    | 794             |
| 2016                                    | 794             |
| 2017                                    | 794             |
| 2018                                    | 794             |
| Thereafter                              | 1,720           |
| Total minimum lease payments            | 5,164           |
| Less amount representing interest       | (1,141)         |
| Present value of minimum lease payments | <u>\$ 4,023</u> |

### Dealer Leases

The Company leases approximately 135 stores to third party dealers under operating leases. Future minimum lease payments expected to be received under operating leases as of December 31, 2013 are as follows (in thousands):

|                                     |                  |
|-------------------------------------|------------------|
| 2014                                | \$ 14,755        |
| 2015                                | 9,622            |
| 2016                                | 1,073            |
| 2017                                | 848              |
| 2018                                | 324              |
| Thereafter                          | 496              |
| Total future minimum lease payments | <u>\$ 27,118</u> |

## 14. Interest Expense, net

Interest expense, net, consists of the following:

|  | MACS<br>Successor                                      | MACS Holdings<br>Predecessor   |                                    |                                    |
|--|--|--|------------------------------------|------------------------------------|
|  | Period from<br>October 3, 2013 to<br>December 31, 2013 | Period from<br>January 1, 2013 to<br>October 2, 2013<br>(in thousands) | Year Ended<br>December 31,<br>2012 | Year Ended<br>December 31,<br>2011 |
| Interest on Debt                         | \$ 2,477   | \$ 16,250  | \$ 24,905                          | \$ 25,423                          |
| Amortization of Deferred Financing Costs | 65   | 6,050  | 2,216                              | 3,393                              |
| Cash Paid on Interest Rate Swaps         | —  | 514  | 712                                | 999                                |
| Fair Market Value of Interest Rate Swaps | —  | (487)  | (313)                              | 732                                |
| Amortization of Debt Fair Value Premium  | —  | —  | (391)                              | (976)                              |
| Interest Income                          | (43)   | —  | (196)                              | (105)                              |
| Interest Expense, net                    | <u>\$ 2,499</u>  | <u>\$ 22,327</u>   | <u>\$ 26,933</u>                   | <u>\$ 29,466</u>                   |

## 15. Subsequent Events

The Company has evaluated all subsequent events through October 21, 2014, the date the financial statements were available to be issued.

In May 2014, the Company acquired 40 sites located in Tennessee and Georgia from Tiger Management Group, LLC. This transaction was valued at approximately \$114 million.

In October 2014, Susser Petroleum Partners LP, a consolidated subsidiary of ETP, acquired the Company in a transaction valued at approximately \$768 million.

**MID-ATLANTIC CONVENIENCE STORES, LLC**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Balance Sheets**  
**Unaudited**

|   | June 30,<br>2014      | December 31,<br>2013 |
|---|-----------------------|----------------------|
|   | <i>(in thousands)</i> |                      |
| <b>Assets</b>                           |                       |                      |
| Current assets:                         |                       |                      |
| Cash and cash equivalents               | \$ 45,661             | \$ 16,401            |
| Accounts receivable, net                | 16,716                | 7,819                |
| Affiliated receivable                   | 356                   | 156                  |
| Environmental receivable                | 694                   | 694                  |
| Inventories                             | 15,530                | 9,056                |
| Prepaid expenses                        | 1,367                 | 1,164                |
| Assets held for sale                    | 166                   | 666                  |
| Total current assets                    | 80,490                | 35,956               |
| Property, plant & equipment, net        | 478,307               | 376,880              |
| Intangible assets, net                  | 90,390                | 96,943               |
| Deferred financing costs                | 5,268                 | 5,333                |
| Goodwill                                | 107,781               | 107,781              |
| Environmental receivable                | 1,867                 | 1,867                |
| Other assets                            | 9,608                 | 10,858               |
| Total assets                            | <u>\$ 773,711</u>     | <u>\$ 635,618</u>    |
| <b>Liabilities &amp; Equity</b>         |                       |                      |
| Current liabilities:                    |                       |                      |
| Accounts payable                        | \$ 18,142             | \$ 10,489            |
| Affiliated payable                      | 3,043                 | 1,270                |
| Accrued liabilities                     | 10,632                | 8,439                |
| Current maturities of long-term debt    | 12,860                | 8,579                |
| Current maturities of capital leases    | 271                   | 268                  |
| Liability for environmental remediation | 694                   | 694                  |
| Total current liabilities               | 45,642                | 29,739               |
| Long-term debt                          | 172,509               | 180,176              |
| Capital leases                          | 3,283                 | 3,755                |
| Other liabilities                       | 14,204                | 13,858               |
| Total liabilities                       | <u>235,638</u>        | <u>227,528</u>       |
| Equity:                                 |                       |                      |
| Capital                                 | 526,454               | 412,254              |
| Retained earnings                       | 18,773                | 4,609                |
| Total equity attributable to MACS       | 545,227               | 416,863              |
| Noncontrolling interest                 | (7,154)               | (8,773)              |
| Total equity                            | 538,073               | 408,090              |
| Total liabilities & equity              | <u>\$ 773,711</u>     | <u>\$ 635,618</u>    |

*See accompanying notes*



**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Statements of Operations and Comprehensive Income**  
**Unaudited**

|  | MACS<br>Successor | MACS Holdings<br>Predecessor |
|--|-------------------|------------------------------|
|  | Six Months Ended  | Six Months Ended             |
|  | June 30,<br>2014  | June 30,<br>2013             |
|  | (in thousands)    |                              |
| Revenues:  |                   |                              |
| Merchandise sales  | \$ 59,474         | \$ 46,321                    |
| Fuel sales   | 728,285           | 703,635                      |
| Other income   | 336               | 312                          |
| Total revenues   | 788,095           | 750,268                      |
| Cost of sales:   |                   |                              |
| Merchandise  | 43,426            | 34,123                       |
| Fuel   | 693,257           | 680,493                      |
| Total cost of sales  | 736,683           | 714,616                      |
| Gross margin   | 51,412            | 35,652                       |
| Lease revenue  | 13,177            | 12,747                       |
| Operating expenses   |                   |                              |
| Compensation and benefits  | 12,095            | 11,243                       |
| General and administrative   | 7,788             | 7,105                        |
| Other operating  | 3,806             | 2,273                        |
| Rent   | 2,574             | 2,145                        |
| Asset impairments and loss (gain) on disposal of assets, net                         | 259               | 1,618                        |
| Depreciation, amortization and accretion   | 16,537            | 8,723                        |
| Acquisition transaction costs  | 614               | —                            |
| Total operating expenses   | 43,673            | 33,107                       |
| Income from operations   | 20,916            | 15,292                       |
| Other expense  |                   |                              |
| Interest expense, net  | 4,635             | 16,220                       |
| Board and management fees  | 498               | 746                          |
| Net income (loss) and comprehensive income (loss)                                    | \$ 15,783         | \$ (1,674)                   |
| Net income and comprehensive income attributable to noncontrolling interest          | (1,619)           | (1,409)                      |
| Net income (loss) and comprehensive income (loss) attributable to MACS/MACS Holdings | \$ 14,164         | \$ (3,083)                   |

*See accompanying notes*

**Mid-Atlantic Convenience Stores LLC**  
**Consolidated Statements of Equity**  
**Unaudited**

|   | MACS Holdings<br>Predecessor |                |         |        |         |                        |                           |                             |            |             |            |
|---|------------------------------|----------------|---------|--------|---------|------------------------|---------------------------|-----------------------------|------------|-------------|------------|
|   | Capital                      | Preferred      |         | Common |         | Accumulated<br>Deficit | Total<br>MACS<br>Holdings | Noncontrolling<br>Interests | Total      |             |            |
|   |                              | Units          | \$      | Units  | \$      |                        |                           |                             |            |             |            |
|   |                              | (in thousands) |         |        |         |                        |                           |                             |            |             |            |
| Balance, January 1, 2013                                | \$                           | —              | 115,518 | \$     | 115,518 | 23,725                 | \$ 23,725                 | \$ (20,269)                 | \$ 118,974 | \$ (11,589) | \$ 107,385 |
| Net income (loss) and<br>comprehensive income<br>(loss) |                              | —              | —       | —      | —       | —                      | —                         | (3,083)                     | (3,083)    | 1,409       | (1,674)    |
| Member distribution                                     |                              | —              | —       | —      | —       | —                      | —                         | (21,500)                    | (21,500)   | —           | (21,500)   |
| Balance, June 30, 2013                                  | \$                           | —              | 115,518 | \$     | 115,518 | 23,725                 | \$ 23,725                 | \$ (44,852)                 | \$ 94,391  | \$ (10,180) | \$ 84,211  |

|                                     | MACS<br>Successor |                |      |        |      |                   |            |                          |            |
|-------------------------------------|-------------------|----------------|------|--------|------|-------------------|------------|--------------------------|------------|
|                                     | Capital           | Preferred      |      | Common |      | Retained Earnings | Total MACS | Noncontrolling Interests | Total      |
|                                     |                   | Units          | \$   | Units  | \$   |                   |            |                          |            |
|                                     |                   | (in thousands) |      |        |      |                   |            |                          |            |
| Balance, January 1, 2014            | \$ 412,254        | —              | \$ — | —      | \$ — | \$ 4,609          | \$ 416,863 | \$ (8,773)               | \$ 408,090 |
| Contribution from ETP               | 114,200           | —              | —    | —      | —    | —                 | 114,200    | —                        | 114,200    |
| Net Income and comprehensive income | —                 | —              | —    | —      | —    | 14,164            | 14,164     | 1,619                    | 15,783     |
| Balance, June 30, 2014              | \$ 526,454        | —              | \$ — | —      | \$ — | \$ 18,773         | \$ 545,227 | \$ (7,154)               | \$ 538,073 |

*See accompanying notes*

**Mid-Atlantic Convenience Stores, LLC**  
**Consolidated Statements of Cash Flows**  
**Unaudited**

|  | MACS<br>Successor | MACS Holdings<br>Predecessor |
|--|-------------------|------------------------------|
|  | Six Months Ended  | June 30,                     |
|  | June 30,<br>2014  | June 30,<br>2013             |
|  | (in thousands)    |                              |
| <b>Cash flows from operating activities:</b>   |                   |                              |
| Net income (loss) and comprehensive income (loss)  | \$ 15,783         | \$ (1,674)                   |
| Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash provided by operating activities: |                   |                              |
| Depreciation, depletion and amortization   | 16,537            | 8,723                        |
| Amortization of debt issue costs   | 410               | 3,254                        |
| LIFO valuation adjustment  | 186               | —                            |
| Asset impairments and loss (gain) on disposal of assets, net   | 259               | 1,618                        |
| Straight-line rent   | (25)              | (19)                         |
| Mark-to-market valuation adjustment  | —                 | (333)                        |
| Accrued interest added to long-term debt   | —                 | 648                          |
| Changes in operating assets and liabilities, net of effects of acquisitions:   |                   |                              |
| Accounts receivable, net   | (8,897)           | (197)                        |
| Affiliated receivables   | (200)             | —                            |
| Inventories  | (1,888)           | 193                          |
| Prepaid expenses   | (203)             | 336                          |
| Other non-current assets   | 1,031             | 2,181                        |
| Accounts payable and accrued expenses  | 9,582             | 1,339                        |
| Other non-current liabilities  | 371               | (1,543)                      |
| Net cash provided by operating activities  | 32,946            | 14,526                       |
| <b>Cash flows from investing activities:</b>   |                   |                              |
| Reduction in restricted cash   | 73                | —                            |
| Capital expenditures   | (3,111)           | (4,939)                      |
| Proceeds from sale of property and equipment   | 608               | —                            |
| Acquisition of Tigermart   | (113,813)         | —                            |
| Contribution from ETP  | 114,200           | —                            |
| Net cash provided by (used in) investing activities  | (2,043)           | (4,939)                      |
| <b>Cash flows from financing activities:</b>   |                   |                              |
| Affiliate payable  | 1,776             | —                            |
| Tax distributions to members   | —                 | (21,500)                     |
| Principal payment on capital leases and long-term debt   | (2,328)           | (117,368)                    |
| Proceeds from long-term debt   | —                 | 138,255                      |
| Payment of debt issuance costs   | —                 | (5,220)                      |
| Other financing  | (1,091)           | —                            |
| Net cash used in financing activities  | (1,643)           | (5,833)                      |
| Net increase in cash and cash equivalents  | 29,260            | 3,754                        |
| Cash and cash equivalents at beginning of year   | 16,401            | 1,797                        |
| Cash and cash equivalents at end of period   | \$ 45,661         | \$ 5,551                     |
| <b>Supplemental disclosure of cash flow information</b>  |                   |                              |
| Interest paid  | \$ 4,505          | \$ 16,090                    |

*See accompanying notes*

**Mid-Atlantic Convenience Stores, LLC**  
**Notes to Consolidated Financial Statements**  
(dollars in thousands)

**1. Organization and Nature of Business**

Mid-Atlantic Convenience Stores, LLC (“MACS” or “the Company”) is a leading convenience store operator in Maryland and Virginia. With a network of approximately 300 company-owned and dealer operated retail locations, in addition to its wholesale fuel distribution network, MACS is one of the largest distributors of ExxonMobil and Sunoco fuels in the region. MACS is also the exclusive developer for the Circle K® brand in Delaware, Maryland, Virginia and Washington, D.C. operating 110 locations in Maryland, Virginia, Tennessee and Georgia.

On October 3, 2013, MACS was acquired by an indirect, wholly-owned subsidiary of Energy Transfer Partners, L.P. (“ETP”). As a result of this transaction, MACS became a consolidated entity of ETP and applied “push-down” accounting which required its assets and liabilities to be adjusted to fair value on the closing date. Due to the application of push-down accounting, the MACS consolidated financial statements and certain footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented. The periods prior to the acquisition date, October 3, 2013, are identified as “Predecessor” and the period from October 3, 2013 forward is identified as “Successor”.

MACS Holdings, LLC (“MACS Holdings”), the former parent company of MACS, is presented as the Predecessor in these consolidated financial statements. MACS and the Variable Interest Entities in footnote 4 comprised substantially all of the consolidated assets and operations of MACS Holdings during the Predecessor periods. References to the “Company” within these consolidated financial statements refer to MACS Holdings for the Predecessor periods and MACS for the Successor period.

MACS, along with the assistance of a third party valuation firm, determined the estimated fair value of its assets and liabilities as of ETP’s acquisition of MACS. The carrying values of MACS assets and liabilities (excluding Property, Plant and Equipment & Intangibles) were assumed to approximate their fair values. MACS’ identifiable intangible assets consist primarily of dealer relationships, the fair value of which were estimated by applying a discounted cash flow approach which was adjusted for customer attrition assumptions and projected market conditions. The amount of goodwill recorded by MACS through “push-down” accounting represents the excess of ETP’s purchase price over the fair value of MACS’ assets and liabilities. The following table summarizes the final allocation of the assets and liabilities of MACS.

|                               | October 3,<br>2013<br><i>(in thousands)</i> |
|-------------------------------|---|
| Current assets                | \$ 34,626                                   |
| Property, plant and equipment | 377,713                                     |
| Goodwill                      | 107,781                                     |
| Intangible assets             | 99,000                                      |
| Other noncurrent assets       | 17,767                                      |
| Current liabilities           | (31,600)                                    |
| Other noncurrent liabilities  | (202,510)                                   |
| Total assets and liabilities  | <u>\$ 402,777</u>                           |

**2. New Accounting Pronouncements**

**FASB ASU No 2014-09.** In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which clarifies the principles for recognizing revenue based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with earlier adoption not permitted. ASU 2014-09 can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact, if any, that adopting this new accounting standard will have on our revenue recognition policies.

### 3. Summary of Significant Accounting Policies

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

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements of the Company include accounts of all wholly owned subsidiaries and all entities in which the Company has a direct or indirect controlling financial interest in Variable Interest Entities (“VIE”). Intercompany transactions have been eliminated in consolidation.

#### *Use of Estimates*

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

#### *Cash and Cash Equivalents*

The Company considers cash and cash equivalents to include investments with original maturities of three months or less. As of December 31, 2013 and June 30, 2014, the Company held approximately \$22,270 and \$49,547 of cash and restricted cash in excess of government insured limits.

#### *Restricted Cash and Security Deposits*

Total security deposits payable was \$4,649 and \$4,588 as of December 31, 2013 and June 30, 2014, respectively, and is included in other long-term liabilities. Restricted cash is included in other long-term assets on the consolidated balance sheet and consisted of the following:

|  | June 30,<br>2014      | December 31,<br>2013 |
|--|-----------------------|----------------------|
|  | <i>(in thousands)</i> |                      |
| Funds held on security deposits                        | \$ 3,779              | \$ 3,852             |
| Held by VIE for certain environmental and rent escrows | 3,335                 | 3,335                |
| Total restricted cash                                  | <u>\$ 7,114</u>       | <u>\$ 7,187</u>      |

#### *Accounts Receivable*

At each balance sheet date, the Company assesses its need for an allowance for potential losses in the collection of its receivables. Accounts that are outstanding longer than the payment terms are considered past due. As its receivables are typically from dealers, vendors, and petroleum companies in the ordinary course of business, the Company has not experienced significant write-offs. The Company will write off receivables after determination that the balances are uncollectible.

Receivables consist of the following:

|                                       | June 30,<br>2014      | December 31,<br>2013 |
|---------------------------------------|-----------------------|----------------------|
|                                       | <i>(in thousands)</i> |                      |
| Dealer receivables                    | \$ 6,419              | \$ 3,018             |
| Fuel and other tax receivables        | 9,422                 | 3,316                |
| Vendor receivables                    | 1,012                 | 782                  |
| Other                                 | —                     | 840                  |
| Total account receivables             | <u>16,853</u>         | <u>7,956</u>         |
| Less: Allowance for doubtful accounts | <u>(137)</u>          | <u>(137)</u>         |
| Account Receivables, net              | <u>\$ 16,716</u>      | <u>\$ 7,819</u>      |

## ***Inventories***

Merchandise inventories are valued using the retail inventory method as of June 30, 2014 and December 31, 2013. Fuel inventories are valued at the lower of cost or market. As of June 30, 2014, fuel inventory was determined using the last-in, first-out method (“LIFO”). Under this methodology, the cost of fuel sold consists of the actual acquisition cost, which include transportation and storage costs. Such costs are adjusted to reflect increases or decreases in inventory quantities, which are valued based on changes in the LIFO inventory layers.

The Company valued fuel inventory using the weighted average costs basis as of December 31, 2013. Effective January 1, 2014, the Company determined LIFO was the preferred method to value fuel inventory. The cumulative effect of this change in accounting principle is \$152 for the six months ended June 30, 2014.

|             | June 30,<br>2014 | December 31,<br>2013 |
|-------------|------------------|----------------------|
|             | (in thousands)   |                      |
| Merchandise | \$ 9,670         | \$ 4,960             |
| Fuel        | 5,860            | 4,096                |
| Inventories | <u>\$ 15,530</u> | <u>\$ 9,056</u>      |

## ***Assets Held For Sale***

Long-term assets are reclassified as held for sale when management has committed to a plan to sell the assets and they are ready for immediate sale. Assets are reduced to their net realizable value, if necessary, when they are reclassified.

## ***Goodwill***

Goodwill, which represents the excess of the purchase price in a business combination over the fair value of net assets acquired, is tested for impairment annually or more often if warranted by events or changes in circumstances indicating that the carrying value may exceed the estimated fair value. The Company had \$107,781 of goodwill recorded in conjunction with the acquisition of MACS by ETP.

In September 2011, the Financial Accounting Standards Board (“FASB”) codified guidance related to the testing of goodwill for impairment. The guidance provides entities with the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit is not less than its carrying amount, then performing the two-step impairment test is not required. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. Entities have the option of bypassing the qualitative analysis in any period and proceeding directly to the two-step impairment test. The provisions of this guidance, effective for the Company beginning January 1, 2012, did not have an impact on the Company’s consolidated financial statements and disclosures.

The Company’s impairment testing of goodwill is performed as of October 1, and no impairment has been recorded by the Company during the periods presented in the consolidated financial statements. In addition, no cumulative impairment has been recorded by the Company. As of June 30, 2014, we evaluated potential impairment indicators and Management believes there are no indicators of impairment that occurred during the six months ended June 30, 2014.

## ***Other Assets***

Included in other assets are notes receivable related to the 2011 sale of five dealer operated sites. The notes range from \$100 to \$600, interest rate is 10%, and they will be paid by 2015. Total balance due as of December 31, 2013 and June 30, 2014 is \$1,376 and \$1,231, respectively. Other assets consisted of the following:

|                      | June 30,<br>2014 | December 31,<br>2013 |
|----------------------|------------------|----------------------|
|                      | (in thousands)   |                      |
| Restricted cash      | \$ 7,114         | \$ 7,187             |
| Notes receivable     | 1,615            | 1,832                |
| Deferred rent income | 849              | 849                  |
| Prepaid expenses     | 9                | 94                   |
| Other                | 21               | 896                  |
| Total other assets   | <u>\$ 9,608</u>  | <u>\$ 10,858</u>     |

### ***Property and Equipment***

Property and equipment, including leasehold improvements, are carried at cost or at the fair value of the assets as of the acquisition date. Depreciation for financial reporting purposes is computed by the straight-line method over the shorter of estimated useful asset lives or lease terms of the respective assets.

### ***Impairment of Long-lived Assets***

The Company reviews long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company performs undiscounted operating cash flow analyses to determine if an impairment exists. For purposes of recognition and measurement of an impairment for assets held for use, the Company groups assets and liabilities at the lowest level for which cash flows are separately identifiable, which is generally at the store level. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. No material impairments have been recorded by the Company during the six months ended June 30, 2014 or June 30, 2013.

### ***Asset Retirement Obligations***

The Company recognizes the estimated future cost to decommission underground storage tanks over the estimated useful life of the storage tank. The Company records a discounted liability, which is recorded in other long-term liabilities, for the fair value of an asset retirement obligation at the time an underground storage tank is installed or acquired. The Company amortizes the amount added to long-lived assets and recognizes accretion expense in connection with the discounted liability over the remaining life of the tank. The estimate of the anticipated future costs for decommissioning of an underground storage tank is based on the Company's and industry historical experience with removal. The Company will compare the cost estimates to the actual decommissioning cost experienced on an annual basis, and when the actual costs exceed the original estimates, an additional liability for estimated future costs to remove the underground storage tanks will be recognized. The recorded asset for asset retirement obligations is included in the fair value of long-lived assets recorded.

### ***Environmental Remediation Liabilities***

The Company accrues for environmental remediation liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The estimated liabilities are not discounted.

### ***Revenue Recognition***

Revenues from the two primary product categories, merchandise and fuel, are recognized at the time of sale or when fuel is delivered to the customer. The Company charges its wholesale customers for third-party transportation costs, which are included in revenues and cost of sales. The Company derives other income from ancillary product and service offerings that are recognized at the point of sale.

The Company derives revenues from leasing real estate to third-party dealers which are recorded based on the terms of the underlying lease agreements. Revenues on lease agreements with contractual escalations are recognized on a straight-line basis over the life of the lease.

### ***Derivative Instruments and Hedging Activities***

The Company periodically enters into interest rate swaps to manage its interest rate risk. The Company does not utilize hedge accounting and therefore records the fair value of its swaps on the balance sheet in other long-term assets or liabilities, with a corresponding adjustment recorded in interest expense.

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

The carrying amounts recorded for cash, accounts receivable, certain other current assets, accounts payable, and accrued expenses and other current liabilities in the consolidated financial statements approximate fair value because of the short-term maturity of the instruments.

### ***Concentration Risk***

The following table represents the percent of motor fuel purchases supplied by Exxon (See Note 9, Supply Agreements):

| MACS<br>Successor | MACS Holdings<br>Predecessor |
|-------------------|------------------------------|
| Six Months Ended  |                              |
| June 30,<br>2014  | June 30,<br>2013             |
| 93%               | 91%                          |

### ***Income Taxes***

No provision for income taxes is required for the Company since each member is individually liable for any income tax that may be payable on its share of the Company's taxable income.

### ***Fair Value Measurements***

The Company uses fair value measurements to measure, among other items, purchased assets and investments, leases and derivative contracts. The Company also uses such measurements to assess impairment of properties, equipment, intangible assets, and goodwill. The guidance does not apply to inventory pricing.

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 are used to estimate the current fair value, often using an internal valuation model. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the item being valued.

The Company 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.

## **4. Variable Interest Entities**

The Company entered into agreements with affiliated entities of the Uphoff Unitholders (members of MACS Holdings prior to the ETP Acquisition) to lease the property, buildings and improvements of 35 sites that are operated by the Company. Under the terms of the purchase agreement of the Southside Oil Group, the Company has the right to purchase the underlying assets of 35 of these leases, along with the assumption of associated debt of up to \$54,300, for \$20,000 less any unreimbursed costs or claims against the Uphoff Unitholders and accrued excess rent, plus any funds disbursed from the excess rent account to the Company or Catterton (members of MACS Holdings prior to the ETP Acquisition). In December 2012, one of the agreements was amended to exclude one site and reduce the purchase price by the dissolution of approximately \$556 of debt for the site. The purchase option was assigned no value in the purchase price allocation, as the fair value of the sites, less the value of associated debt, is less than the exercise price of the option. Because of the purchase option described above, as well as the terms of the leases, the Company is determined to be the primary beneficiary of these entities, and therefore the Company has consolidated these entities.



The assets and liabilities of the VIEs consist of the following:

|   | June 30,<br>2014      | December 31,<br>2013 |
|---|-----------------------|----------------------|
|   | <i>(in thousands)</i> |                      |
| Current assets  | \$ 2,525              | \$ 339               |
| Property, plant & equipment, net                                    | 46,138                | 46,912               |
| Other long-term assets  | 3,665                 | 3,665                |
| Accrued liabilities   | (490)                 | (490)                |
| Long-term debt, including current maturities of \$8,091 and \$3,981 | (56,639)              | (58,009)             |
| Other long-term liabilities   | (1,190)               | (1,190)              |

The creditors under the VIEs' borrowing arrangements do not have recourse to the Company's assets in the event of default on the VIE long-term debt.

## 5. Acquisitions and Divestitures

On May 6, 2014, the Company acquired 40 company operated sites for approximately \$114,000 from Tiger Management Group, LLC ("Tigermart"). These sites are located in Tennessee and Georgia. As a result of this transaction, Tigermart became a consolidated entity of MACS and applied "push down" accounting which required its assets and liabilities to be adjusted to fair value on the closing date. The following table summarizes the preliminary allocation of the assets of Tigermart. No liabilities were assumed.

|                              | May 6,<br>2014    |
|------------------------------|-------------------|
| Property plant and equipment | \$ 109,304        |
| Inventory                    | 4,773             |
| Total assets                 | <u>\$ 114,077</u> |

During the six months ended June 30, 2013, the Company sold three dealer operated sites for gross proceeds of \$2,485. The Company purchased one dealer operated site and converted it to a company operated site. The Company also leased two company operated sites and converted four company operated sites into dealers sites (one of which ceased operations in 2013).

## 6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

|  | June 30,<br>2014      | December 31,<br>2013 | Useful Lives |
|--|-----------------------|----------------------|--------------|
|  | <i>(in thousands)</i> |                      |              |
| Land                                       | \$ 235,458            | \$ 197,067           | —            |
| Buildings and site improvements            | 175,000               | 113,031              | 2-37 years   |
| Petroleum and store equipment              | 80,849                | 69,414               | 1-34 years   |
| Transportation vehicles                    | 172                   | 94                   | 2-10 years   |
| Furniture, fixtures and computer equipment | 3,584                 | 1,585                | 3-7 years    |
| Total property, plant and equipment        | 495,063               | 381,191              |              |
| Less accumulated depreciation              | (16,756)              | (4,311)              |              |
| Property, plant and equipment, net         | <u>\$ 478,307</u>     | <u>\$ 376,880</u>    |              |

## 7. Intangible Assets

The Company has finite-lived intangible assets that are amortized over the respective lives of the agreement or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Unfavorable lease arrangements are included in other long-term liabilities.

Intangible assets consist of the following:

|                      | June 30, 2014            |                             |                        | Useful Lives |
|----------------------|--------------------------|-----------------------------|------------------------|--------------|
|                      | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |              |
|                      | <i>(in thousands)</i>    |                             |                        |              |
| Trade name           | \$ 5,000                 | —                           | \$ 5,000               | Indefinite   |
| Franchise            | 4,000                    | (402)                       | 3,598                  | 10 years     |
| Dealer Relationships | 90,000                   | (8,208)                     | 81,792                 | 11-12 years  |
| Total intangibles    | <u>\$ 99,000</u>         | <u>\$ (8,610)</u>           | <u>\$ 90,390</u>       |              |

|                      | December 31, 2013     |                          |                     |              |
|----------------------|-----------------------|--------------------------|---------------------|--------------|
|                      | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Useful Lives |
|                      |                       | (in thousands)           |                     |              |
| Trade name           | \$ 5,000              | \$ —                     | \$ 5,000            | Indefinite   |
| Franchise            | 4,000                 | (100)                    | 3,900               | 10 years     |
| Dealer Relationships | 90,000                | (1,957)                  | 88,043              | 11-12 years  |
| Total intangibles    | <u>\$ 99,000</u>      | <u>\$ (2,057)</u>        | <u>\$ 96,943</u>    |              |

Total amortization expense on finite-lived intangibles included in depreciation, amortization and accretion for June 30, 2014 and 2013 was \$6,553 and \$1,432, respectively.

## 8. Long-Term Debt

Long-term debt consists of the following:

|                                       | June 30,<br>2014 | December 31,<br>2013 |
|---------------------------------------|------------------|----------------------|
|                                       | (in thousands)   | (in thousands)       |
| Senior Term Loan on Uphoff properties | 33,412           | 34,385               |
| Senior Subordinated Notes             | 23,227           | 23,624               |
| Other                                 | 128,730          | 130,746              |
| Total Long-term Debt                  | 185,369          | 188,755              |
| Less revolver and current portion     | (12,860)         | (8,579)              |
| Long-term portion                     | <u>172,509</u>   | <u>180,176</u>       |

On April 4, 2013, the Company completed a sale leaseback transaction with two separate companies for 50 of its dealer operated sites. The gross proceeds were \$133,645. The proceeds were used to pay off the Subordinated Notes balance of \$83,635 and approximately \$20,500 of the Senior Credit Facility. In conjunction with this transaction, the Company entered into a third amendment with the senior lender that allowed the repayment of Subordinated Notes. For GAAP purposes, the Company has not met the criteria for sale leaseback accounting and therefore this transaction will be accounted for as a financing arrangement over the course of the lease agreement. The debt related to this transaction is included in other liabilities.

## 9. Supply Agreements

The Company is party to agreements with Exxon to purchase monthly quantities of branded Exxon fuel and the rights to execute franchise agreements with dealers for the sale of branded fuel. Certain agreements contain minimum purchase requirements that, if not met, would permit Exxon to terminate the agreement. The agreements expire in 2015 and 2018. In addition, the agreements grant Exxon a right of first refusal in the event the Company sells a site.

The Company has complied with all minimum purchase requirements in accordance with these agreements as of June 30, 2014.

## 10. Contingencies

### *Environmental Compliance*

The United States Environmental Protection Agency and several states have adopted laws and regulations relating to underground storage tanks used for petroleum products.

Management currently believes that substantially all capital expenditures for electronic monitoring, cathodic protection, and overfill/spill protection to comply with existing regulations have been completed. With the exceptions discussed below, the Company believes it has no material joint and several environmental liabilities with other parties. Additional regulations or amendments to the existing regulations could result in future revisions to such estimated expenditures.

Under the Exxon MD/DE Portfolio and Exxon VA Portfolio acquisition agreements, the Company assumed environmental compliance and remediation obligations for acquired sites. Prior to closing, Exxon performed Phase I & II environmental evaluations of sites transferred and as a result, certain sites were identified with remediation obligations. Exxon estimated a total cost of \$6,300 to remediate the sites prior to the respective closings and engaged a contractor to perform the work for that cost. The liabilities were assumed by the Company in the Exxon MD/DE and VA Portfolio acquisitions and a

\$6,300 liability was recorded on June 23, 2010. The Company believes it is entitled to substantial indemnification for the remediation liabilities under the terms of the Exxon MD/DE Portfolio and Exxon VA Portfolio agreements and Exxon has placed the \$6,300 in escrow to cover the remediation costs. Therefore, the Company recorded a receivable from Exxon for \$6,300 on June 23, 2010. As of December 31, 2013 and June 30, 2014, the balance in both the receivable and liability accounts was \$2,560. The Company believes the funds in escrow are sufficient to cover all costs to remediate the sites. The Company expects substantially all remediation efforts to be completed in the next four years.

### ***Franchise Agreements***

The Company operates under franchise agreements in accordance with the Petroleum Marketing Practices Act (the “Act”). The Act provides for certain protections to dealers of sites regarding fuel prices, termination, and renewal of agreements as well as establishes uniform rules for the relationship. The agreements grant the franchisee the rights to use the convenience store and/or the obligation to purchase branded fuel from the Company.

On May 25, 2012, the Company executed a second amendment to a regional franchise development agreement that allows the Company to develop, operate and service additional sites located in a designated territory under the Circle K franchise program. Under the agreement, the Company converted 61 company operated sites to Circle K branded sites. The Company pays an agreed upon royalty fee based on merchandise sales which is expensed in cost of sales. Branding funds were allocated on a formula based on sales. Additions of equipment in 2013 of \$1,749 were included in fixed assets, with a corresponding lease liability. There were no additions in 2014.

### ***Legal Matters***

From time to time, the Company is involved in other legal and administrative proceedings or investigations arising from the conduct of business operations, including contractual disputes; environmental contamination or remediation issues; employment or personnel matters; personal injury and property damage claims; and claims by federal, state, and local regulatory authorities relating to the sale of products pursuant to licenses and permits issued by those authorities. Claims for compensatory or exemplary damages in those actions may be substantial. While the outcome of such litigation, proceedings, investigations, or claims is never certain, it is the Company’s position, after taking into consideration legal counsel’s assessment and the availability of insurance proceeds and other collateral sources to cover potential losses, that the ultimate disposition of such matters currently pending or threatened, individually or cumulatively, will not have a material adverse effect on the Company’s consolidated financial position, results of operations, and cash flows.

## **11. Subsequent Event**

The Company has evaluated all subsequent events through October 21, 2014, the date the financial statements were available to be issued.

In October 2014, Susser Petroleum Partners LP, a consolidated subsidiary of ETP, acquired the Company in a transaction valued at approximately \$768 million.

Aloha Petroleum, Ltd.  
(A Wholly Owned Subsidiary of Henger BV Inc.)

Financial Statements as of December 31, 2013 and  
2012, and for Each of the Three Years in the Period  
Ended December 31, 2013, and Independent Auditors' Report

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholder of  
Aloha Petroleum, Ltd.:

We have audited the accompanying financial statements of Aloha Petroleum, Ltd. (the "Company"), a wholly owned subsidiary of Henger BV Inc., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of comprehensive income, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2013, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Honolulu, Hawaii

April 29, 2014

(October 21, 2014, as to Note 11)

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013 AND 2012**  
**(Dollars in thousands)**

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| <b>CURRENT ASSETS:</b>  |                   |                   |
| Cash and cash equivalents   | \$ 23,192         | \$ 12,066         |
| Accounts and notes receivable — less \$598 and \$619 in 2013 and 2012, respectively | 16,611            | 19,995            |
| Inventories   | 33,005            | 38,355            |
| Prepaid expenses and other current assets   | 1,265             | 975               |
| Income taxes receivable   | —                 | 1,585             |
| Deferred income taxes   | 878               | 905               |
| Total current assets  | 74,951            | 73,881            |
| <b>PROPERTY AND EQUIPMENT:</b>  |                   |                   |
| Land  | 27,350            | 27,350            |
| Terminal facilities   | 51,728            | 50,283            |
| Buildings and leasehold improvements  | 33,843            | 33,769            |
| Equipment and vehicles  | 37,354            | 36,340            |
| Construction in progress  | 4,362             | 2,346             |
| Total property and equipment  | 154,637           | 150,088           |
| Less accumulated depreciation and amortization                                      | (62,053)          | (56,432)          |
| Property and equipment — net  | 92,584            | 93,656            |
| <b>OTHER ASSETS:</b>  |                   |                   |
| Goodwill  | 23,235            | 23,235            |
| Intangible assets   | 10,366            | 11,465            |
| Other noncurrent assets   | 2,083             | 1,994             |
| Total other assets  | 35,684            | 36,694            |
| <b>TOTAL</b>  | <b>\$ 203,219</b> | <b>\$ 204,231</b> |

(Continued)

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2013 AND 2012**  
**(Dollars in thousands)**

|   | 2013                     | 2012                     |
|---|--------------------------|--------------------------|
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>   |                          |                          |
| <b>CURRENT LIABILITIES:</b>   |                          |                          |
| Current portion of long-term debt   | \$ 6,150                 | \$ 6,192                 |
| Accounts payable  | 11,973                   | 15,105                   |
| Accrued expenses  | 14,318                   | 11,890                   |
| Current portion of lease premium liability  | 745                      | 762                      |
| Current portion of capital lease obligations  | 477                      | 277                      |
| Income taxes payable  | 239                      | —                        |
|   | <u>33,902</u>            | <u>34,226</u>            |
| Total current liabilities   | <u>33,902</u>            | <u>34,226</u>            |
| <b>NONCURRENT LIABILITIES:</b>  |                          |                          |
| Long-term debt  | 30,750                   | 44,424                   |
| Lease premium liability   | 9,602                    | 10,324                   |
| Deferred income taxes   | 11,751                   | 11,372                   |
| Asset retirement and environmental remediation obligations                          | 5,740                    | 5,764                    |
| Capital lease obligations   | 494                      | 971                      |
| Deferred rent and other liabilities   | 5,013                    | 4,644                    |
|   | <u>63,350</u>            | <u>77,499</u>            |
| Total noncurrent liabilities  | <u>63,350</u>            | <u>77,499</u>            |
| <b>COMMITMENTS AND CONTINGENCIES (Notes 8, 9, 10, and 11)</b>                       |                          |                          |
| <b>STOCKHOLDER'S EQUITY:</b>  |                          |                          |
| Common stock of \$1 par value — authorized, issued, and outstanding, 750,000 shares | 750                      | 750                      |
| Additional paid-in capital  | 29,834                   | 29,834                   |
| Accumulated other comprehensive loss  | (39)                     | (52)                     |
| Retained earnings   | 75,422                   | 61,974                   |
|   | <u>105,967</u>           | <u>92,506</u>            |
| Total stockholder's equity  | <u>105,967</u>           | <u>92,506</u>            |
| <b>TOTAL</b>  | <u><u>\$ 203,219</u></u> | <u><u>\$ 204,231</u></u> |

See notes to financial statements.

(Concluded)



**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**  
**(Dollars in thousands)**

|   | <u>2013</u>      | <u>2012</u>      | <u>2011</u>     |
|---|------------------|------------------|-----------------|
| <b>REVENUES:</b>                                    |                  |                  |                 |
| Refined products                                    | \$ 702,345       | \$ 738,292       | \$ 769,898      |
| Convenience stores                                  | 45,074           | 41,588           | 37,831          |
| Other   | <u>19,654</u>    | <u>16,068</u>    | <u>15,927</u>   |
| Total operating revenues                            | <u>767,073</u>   | <u>795,948</u>   | <u>823,656</u>  |
| <b>OPERATING EXPENSES:</b>                          |                  |                  |                 |
| Cost of refined products revenues *                 | 635,205          | 673,337          | 707,100         |
| Cost of convenience stores revenues *               | 32,291           | 30,014           | 27,634          |
| Selling, general, and administrative *              | 60,994           | 57,360           | 58,143          |
| Depreciation and amortization                       | 8,224            | 7,932            | 7,227           |
| Other   | <u>2,431</u>     | <u>2,727</u>     | <u>2,423</u>    |
| Total operating expenses                            | <u>739,145</u>   | <u>771,370</u>   | <u>802,527</u>  |
| OPERATING INCOME                                    | <u>27,928</u>    | <u>24,578</u>    | <u>21,129</u>   |
| <b>OTHER INCOME AND EXPENSE</b>                     |                  |                  |                 |
| Interest — net                                      | (3,460)          | (4,404)          | (5,084)         |
| Gain (loss) on interest rate swap and other         | <u>172</u>       | <u>63</u>        | <u>(465)</u>    |
| Total other expense                                 | <u>(3,288)</u>   | <u>(4,341)</u>   | <u>(5,549)</u>  |
| INCOME BEFORE INCOME TAXES                          | <u>24,640</u>    | <u>20,237</u>    | <u>15,580</u>   |
| <b>INCOME TAX EXPENSE:</b>                          |                  |                  |                 |
| Current   | 8,787            | 6,059            | 1,114           |
| Deferred  | <u>405</u>       | <u>819</u>       | <u>4,903</u>    |
| Total income tax expense                            | <u>9,192</u>     | <u>6,878</u>     | <u>6,017</u>    |
| NET INCOME  | 15,448           | 13,359           | 9,563           |
| <b>OTHER COMPREHENSIVE INCOME (LOSS) —</b>          |                  |                  |                 |
| Supplemental executive retirement plan — net of tax | <u>13</u>        | <u>(13)</u>      | <u>(13)</u>     |
| COMPREHENSIVE INCOME                                | <u>\$ 15,461</u> | <u>\$ 13,346</u> | <u>\$ 9,550</u> |

\* Exclusive of depreciation and amortization expense shown separately below

See notes to financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**  
**(Dollars in thousands)**

|  | <u>Common Stock</u> |               | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</u> | <u>Total</u>      |
|--|---------------------|---------------|---|------------------------------|--|-------------------|
|  | <u>Shares</u>       | <u>Amount</u> |   |                              |  |                   |
| BALANCE — January 1, 2011                              | 750,000             | \$ 750        | \$ 29,834                                 | \$ 40,552                    | \$ (78)  | \$ 71,058         |
| Net income   |                     |               |   | 9,563                        |  | 9,563             |
| Supplemental executive retirement<br>plan — net of tax |                     |               |   |                              | 13   | 13                |
| BALANCE — December 31, 2011                            | 750,000             | 750           | 29,834                                    | 50,115                       | (65)   | 80,634            |
| Net income   |                     |               |   | 13,359                       |  | 13,359            |
| Dividends paid   |                     |               |   | (1,500)                      |  | (1,500)           |
| Supplemental executive retirement<br>plan — net of tax |                     |               |   |                              | 13   | 13                |
| BALANCE — December 31, 2012                            | 750,000             | 750           | 29,834                                    | 61,974                       | (52)   | 92,506            |
| Net income   |                     |               |   | 15,448                       |  | 15,448            |
| Dividends paid   |                     |               |   | (2,000)                      |  | (2,000)           |
| Supplemental executive retirement<br>plan — net of tax |                     |               |   |                              | 13   | 13                |
| BALANCE — December 31, 2013                            | <u>750,000</u>      | <u>\$ 750</u> | <u>\$ 29,834</u>                          | <u>\$ 75,422</u>             | <u>\$ (39)</u>   | <u>\$ 105,967</u> |

See notes to financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**  
**(Dollars in thousands)**

|   | <u>2013</u>      | <u>2012</u>      | <u>2011</u>     |
|---|------------------|------------------|-----------------|
| <b>OPERATING ACTIVITIES:</b>  |                  |                  |                 |
| Net income  | \$ 15,448        | \$ 13,359        | \$ 9,563        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                  |                 |
| Deferred income taxes   | 405              | 819              | 4,903           |
| Depreciation and amortization   | 8,224            | 7,932            | 7,227           |
| (Gain) loss on disposal of assets and interest rate swap                          | (130)            | 381              | 132             |
| Changes in operating assets and liabilities:                                      |                  |                  |                 |
| Accounts and notes receivable   | (244)            | 6,155            | (6,206)         |
| Inventories   | 9,187            | (3,670)          | 1,751           |
| Prepaid expenses and other assets   | 128              | 821              | 697             |
| Accounts payable  | (2,679)          | (2,459)          | (4,739)         |
| Accrued expenses  | 2,222            | (1,443)          | 2,580           |
| Income taxes  | 1,824            | 1,011            | (2,113)         |
| Net cash provided by operating activities   | <u>34,385</u>    | <u>22,906</u>    | <u>13,795</u>   |
| <b>INVESTING ACTIVITIES:</b>  |                  |                  |                 |
| Capital expenditures  | (6,972)          | (5,456)          | (10,697)        |
| Other asset additions   | (69)             | (67)             | (273)           |
| Proceeds from sale of assets  | 113              | 109              | 116             |
| Net cash used in investing activities   | <u>(6,928)</u>   | <u>(5,414)</u>   | <u>(10,854)</u> |
| <b>FINANCING ACTIVITIES:</b>  |                  |                  |                 |
| Debt payments   | (13,716)         | (11,192)         | (23,192)        |
| Dividends paid  | (2,000)          | (1,500)          | —               |
| Debt issuance costs   | (338)            | —                | —               |
| Principal payments under capital lease obligations                                | (277)            | (433)            | (319)           |
| Proceeds from borrowing   | —                | —                | 17,000          |
| Net cash used in financing activities   | <u>(16,331)</u>  | <u>(13,125)</u>  | <u>(6,511)</u>  |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                              | 11,126           | 4,367            | (3,570)         |
| CASH AND CASH EQUIVALENTS — Beginning of year                                     | <u>12,066</u>    | <u>7,699</u>     | <u>11,269</u>   |
| CASH AND CASH EQUIVALENTS — End of year   | <u>\$ 23,192</u> | <u>\$ 12,066</u> | <u>\$ 7,699</u> |

(Continued)

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**  
**(Dollars in thousands)**

|   | <u>2013</u>     | <u>2012</u>     | <u>2011</u>     |
|---|-----------------|-----------------|-----------------|
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — Cash</b> |                 |                 |                 |
| paid during the year for:                                       |                 |                 |                 |
| Interest  | <u>\$ 2,535</u> | <u>\$ 3,503</u> | <u>\$ 4,303</u> |
| Income taxes  | <u>\$ 6,880</u> | <u>\$ 4,785</u> | <u>\$ 2,940</u> |
| <b>NONCASH ACTIVITIES:</b>                                      |                 |                 |                 |
| Capital lease obligations incurred for new equipment            | <u>\$ —</u>     | <u>\$ —</u>     | <u>\$ 31</u>    |
| Capital expenditures in accounts payable                        | <u>\$ 1,068</u> | <u>\$ 1,733</u> | <u>\$ 627</u>   |
| Exchange of fuel inventory (payable) receivable                 | <u>\$ (210)</u> | <u>\$ 3,627</u> | <u>\$ 2,942</u> |

See notes to financial statements.

(Concluded)

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2013 AND 2012, AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2013, 2012, AND 2011**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** — Aloha Petroleum, Ltd. (the “Company”), is a wholly owned subsidiary of Henger BV Inc. (“Parent”), a company organized under the laws of the British Virgin Islands.

The Company is a distributor of petroleum products and operator of convenience stores and fuel terminals in the state of Hawaii.

**Cash and Cash Equivalents** — The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Inventories** — Inventories consist primarily of refined petroleum products, ethanol, and convenience store merchandise. Refined petroleum products and ethanol are stated at the lower of weighted-average cost or market. Convenience store merchandise is stated using the retail inventory method.

**Property and Equipment** — Property and equipment is stated at cost. Assets held under capital leases are recorded as property and equipment, with related obligations accounted for as liabilities. The Company capitalizes the estimated cost of removing retail gasoline station equipment on leased properties. Depreciation and amortization are computed using the straight-line method over the shorter of the economic useful lives of the assets or the lease term, including option periods.

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes occur, an estimate of the future cash flows expected to result from the use of the assets and their eventual disposition is made. If the sum of such expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized in an amount by which the asset’s net book value exceeds fair value. No impairment losses were recorded in 2013, 2012, and 2011.

**Intangible Assets** — Intangible assets include values assigned to customer contracts and property leases with favorable lease terms where the estimated market rent exceeds that of the Company’s contractual lease rent payments. Customer contracts are amortized on a straight-line basis over the estimated useful life, and favorable leases are amortized over the term of the leases.

**Goodwill** — Goodwill is deemed to have an indefinite life, and the Company reviews goodwill for potential impairment on an annual basis or more frequently if indications of impairment exist. As of December 31, 2013, there has been no impairment of goodwill or intangible assets recorded to date.

**Asset Retirement Obligations** — An asset retirement obligation represents a legal obligation associated with the removal of retail gasoline station equipment at the end of the lease term. The Company recognizes the asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period over the terms of the leases.

**Environmental Remediation Liability** — Environmental remediation liability is recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated over the life of the remediation process.

**Lease Premium Liabilities** — Lease premium liabilities represent the value of leases with rental rates in excess of market rates. The liability is amortized to rent expense over the respective lease terms.

**Leasing Transactions** — The assets and related obligations for equipment leased under capital leases were recorded at amounts equal to the present value of the future minimum lease payments using the appropriate interest rate. Leased property is amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets. Rental expense on operating leases is recognized on a straight-line basis over the lease term. Lease incentives received from landlords are deferred and amortized on a straight-line basis over the related lease term as a reduction of rental expense.

**Accumulated Other Comprehensive Income** — The Company records unamortized losses for the nonqualified supplemental executive retirement plan net of tax in other comprehensive income.

**Revenue Recognition** — The Company recognizes revenues from the sale of refined products, convenience store merchandise, and lubricants upon delivery of goods to a customer. This is generally the point at which title is transferred and when payment has been received or collection is reasonably assured. Revenue for renewable identification number credits sold was \$4,068,000, \$687,000, and \$744,000 in 2013, 2012, and 2011, respectively. Revenue includes taxes collected from customers totaling \$99,077,000, \$94,063,000, and \$85,875,000 in 2013, 2012, and 2011, respectively.

**Advertising Costs** — Advertising costs are expensed as incurred. Advertising costs amounted to \$857,000, \$571,000, and \$698,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Concentrations of Credit Risk** — Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, overnight investments, and accounts receivable. The Company places its cash with major financial institutions, which, at times, may exceed federally insured limits. Overnight investments are handled by major financial institutions and, by policy, are limited to U.S. government or U.S. government-related investments. Accounts receivable are primarily with commercial end users of petroleum products; holders of the Company's charge card; and federal, state, and county agencies in Hawaii. Credit is extended only after evaluating a potential buyer's creditworthiness.

A significant portion of the Company's refined product sales and accounts receivable is from one customer, representing \$205.1 million or 29%, \$208.8 million or 28%, and \$193.7 million or 25% of total refined product sales for the years ended December 31, 2013, 2012, and 2011, respectively, and \$4.1 million or 25% and \$3.5 million or 18% of accounts receivable as of December 31, 2013 and 2012, respectively.

**Derivative Financial Instruments** — The Company utilizes interest rate swaps to mitigate its risk exposure to volatility in market conditions. The interest rate swaps fall within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*. Derivatives and hedging are recorded in the balance sheets at fair value. The swap agreements are not accounted for under hedge accounting as defined by ASC 815. As a result, changes in fair value are recorded as gains or losses in other income and expense in the accompanying statements of comprehensive income.

**Income Taxes** — The Company files separate tax returns from its parent company. Deferred income taxes are provided for temporary differences between the financial statement and income tax return bases for assets and liabilities.

The Company evaluates tax positions to determine whether tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year.

**Subsequent Events** — Subsequent events were evaluated through April 29, 2014 (October 21, 2014, as to Note 11), the date that these financial statements were available for issuance.

**New Accounting Pronouncements** — In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-02, *Intangibles — Goodwill and Other (Topic 350) — Accounting for Goodwill*. The amendments in this ASU will allow an accounting alternative for the subsequent measurement of goodwill. An entity within the scope of the amendments that elects the accounting alternative in this ASU should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. The accounting alternative, if elected, should be applied prospectively to goodwill existing as of the beginning of the period of adoption and new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted, including application to any period for which the entity’s annual or interim financial statements have not yet been made available for issuance. Management is evaluating the impact the adoption of this standard will have on the Company’s financial statements.

## **2. FUEL STORAGE TERMINAL AGREEMENTS**

The Company has terminalling agreements to provide certain services at the Honolulu terminal and Hilo West terminal in connection with the receipt, storage, and delivery of regular and premium gasoline and ethanol for an initial term of five years. The Company also has multiyear agreements to provide terminalling services at the Nawiliwili terminal and Kahului terminal for jet fuel and diesel fuel, respectively. Terminal fees are based on the actual gallons lifted from the terminal and are also subject to minimum annual gallon liftings. The Honolulu terminal agreement provides for an option period exercisable by the distributor for one additional five-year term. The Hilo West terminal agreement provides one-year extension periods on an evergreen basis. The terminalling agreements provide for annual fee escalations based on actual gallons lifted from the terminals and contain escalation clauses based on changes in U.S. Department of Labor indices.

The Company has a terminalling agreement at the Barbers Point terminal in connection with the receipt, storage, and delivery of regular and premium gasoline, on-road diesel fuel, and ethanol for a period of 20 years beginning December 1, 2005, and ending November 30, 2025. In consideration for such services, the Company receives the greater of a minimum monthly or a volume fee based on storage or throughput. The agreement is cancelable with 90 days’ notice by the local distributor.

### 3. FUEL SUPPLY AGREEMENTS

The Company is party to a fuel supply agreement with a local petroleum supplier to purchase regular unleaded gasoline, premium unleaded gasoline, and ultra-low sulfur diesel. The costs of these products are based on predefined formulas based on selected national and international market indices. Effective January 1, 2014, the Company entered into a new supply agreement for regular unleaded gasoline, premium unleaded gasoline, and ultra-low sulfur diesel which expires on December 31, 2014 and eliminates the minimum purchase requirement. The supply agreement for ethanol with the Company's ethanol supplier expires on June 30, 2014 (see Note 11 for update). The Company expects to renew its agreements with its suppliers or to import refined petroleum products when the existing supply contracts for refined petroleum products expire.

In addition, the Company has fuel exchange agreements with its suppliers. These exchange agreements are transfers of fuel inventory that result in receivables or payables that are settled by delivery of gallons of fuel. At December 31, 2013, the Company had payables to its suppliers relating to these agreements totaling \$210,000. At December 31, 2012 and 2011, the Company had receivables from suppliers relating to these agreements totaling \$3,627,000 and \$2,942,000, respectively.

### 4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and identifiable intangible assets as of December 31, 2013 and 2012, are as follows:

|                                | 2013          | 2012          | Weighted-Average Useful Life |
|--------------------------------|---------------|---------------|------------------------------|
| Goodwill                       | \$ 23,235,000 | \$ 23,235,000 |                              |
| Intangible assets:             |               |               |                              |
| Customer contracts             | \$ 12,296,000 | \$ 12,296,000 | 13.7 years                   |
| Favorable leases               | 1,458,000     | 1,535,000     | 20.9 years                   |
| Total intangible assets        | 13,754,000    | 13,831,000    |                              |
| Accumulated amortization:      |               |               |                              |
| Customer contracts             | (3,054,000)   | (2,064,000)   |                              |
| Favorable leases               | (334,000)     | (302,000)     |                              |
| Total accumulated amortization | (3,388,000)   | (2,366,000)   |                              |
| Net carrying value             | \$ 10,366,000 | \$ 11,465,000 |                              |

As of December 31, 2013, there has been no impairment of goodwill or intangible assets recorded to date. Amortization expense was \$1,099,000 for the year ended December 31, 2013, and \$1,136,000 for the years ended December 31, 2012 and 2011. Amortization expense for each of the next five years is projected to be \$1,073,000, \$1,060,000, \$1,060,000, \$1,048,000, and \$969,000.

As of December 31, 2013 and 2012, the Company had lease premium liabilities totaling \$10,347,000 and \$11,086,000, respectively, which are amortized over the remaining lease terms.



## 5. LONG-TERM DEBT

**Financing Arrangements** — The Company's long-term debt as of December 31, 2013 and 2012, consists of the following:

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| Senior secured note of \$25,000,000 payable to affiliates of an insurance company due through November 2020, payable in quarterly installments of \$1,000,000 commencing November 22, 2014, interest at 6.88%                                      | \$ 25,000,000        | \$ 25,000,000        |
| Term loan of \$43,000,000 with a bank consortium due June 2018, payable in quarterly installments of \$1,550,000 through September 30, 2014, and of \$500,000 thereafter, interest at December 31, 2013 and 2012, of 1.91% and 3.75%, respectively | <u>11,900,000</u>    | <u>25,616,000</u>    |
| Total  | 36,900,000           | 50,616,000           |
| Less current portion   | <u>(6,150,000)</u>   | <u>(6,192,000)</u>   |
| Long-term portion  | <u>\$ 30,750,000</u> | <u>\$ 44,424,000</u> |

The Company's credit agreement includes a term loan facility and a revolving credit facility. Both accrue interest at the bank's base rate or London InterBank Offered Rate (LIBOR), plus a margin based on the Company's funded debt to earnings before interest, taxes, depreciation, and amortization (leverage) ratio. All Company assets are pledged as collateral for the above agreements.

In June 2013, the Company refinanced its existing credit agreement to decrease the term loan borrowing to \$15 million and to increase the revolving credit facility from \$35 million to \$55 million. The expiration date of the credit agreement is June 28, 2018. The Company may exercise an option to increase the amount of the revolving credit facility to \$90 million at any time prior to June 28, 2016, provided no event of default exists. At December 31, 2013, no amounts were outstanding under the revolving credit facility. Letters of credit totaling \$3 million issued by the participating banks count against the facility and reduced the available capacity to \$52 million as of December 31, 2013.

In connection with its refinancing, the Company paid \$338,000 in debt issuance costs, which are being amortized over the remaining terms of the credit facilities. As of December 31, 2013 and 2012, unamortized deferred financing costs are included in other noncurrent assets amounted to \$740,000 and \$612,000, respectively.

Maturities of long-term debt borrowings during the next five years are \$6,150,000 in 2014, \$6,000,000 in 2015, \$6,000,000 in 2016, \$6,000,000 in 2017, \$4,750,000 in 2018, and \$8,000,000 thereafter.

The long-term debt and credit agreements contain certain financial covenants relating to net worth, current ratio, leverage ratio, and debt service coverage ratio. Management believes the Company was in compliance with the financial covenants of these agreements as of December 31, 2013.

On December 17, 2010, the Company entered into interest rate swap agreements with a notional amount of \$9,000,000 to fix the interest rate on a portion of the \$43 million term loan at 2.27% in exchange for receiving a floating rate payment based on one-month LIBOR. The effective date of the swaps is

March 1, 2011, with an expiration date of March 1, 2015. Changes in the fair value of the swaps are recorded as a gain or loss in other income and expense in the accompanying statements of comprehensive income. As of December 31, 2013 and 2012, the fair value of the swap agreements was \$230,000 and \$402,000, respectively, and is included in other noncurrent liabilities.

**Fair Value Measurements** — GAAP establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements to enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. GAAP requires that financial assets and liabilities be classified and disclosed in one of the following three categories:

*Level 1:* Quoted market prices in active markets for identical assets or liabilities.

*Level 2:* Observable market based inputs or unobservable inputs that are corroborated by market data.

*Level 3:* Unobservable inputs that are not corroborated by market data.

The fair value of cash and cash equivalents approximate its carrying value due to its short-term nature as settlements of similar financial instruments are generally settled at or near cost. As of December 31, 2013 and 2012, the fair value of the senior secured note approximated \$26,178,000 and \$25,748,000, respectively, compared to its carrying value of \$25,000,000 as of December 31, 2013 and 2012. At December 31, 2013 and 2012, the fair value of the term loan approximated its carrying value of \$11,900,000 and \$25,616,000, respectively. The fair value of long-term debt and the Company's swap agreements have been classified as Level 2 measurements.

## 6. INCOME TAXES

Income tax expense consisted of the following:

|                          | 2013                | 2012                | 2011                |
|--------------------------|---------------------|---------------------|---------------------|
| Current:                 |                     |                     |                     |
| Federal                  | \$ 7,651,000        | \$ 5,268,000        | \$ 719,000          |
| State                    | 1,136,000           | 791,000             | 395,000             |
| Deferred:                |                     |                     |                     |
| Federal                  | 362,000             | 731,000             | 4,258,000           |
| State                    | 43,000              | 88,000              | 645,000             |
| Total income tax expense | <u>\$ 9,192,000</u> | <u>\$ 6,878,000</u> | <u>\$ 6,017,000</u> |

The income tax expense for the years ended December 31, 2013, 2012 and 2011, differs from the amount computed by applying the federal statutory rate to pretax income as a result of the following:

|  | 2013                | 2012                | 2011                |
|--|---------------------|---------------------|---------------------|
| Tax at federal statutory rate            | \$ 8,624,000        | \$ 7,083,000        | \$ 5,297,000        |
| State income tax, net of federal benefit | 1,025,000           | 642,000             | 485,000             |
| Permanent differences and other          | (457,000)           | (847,000)           | 235,000             |
| Total income tax expense                 | <u>\$ 9,192,000</u> | <u>\$ 6,878,000</u> | <u>\$ 6,017,000</u> |

Deferred tax assets and liabilities as of December 31, 2013 and 2012, consisted of the following:

|                                       | <u>2013</u>              | <u>2012</u>              |
|---------------------------------------|--------------------------|--------------------------|
| Deferred tax assets:                  |                          |                          |
| Asset retirement obligations          | \$ 2,037,000             | \$ 1,909,000             |
| Deferred rent                         | 1,397,000                | 1,172,000                |
| Intangible assets and goodwill        | 886,000                  | 2,823,000                |
| Accrued retirement benefits           | 429,000                  | 423,000                  |
| Environmental remediation obligations | 390,000                  | 373,000                  |
| Other reserves                        | <u>1,157,000</u>         | <u>1,109,000</u>         |
| <br>Total deferred tax assets         | <br><u>6,296,000</u>     | <br><u>7,809,000</u>     |
| Deferred tax liabilities:             |                          |                          |
| Property                              | 16,528,000               | 17,795,000               |
| Prepaid expense and other assets      | <u>641,000</u>           | <u>481,000</u>           |
| <br>Total deferred tax liabilities    | <br><u>17,169,000</u>    | <br><u>18,276,000</u>    |
| <br>Net deferred tax liability        | <br><u>\$ 10,873,000</u> | <br><u>\$ 10,467,000</u> |
| Reported as:                          |                          |                          |
| Deferred tax assets — current         | \$ 878,000               | \$ 905,000               |
| Deferred tax liabilities — noncurrent | <u>11,751,000</u>        | <u>11,372,000</u>        |

A valuation allowance as of December 31, 2013 and 2012, is not considered necessary as management believes that it is more likely than not that the deferred tax assets will be realized.

The Company evaluates its tax position in accordance with ASC 740-10, *Income Taxes — Overall*. As of and for the year ended December 31, 2013, management has determined that the Company had no unrecognized tax benefits. All tax years from 2010 remain open for federal and state tax purposes.

## 7. MULTIEMPLOYER PLANS AND OTHER EMPLOYEE BENEFIT PLANS

The Company contributes to a multiemployer defined benefit pension plan under the terms of two collective-bargaining agreements that cover its union-represented employees. The risks of participating in this multiemployer plan are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the year ended December 31, 2013, is outlined in the table below. The "EIN Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act

(PPA) zones status available in 2013 is for the plan's year-end as of December 31, 2013, for the Western Conference of Teamsters Pension Plan. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 80% funded, and the plan is expected to have a funding deficiency in seven years; plans in the yellow zone are less than 80% funded; and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The second-to-the-last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject. The Company did not contribute more than 5% of the total plan contributions.

| Fund  | EIN<br>Plan Number | PPA Zone<br>Status |       | FIP/RP<br>Status<br>Pending/<br>Implemented | Contribution of Entity |                   | Surcharge<br>Imposed | Expiration<br>Date          | Current Plan<br>Year End |
|---|--------------------|--------------------|-------|---|------------------------|-------------------|----------------------|-----------------------------|--------------------------|
|   |                    | 2013               | 2012  |   | 2013                   | 2012              |                      |                             |                          |
| Western Conference of Teamsters<br>Pension Plan | 91-6145047; 001    | Green              | Green | No  | <u>\$ 231,397</u>      | <u>\$ 259,164</u> | No                   | February 2018<br>March 2014 | December 2013            |

**Defined Contribution Plan** — The Company has a defined contribution savings plan for all employees who have completed six months of service and are age 18 or older. The Company has a safe-harbor plan structure where participants' contributions are 100% matched by the Company's contribution on the first 3% of a participant's compensation and 50% of the next 2% of a participant's compensation. Participants may contribute up to the maximum permitted by law. In addition, the Company, at its discretion, may make additional profit-sharing contributions to the plan participants. Total matching contributions made by the Company were \$461,000, \$376,000, and \$212,000 for the years ended December 31, 2013, 2012, and 2011, respectively. The Company also made discretionary profit-sharing contributions of \$300,000, \$250,000, and \$300,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

**Retirement Plan** — The Company has a nonqualified supplemental executive retirement plan for selected executives of the Company. The plan is unfunded, and benefits are based on final average compensation for the last three years, a five-year vesting period, and normal retirement age of 65. The expense (gain) associated with the plan was \$(223,000), \$53,000, and \$106,000 for the years ended December 31, 2013, 2012, and 2011, respectively. The accrued obligation relating to this plan was \$321,000 and \$544,000 as of December 31, 2013 and 2012, respectively, which is recorded in other noncurrent liabilities. The value of the obligation was based on a 3% and 4% rate of compensation increase as of December 31, 2013 and 2012, respectively, and a discount rate of 2.1% and 2.42% as of December 31, 2013 and 2012, respectively. An estimated lump-sum benefit payment of \$843,000 is to be paid based on an assumed retirement age of 62.

**Deferred Compensation Plan** — The Company has a deferred compensation arrangement for an executive that defers up to \$150,000 of compensation, which vests over four years, and is payable upon termination after four years, or upon death, termination with cause, or acquisition or reorganization of employer. As of December 31, 2013 and 2012, the balance outstanding was \$725,000 and \$575,000, respectively, which is recorded in other noncurrent liabilities.

## 8. LEASES

**Lessee** — The Company leases certain retail gasoline station locations, office space, and equipment under leases that are accounted for as operating leases. Certain leases contain provisions for renewal and

escalation. Rent expense was \$11,957,000, \$12,409,000, and \$10,978,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

Equipment and vehicles include leases classified as capital leases. The capitalized cost as of December 31, 2013 and 2012, was \$1,634,000 and \$2,070,000 (accumulated depreciation of \$1,164,000 and \$1,270,000), respectively.

**Lessor** — The Company is a lessor of land, buildings, and land improvements under leases that are accounted for as operating leases. Rental income was \$5,791,000, \$5,630,000, and \$4,510,000 for the years ended December 31, 2013, 2012, and 2011, respectively. As of December 31, 2013 and 2012, the historical costs of leased properties are \$17,625,000 and \$14,090,000 and accumulated depreciation of \$5,034,000 and \$3,797,000, respectively.

The future minimum rental payments and income under noncancelable leases as of December 31, 2013, are as follows:

| <u>Years Ending<br/>December 31</u>            | <u>Capital<br/>Leases</u> | <u>Operating<br/>Leases</u> | <u>Rental<br/>Income</u> |
|--|---------------------------|-----------------------------|--------------------------|
| 2014   | \$ 505,000                | \$ 9,127,000                | \$ 3,456,000             |
| 2015   | 499,000                   | 8,493,000                   | 1,598,000                |
| 2016   | 6,000                     | 7,987,000                   | 1,255,000                |
| 2017   | —                         | 6,605,000                   | 1,012,000                |
| 2018   | —                         | 5,271,000                   | 1,588,000                |
| Thereafter                                     | —                         | 49,369,000                  | —                        |
| Total  | 1,010,000                 | <u>\$ 86,852,000</u>        | <u>\$ 8,909,000</u>      |
| Less amount representing interest              | <u>(39,000)</u>           |                             |                          |
| Present value of future minimum lease payments | 971,000                   |                             |                          |
| Less current portion                           | <u>(477,000)</u>          |                             |                          |
| Noncurrent portion                             | <u>\$ 494,000</u>         |                             |                          |

## 9. ASSET RETIREMENT AND ENVIRONMENTAL REMEDIATION OBLIGATIONS

As required by ASC 410-20, *Asset Retirement Obligations*, the Company evaluated its contractual obligations under its operating leases for the use of land utilized in its operations. During this evaluation, the Company determined it had an obligation to return the leased land to its condition before the Company obtained use of such land. The Company's obligation relates to the removal of the fuel storage tanks, canopies, and other fuel sales equipment at the expiration of the leases.

A reconciliation of the changes in the asset retirement obligations as of December 31, 2013 and 2012, is as follows:

|                       | <u>2013</u>         | <u>2012</u>         |
|-----------------------|---------------------|---------------------|
| Balance — January 1   | \$ 4,961,000        | \$ 4,763,000        |
| Additions             | 38,000              | —                   |
| Settlements           | (66,000)            | (73,000)            |
| Accretion expense     | <u>269,000</u>      | <u>271,000</u>      |
| Balance — December 31 | <u>\$ 5,202,000</u> | <u>\$ 4,961,000</u> |

The Company also has responsibility for environmental cleanup obligations under various property leases, as well as certain state and federal laws. It is the Company's policy to accrue environmental cleanup costs if it is probable that a liability has been incurred and an amount is reasonably estimable. As investigations and cleanups proceed, environmental liabilities are reviewed and adjusted when additional information becomes available. Included in the reserve are costs for testing, soil remediation, and monitoring and consultant costs. As of December 31, 2013 and 2012, the net present value of future estimated environmental remediation costs using discount rates of 3.0% and 1.8% was \$995,000 (including \$457,000 in accrued expenses) and \$970,000 (including \$167,000 in accrued expenses), respectively.

The Company received notification from the United States Environmental Protection Agency (EPA) that several of its terminals did not have sufficiently impervious liners and that the Company could be required to install impervious liners at the terminals. The Company has disputed the alleged noncompliance. As certain of the terminals were recently acquired from a third party, the Company has also put the seller of those terminals on notice for indemnification for the costs to bring the acquired terminals into compliance and any penalties assessed for noncompliance. Management is in discussions with the EPA about the terminal liner requirement, and no amounts have been accrued in the accompanying financial statements. Management does not believe the impact of this matter will have a material effect on the Company's financial statements.

#### **10. COMMITMENTS AND CONTINGENCIES**

The Company is involved in various immaterial claims arising out of the ordinary course of business. The Company is also in dispute over insurance coverage for the defense of a claim made that was settled in favor of the Company. The insurer is seeking reimbursement of \$1.7 million for premium costs and a security deposit, plus legal fees and costs. In February 2014, the insurer filed a petition to compel arbitration; however, the Company filed a motion for preliminary injunction against the petition. The Company's motion is scheduled to be heard on May 9, 2014 (see Note 11 for update). Management does not believe the Company is liable for the claim, and no amounts have been accrued in the accompanying financial statements. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's financial statements.

#### **11. SUBSEQUENT EVENTS**

One of the Company's collective bargaining agreements expired in March 2014. The Company continues to operate under the terms of the expired agreement and management is in the process of negotiating an extension of the agreement.

As discussed in Note 3, the Company's ethanol supply agreement expired on June 30, 2014, and has renewed the agreement on a month-to-month basis.

On May 19, 2014, the Company received a demand for civil penalties of \$900,000 from the EPA to resolve the Company's violations of the Clean Air Act and Clean Water Act discussed in Note 9. In September 2014, management has counter-offered an amount substantially lower than the demand amount, and believes such amount is not material to the financial statements.

On June 30, 2014, the Company amended its senior secured note and credit agreement to permit the Company to make a loan to its Parent up to the maximum amount of \$20 million; to allow special dividends to its Parent up to the maximum amount of \$30 million, less any loans to its Parent; and to amend certain financial covenants including the current ratio, fixed charge coverage ratio, tangible net worth, and leverage ratio.

On August 20, 2014, a jury trial was scheduled for January 11, 2016 to settle the litigation with the insurer discussed in Note 10. Management continues to believe it is not liable for the claim, and does not believe the ultimate disposition of this matter will have a material effect on the Company's financial statements.

On September 8, 2014, the Company acquired three gas stations located on Maui, Hawaii for approximately \$8 million.

On September 25, 2014, Susser Petroleum Partners LP, a Delaware limited partnership, and Susser Property Company LLC, a Delaware limited liability company (collectively, "Susser"), entered into a purchase and sale agreement ("Purchase Agreement") with the Parent of the Company. Pursuant to the Purchase Agreement, Susser expects to acquire all of the equity interests of the Company in exchange for approximately \$240 million in cash consideration, subject to certain adjustments. The consummation of the merger is subject to various customary closing conditions and is expected to close in the later part of 2014.

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**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**CONDENSED BALANCE SHEETS**  
**AS OF JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(UNAUDITED)**  
**(Dollars in thousands)**

|   | <u>June 30, 2014</u>     | <u>December 31, 2013</u> |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>   |                          |                          |
| <b>CURRENT ASSETS:</b>  |                          |                          |
| Cash and cash equivalents   | \$ 26,191                | \$ 23,192                |
| Accounts and notes receivable — less \$621 and \$598 in 2014 and 2013, respectively | 18,263                   | 16,611                   |
| Inventories   | 23,039                   | 33,005                   |
| Prepaid expenses and other current assets   | 2,091                    | 1,265                    |
| Income taxes receivable   | 2,386                    | —                        |
| Deferred income taxes   | 728                      | 878                      |
| Total current assets  | <u>72,698</u>            | <u>74,951</u>            |
| <b>PROPERTY AND EQUIPMENT:</b>  |                          |                          |
| Land  | 28,528                   | 27,350                   |
| Terminal facilities   | 54,288                   | 51,728                   |
| Buildings and leasehold improvements  | 34,074                   | 33,843                   |
| Equipment and vehicles  | 37,920                   | 37,354                   |
| Construction in progress  | 2,765                    | 4,362                    |
| Total property and equipment  | 157,575                  | 154,637                  |
| Less accumulated depreciation and amortization                                      | <u>(65,421)</u>          | <u>(62,053)</u>          |
| Property and equipment — net  | <u>92,154</u>            | <u>92,584</u>            |
| <b>OTHER ASSETS:</b>  |                          |                          |
| Goodwill  | 23,235                   | 23,235                   |
| Intangible assets   | 8,058                    | 10,366                   |
| Other noncurrent assets   | 1,625                    | 2,083                    |
| Total other assets  | <u>32,918</u>            | <u>35,684</u>            |
| <b>TOTAL</b>  | <u><u>\$ 197,770</u></u> | <u><u>\$ 203,219</u></u> |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>   |                          |                          |
| <b>CURRENT LIABILITIES:</b>   |                          |                          |
| Current portion of long-term debt   | \$ 7,100                 | \$ 6,150                 |
| Accounts payable  | 7,251                    | 11,973                   |
| Accrued and other expenses  | 14,482                   | 15,779                   |
| Total current liabilities   | <u>28,833</u>            | <u>33,902</u>            |
| <b>NONCURRENT LIABILITIES:</b>  |                          |                          |
| Long-term debt  | 26,700                   | 30,750                   |
| Lease premium liability   | 9,197                    | 9,602                    |
| Deferred income taxes   | 11,740                   | 11,751                   |
| Asset retirement obligations  | 5,201                    | 5,740                    |
| Deferred rent and other liabilities   | 5,918                    | 5,507                    |
| Total noncurrent liabilities  | <u>58,756</u>            | <u>63,350</u>            |
| <b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>                                       |                          |                          |
| <b>STOCKHOLDER'S EQUITY:</b>  |                          |                          |
| Common stock of \$1 par value — authorized, issued, and outstanding, 750,000 shares | 750                      | 750                      |



|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Additional paid-in capital           | 29,834            | 29,834            |
| Accumulated other comprehensive loss | (33)              | (39)              |
| Retained earnings                    | <u>79,630</u>     | <u>75,422</u>     |
| Total stockholder's equity           | <u>110,181</u>    | <u>105,967</u>    |
| TOTAL                                | <u>\$ 197,770</u> | <u>\$ 203,219</u> |

See notes to condensed financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(UNAUDITED)**  
**(Dollars in thousands)**

|  | <u>2014</u>     | <u>2013</u>     |
|--|-----------------|-----------------|
| <b>REVENUES:</b>   |                 |                 |
| Refined products   | \$ 332,821      | \$ 356,054      |
| Convenience stores   | 22,832          | 21,890          |
| Other  | <u>9,865</u>    | <u>11,194</u>   |
| Total operating revenues   | <u>365,518</u>  | <u>389,138</u>  |
| <b>OPERATING EXPENSES:</b>   |                 |                 |
| Cost of refined products revenues *  | 302,728         | 321,838         |
| Cost of convenience stores revenues *  | 16,550          | 15,697          |
| Selling, general, and administrative *   | 30,737          | 29,957          |
| Depreciation and amortization  | 5,867           | 4,082           |
| Other  | <u>1,117</u>    | <u>1,206</u>    |
| Total operating expenses   | <u>356,999</u>  | <u>372,780</u>  |
| OPERATING INCOME   | <u>8,519</u>    | <u>16,358</u>   |
| <b>OTHER INCOME AND EXPENSE:</b>   |                 |                 |
| Interest — net   | (1,430)         | (1,886)         |
| Gain (loss) on interest rate swap and other                                      | <u>(252)</u>    | <u>95</u>       |
| Total other expenses   | <u>(1,682)</u>  | <u>(1,791)</u>  |
| INCOME BEFORE INCOME TAXES   | 6,837           | 14,567          |
| INCOME TAX EXPENSE   | <u>2,629</u>    | <u>5,434</u>    |
| NET INCOME   | 4,208           | 9,133           |
| OTHER COMPREHENSIVE INCOME — Supplemental executive retirement plan — net of tax | <u>6</u>        | <u>6</u>        |
| COMPREHENSIVE INCOME   | <u>\$ 4,214</u> | <u>\$ 9,139</u> |

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\* Exclusive of depreciation and amortization expense shown separately below

See notes to condensed financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**CONDENSED STATEMENTS OF STOCKHOLDER'S EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014**  
**(UNAUDITED)**  
**(Dollars in thousands)**

|  | <u>Common Stock</u> |               | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</u> | <u>Total</u>      |
|--|---------------------|---------------|---|------------------------------|--|-------------------|
|  | <u>Shares</u>       | <u>Amount</u> |   |                              |  |                   |
| BALANCE — January 1, 2014                              | 750,000             | \$ 750        | \$ 29,834                                 | \$ 75,422                    | \$ (39)  | \$ 105,967        |
| Net income   |                     |               |   | 4,208                        |  | 4,208             |
| Supplemental executive retirement plan<br>— net of tax |                     |               |   |                              | 6  | 6                 |
| BALANCE — June 30, 2014                                | <u>750,000</u>      | <u>\$ 750</u> | <u>\$ 29,834</u>                          | <u>\$ 79,630</u>             | <u>\$ (33)</u>   | <u>\$ 110,181</u> |

See notes to condensed financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(UNAUDITED)**  
**(Dollars in thousands)**

|  | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   | \$ 10,134        | \$ 19,860        |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                  |                  |
| Capital expenditures   | (3,971)          | (2,980)          |
| Proceeds from sale of assets   | 165              | 6                |
| Net cash used in investing activities  | (3,806)          | (2,974)          |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                  |                  |
| Debt payments  | (3,100)          | (1,616)          |
| Debt issuance costs  | —                | (338)            |
| Principal payments under capital lease obligations                                   | (229)            | (137)            |
| Dividends paid   | —                | (1,000)          |
| Net cash used in financing activities  | (3,329)          | (3,091)          |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 2,999            | 13,795           |
| CASH AND CASH EQUIVALENTS — Beginning of period                                      | 23,192           | 12,066           |
| CASH AND CASH EQUIVALENTS — End of period  | <u>\$ 26,191</u> | <u>\$ 25,861</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — Cash paid during the period for: |                  |                  |
| Interest   | <u>\$ 1,374</u>  | <u>\$ 1,753</u>  |
| Income taxes   | <u>\$ 5,115</u>  | <u>\$ 2,285</u>  |
| NONCASH ACTIVITIES:  |                  |                  |
| Capital expenditures in accounts payable and accrued and other expenses              | <u>\$ 364</u>    | <u>\$ 212</u>    |
| Exchange of fuel inventory (payable) receivable                                      | <u>\$ (254)</u>  | <u>\$ 3,803</u>  |

See notes to condensed financial statements.

**ALOHA PETROLEUM, LTD.**  
**(A Wholly Owned Subsidiary of Henger BV Inc.)**

**CONDENSED NOTES TO FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2014, AND DECEMBER 31, 2013,**  
**AND FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(UNAUDITED)**

**1. ORGANIZATION**

Aloha Petroleum, Ltd. (the “Company”), is a wholly owned subsidiary of Henger BV Inc. (“Parent”), a company organized under the laws of the British Virgin Islands.

The Company is a distributor of petroleum products and operator of convenience stores and fuel terminals in the State of Hawaii.

**2. BASIS OF PRESENTATION**

The condensed financial statements are unaudited. Because of the nature of the Company’s operations, the results for interim periods are not necessarily indicative of results to be expected for the year. While these condensed financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim period, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Therefore, the interim condensed financial statements should be read in conjunction with the balance sheet as of December 31, 2013, and the related statements of comprehensive income, stockholder’s equity, and of cash flows for the year then ended and the notes thereto.

**3. INVENTORIES**

Inventories consist primarily of refined petroleum products, ethanol, and convenience store merchandise. Refined petroleum products and ethanol are stated at the lower of weighted-average cost or market. Convenience store merchandise is stated using the retail inventory method. On January 1, 2014, the Company entered into a fuel supply agreement with a local petroleum supplier to exclusively purchase regular unleaded gasoline, premium unleaded gasoline, and ultra-low sulfur diesel. The costs of these products are based on predefined formulas based on selected national and international market indices. The fuel supply agreement, which expires on December 31, 2014, does not require a minimum purchase amount which resulted in a decrease in inventories on hand from \$33,005,000 at December 31, 2013 to \$23,039,000 at June 30, 2014.

**4. NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. This update establishes the core principle requiring revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. This guidance is effective for the annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2016, and allows for either full retrospective or modified retrospective application, with early adoption not permitted. The Company has not yet determined the

adoption method it will apply and the impact that this guidance will have on its financial statements.

## **5. FINANCIAL INSTRUMENTS**

The carrying amounts of cash and cash equivalents are carried at cost, which management believes approximates fair value because of the short-term maturity of these instruments. As of June 30, 2014, and December 31, 2013, the fair value of the senior secured note approximated \$24,843,000 and \$26,178,000, respectively, compared to its carrying value of \$25,000,000 as of June 30, 2014 and December 31, 2013. At June 30, 2014 and December 31, 2013, the fair value of the term loan approximated its carrying value. As of June 30, 2014 and December 31, 2013, the fair value of the Company's swap agreements was \$144,000 and \$230,000, respectively, and is included in other noncurrent liabilities. The fair value of long-term debt and the Company's interest rate swap agreements have been classified as Level 2 measurements.

## **6. LONG-TERM DEBT**

On June 30, 2014, the Company amended its senior secured note and credit agreement to permit the Company to make a loan to its Parent up to the maximum amount of \$20 million; to allow special dividends to its Parent up to the maximum amount of \$30 million, less any loans to its Parent; and to amend certain financial covenants including the current ratio, fixed charge coverage ratio, tangible net worth, and leverage ratio. Management believes the Company was in compliance with the financial covenants of these agreements as of June 30, 2014.

## **7. INCOME TAXES**

For interim financial reporting periods, the Company estimates its effective annual tax rate based on projected taxable income for the full year and records a tax provision at the estimated annual effective tax rate. In subsequent reporting periods, the Company refines its estimate of taxable income for the full year, and as new information becomes available. Changes to the Company's estimated effective tax rate for the year are recorded as an adjustment to the income tax provision during the period in which the change in estimate occurs, such that the year-to-date provision reflects the expected annual effective tax rate.

## **8. COMMITMENTS AND CONTINGENCIES**

The Company is involved in various immaterial claims arising out of the ordinary course of business. The Company received notification from the United States Environmental Protection Agency (EPA) that several of its terminals did not have sufficiently impervious liners and that the Company could be required to install impervious liners at the terminals. The Company has disputed the alleged noncompliance. As certain of the terminals were recently acquired from a third party, the Company has also put the seller of those terminals on notice for indemnification for the costs to bring the acquired terminals into compliance and any penalties assessed for noncompliance. Management is in discussions with the EPA about the terminal liner requirement. On May 19, 2014, the Company received a demand for civil penalties of \$900,000 from the EPA to resolve the Company's violations of the Clean Air Act and Clean Water Act. In September 2014, management counter-offered an amount substantially lower than the demand amount, and believes the impact of this matter will not have a material effect on the Company's financial statements.

The Company is also in dispute over insurance coverage for the defense of a claim made that was settled in favor of the Company. The insurer is seeking reimbursement of \$1.7 million for premium costs and a security deposit, plus legal fees and costs. In February 2014, the insurer filed a petition to compel arbitration; however, the Company filed a motion for preliminary injunction against the petition. The Company's motion was scheduled to be heard on May 9, 2014 (see Note 9 for update). Management does not believe the Company is liable for the claim, and no amounts have been accrued in the accompanying condensed financial statements. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's financial statements.

## **9. SUBSEQUENT EVENTS**

On August 20, 2014, a jury trial was scheduled for January 11, 2016 to settle the litigation with the insurer discussed in Note 8. Management continues to believe it is not liable for the claim, and does not believe the ultimate disposition of this matter will have a material effect on the Company's financial statements.

On September 8, 2014, the Company acquired three gas stations located on Maui, Hawaii, for approximately \$8 million.

On September 25, 2014, Susser Petroleum Partners LP, a Delaware limited partnership, and Susser Property Company LLC, a Delaware limited liability company (collectively, "Susser"), entered into a purchase and sale agreement ("Purchase Agreement") with the Parent of the Company. Pursuant to the Purchase Agreement, Susser expects to acquire all of the equity interests of the Company in exchange for approximately \$240 million in cash consideration, subject to certain adjustments. The consummation of the merger is subject to various customary closing conditions and is expected to close in the later part of 2014.

The Company evaluated events that have occurred after the condensed balance sheet date through October 21, 2014, the date the condensed financial statements were available to be issued. Based upon the evaluation, the Company did not identify any other recognized or nonrecognized subsequent events that would have required adjustment to or disclosure in the financial statements.

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### **Susser Petroleum Partners LP Announces Public Offering of Common Units Representing Limited Partner Interests**

HOUSTON, Texas, October 21, 2014 — Susser Petroleum Partners LP (NYSE: SUSP) (the “Partnership”) today announced that it has commenced, subject to market conditions, a registered underwritten public offering of 8,000,000 common units representing limited partner interests, pursuant to an effective shelf registration statement on Form S-3 previously filed with the Securities and Exchange Commission (the “SEC”). The Partnership expects to grant the underwriters a 30-day option to purchase up to 1,200,000 additional common units. The Partnership intends to use the net proceeds from the offering, including any net proceeds from the underwriters’ exercise of their option to purchase additional common units, to repay indebtedness under its revolving credit facility and for general partnership purposes.

Morgan Stanley, BofA Merrill Lynch, Barclays, Citigroup, Credit Suisse, Deutsche Bank Securities, Goldman, Sachs & Co., Jefferies, J.P. Morgan, RBC Capital Markets, UBS Investment Bank and Wells Fargo Securities are acting as joint book-running managers of the offering.

The offering may be made only by means of a prospectus supplement and accompanying base prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. A copy of the prospectus supplement and accompanying base prospectus meeting such requirements may be obtained from:

Morgan Stanley  
Attn: Prospectus Department  
180 Varick Street, 2nd Floor  
New York, NY 10014

BofA Merrill Lynch  
222 Broadway  
New York, New York 10038  
Attention: Prospectus Department  
Email: dg.prospectus\_requests@baml.com.

Barclays  
c/o Broadridge Financial Solutions  
1155 Long Island Avenue  
Edgewood, NY 11717  
Telephone: (888) 603-5847  
Email: barclaysprospectus@broadridge.com

Citigroup  
c/o Broadridge Financial Solutions  
1155 Long Island Avenue  
Edgewood, New York 11717  
Phone: (800) 831-9146  
prospectus@citi.com

Credit Suisse  
Attn: Prospectus Department  
One Madison Avenue  
New York, NY 10010  
Email: newyork.prospectus@credit-suisse.com  
Telephone: (800) 221-1037

Deutsche Bank Securities  
Attn: Prospectus Group  
60 Wall Street  
New York, NY 10005-2836  
Email: prospectus.CPDG@db.com  
Telephone: (800) 503-4611



Goldman, Sachs & Co.  
Attn: Prospectus Department  
200 West Street  
New York, NY 10282  
Telephone: 1-201-793-5170  
Email: prospectus-ny@ny.email.gs.com

Jefferies  
Attention: Equity Syndicate Prospectus Department  
520 Madison Avenue, 2nd Floor  
New York, NY, 10022  
Telephone: 877-547-6340 (toll free)  
Email: Prospectus\_Department@Jefferies.com

J.P. Morgan  
Attn: Broadridge Financial Solutions  
1155 Long Island Avenue  
Edgewood, New York 11717  
Phone: (866) 803-9204

RBC Capital Markets  
ATTN: Equity Syndicate  
Three World Financial Center  
200 Vesey St., 8th Floor  
New York, NY 10281  
Phone: (877) 822-4089  
Email: equityprospectus@rbccm.com

UBS Investment Bank  
Attn: Prospectus Dept.  
299 Park Avenue  
New York, New York 10171  
Phone: (888) 827-7275

Wells Fargo Securities  
Attn: Equity Syndicate Dept.  
375 Park Avenue  
New York, New York 10152  
Phone: (800) 326-5897  
cmclientsupport@wellsfargo.com

You may also obtain these documents for free, when they are available, by visiting the SEC's website at [www.sec.gov](http://www.sec.gov).

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

### **About Susser Petroleum Partners LP**

Susser Petroleum Partners LP is a growth-oriented Delaware limited partnership engaged in the primarily fee-based wholesale distribution of motor fuels to Susser Holdings Corporation and third parties. As a result of the recent acquisition of Mid-Atlantic Convenience Stores, LLC, the Partnership, through its subsidiaries, also engages in the retail sale of motor fuel and the operation of retail convenience stores.

### **Cautionary Statement Relevant to Forward-Looking Information**

This press release includes forward-looking statements regarding future events. These forward-looking statements are based on the Partnership's current plans and expectations and involve a numbers 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. For a further discussion of these risks and uncertainties, please refer to the "Risk Factors" section of

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the prospectus supplement and accompanying base prospectus. While the Partnership may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, even if new information becomes available in the future.

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## MACS AND ALOHA BUSINESSES

### MACS

Mid-Atlantic Convenience Stores, LLC ("MACS") engages in the retail sale of motor fuel and the operation of convenience stores (a "Retail and Consignment Business") and the wholesale distribution of motor fuel (a "Wholesale Fuel Distribution Business") throughout Virginia, Maryland, Tennessee and Georgia.

For the year ended December 31, 2013 and the six-months ended June 30, 2014, MACS's gross profit was approximately \$106.4 million and \$64.6 million, respectively, of which 23.6% and 24.8%, respectively, was derived from merchandise sales and 51.3% and 54.2%, respectively, was derived from motor fuel sales.

#### *Retail and Consignment Business*

MACS operates its Retail and Consignment Business through a network of company-operated convenience stores (the "Company-Operated Sites") and other independently operated consignment locations (the "Consignment Sites"). MACS's Retail and Consignment Business consists of 111 Company-Operated Sites, 62 of which are owned in fee simple, and 18 Consignment Sites. At the Company-Operated Sites, MACS operates convenience stores under the *TigerMarket*™, *Circle K*™ and other brands and sells Exxon, Mobil, Sunoco and Shell branded motor fuel. At the Consignment Sites, MACS sells Exxon and Sunoco branded motor fuel through independent operators.

For the year ended December 31, 2013 and the six months ended June 30, 2014, MACS sold 124.7 million and 76.8 million gallons of motor fuel, respectively, for its Retail and Consignment Business.

#### *Wholesale Fuel Distribution Business*

MACS operates a Wholesale Fuel Distribution Business by supplying Company-Operated Sites, Consignment Sites and convenience stores and retail fuel outlets operated by independent operators (the "Dealer Sites"). MACS sells to 182 Dealer Sites and owns a fee interest in 67 of those sites. MACS, through its Wholesale Fuel Distribution Business, is one of the largest distributors of Exxon, Mobil and Sunoco branded fuels in the Mid-Atlantic region. MACS purchases Exxon, Mobil, Sunoco and Shell branded motor fuel to distribute to its wholesale distribution customers.

For the fiscal year ended December 31, 2013, ExxonMobil accounted for approximately 93% of MACS's motor fuel purchases. MACS has fuel supply agreements with ExxonMobil to purchase monthly quantities of branded ExxonMobil fuel at market prices. Under such agreements, MACS is required to pay liquidated damages to ExxonMobil if any of the MACS ExxonMobil sites are de-branded prior to 2025.

MACS has a motor fuel agreement with Sunoco to purchase quarterly quantities of Sunoco-branded motor fuel at market prices. Sunoco may also make available its branded motor oils, automotive lubricants and other products for resale by MACS to MACS's wholesale distribution customers.

MACS leases 111 of its 182 Dealer Sites to third-party dealers under operating leases, which generally have three-year terms, although in certain instances the initial terms may be up to 20 years and contain one or more renewal options. Future minimum lease payments expected to be received under these operating leases for 2014, calculated as of December 31, 2013, were \$14.8 million.

For the fiscal year ended December 31, 2013 and the six months ended June 30, 2014, MACS sold 312.2 million and 137.8 million gallons of branded motor fuel to unaffiliated third parties, respectively.

### Aloha

With a leading presence across the four main Hawaiian islands, Aloha Petroleum, Ltd. ("Aloha") operates (i) a Retail and Consignment Business, (ii) a Wholesale Fuel Distribution Business and (iii) fuel storage terminals. For the year ended December 31, 2013 and the six-months ended June 30, 2014, Aloha's gross profit was

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approximately \$97.1 million and \$45.1 million, respectively, of which 13.2% and 13.9%, respectively, was derived from merchandise sales, 69.1% and 66.7%, respectively, was derived from motor fuel sales, and 17.7% and 19.4%, respectively, was derived from operations at the fuel storage terminals and rental income.

### ***Retail and Consignment Business***

Aloha's Retail and Consignment Business consists of 44 Company-Operated Sites operating primarily under the Aloha Island Mart brand, of which it owns four in fee simple, and 16 Consignment Sites, at which it sells motor fuel through independent operators. Aloha sells Shell, Mahalo and Aloha branded motor fuel at these locations. For the year ended December 31, 2013 and the six months ended June 30, 2014, Aloha's Retail and Consignment Business sold 66.3 million and 29.7 million gallons of fuel, respectively.

### ***Wholesale Fuel Distribution Business***

Aloha sells and delivers fuel to 41 Dealer Sites, of which 6 are owned in fee simple, along with other third-party wholesale commercial customers. Of the 41 Dealer Sites, 30 are Shell franchises pursuant to a 20-year master franchise agreement, eight are Aloha-branded and three are unbranded locations. For the year ended December 31, 2013 and the six months ended June 30, 2014, Aloha's Wholesale Distribution Business sold 117.6 million and 57.0 million gallons of fuel to unaffiliated third parties, respectively.

Aloha conducts a Wholesale Distribution Business through a fleet of 27 tanker trucks and trailers, with an approximate capacity of 4,000 gallons each.

Aloha is party to fuel supply agreements with local Hawaiian petroleum suppliers to purchase regular unleaded gasoline, premium unleaded gasoline and ultra-low sulfur diesel. The costs of these products are based on predefined formulas based on selected national and international market indices. In addition, Aloha has fuel exchange agreements with its suppliers.

### ***Fuel Storage Terminals***

Aloha operates six fuel storage terminals located across four Hawaiian islands. Of the six fuel storage terminals, Aloha owns three in fee simple and leases three subject to ground leases. Each fuel storage terminal is capable of taking fuel deliveries via pipelines from a nearby port or harbor, and two of the terminals are connected to refineries from which they receive fuel for resale to wholesale customers and other industry participants.

The fuel storage terminals have a combined storage capacity of 918,000 barrels, or approximately 38.4 million gallons. During 2013, the average daily throughput for the six terminals was approximately 22,300 barrels, and the terminals operated at approximately 48% capacity. Aloha has terminalling agreements to provide certain services at its terminals in connection with the receipt, storage and delivery of regular and premium gasoline, on-road diesel fuel, ethanol and jet fuel.

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## RISK FACTORS

*Our business is subject to uncertainties and risks. Before you invest in our common units you should carefully consider the risk factors below, as well as the risk factors included in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. If any of the risks discussed in the foregoing documents were to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected and you could lose all or part of your investment.*

For purposes of these Risk Factors, the “Aloha Acquisition” refers to the pending acquisition by Susser Petroleum Property Company LLC, our wholly owned subsidiary (“PropCo”), of all of the issued and outstanding shares of capital stock of Aloha Petroleum, Ltd. (“Aloha”) from Henger BV Inc. (“Henger”) for total consideration of \$240 million in cash, subject to a post-closing earn-out, certain closing adjustments and before transaction costs and expenses, pursuant to a purchase and sale agreement, dated September 25, 2014 (the “Aloha Purchase Agreement”). For purposes of these Risk Factors, the “MACS Acquisition” refers to our acquisition of a 100% membership interest in Mid-Atlantic Convenience Stores, LLC (“MACS”) from ETC M-A Acquisition LLC, an indirect wholly owned subsidiary of Energy Transfer Partners, L.P., for (i) \$556 million in cash, subject to certain working capital adjustments, and (ii) 3,983,540 of our common units, which closed on October 1, 2014. For purposes of these Risk Factors, “Acquisitions” refers to our pending Aloha Acquisition and our MACS Acquisition, collectively.

### **Risks Related to Our Acquisition Strategy, the Acquisitions and Potential Future Acquisitions**

*If we are unable to make acquisitions on economically acceptable terms from ETP or third parties, our future growth and ability to increase distributions to unitholders will be limited.*

A portion of our strategy to grow our business and increase distributions to unitholders is dependent on our ability to make acquisitions that result in an increase in cash flow. The acquisition component of our growth strategy is based, in large part, on our expectation of ongoing divestitures of retail and wholesale fuel distribution assets by industry participants, including Energy Transfer Partners, L.P. (“ETP”). ETP has no contractual obligations to contribute any assets to us or accept any offer for its assets that we may choose to make. If we are unable to make acquisitions from ETP or third parties for any reason, including if we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, we are unable to obtain financing for these acquisitions on economically acceptable terms, we are outbid by competitors or we or the seller are unable to obtain any necessary consents, our future growth and ability to increase distributions to unitholders will be limited. In addition, if we consummate any future acquisitions, our capitalization and results of operations may change significantly, and unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of these funds and other resources.

Pursuant to an omnibus agreement (the “Omnibus Agreement”) between the Partnership and Susser Holdings Corporation (SUSS) upon the closing of the initial public offering of our common units on September 25, 2012 (“IPO”) we were granted a three-year option to purchase up to 75 new or recently constructed *Stripes*® convenience stores from SUSS and lease them back to SUSS on specified terms set forth in a lease agreement, including a specified lease rate, for an initial term of 15 years. However, such specified terms may not be economically favorable to us in the future, and we may not choose to continue to exercise this option.

In addition, we expect to grow through additional sale and leaseback transactions with SUSS beyond the option set forth in the Omnibus Agreement. However, SUSS is under no obligation to pursue acquisitions with us, enter into additional sale and leaseback arrangements with us or generally pursue projects that enhance the value of our business. Finally, we may complete acquisitions which at the time of completion we believe will be accretive, but which ultimately may not be accretive. If any of these events were to occur, our future growth would be limited.

*Any acquisitions, including the Acquisitions and any future contributions to us of Sunoco or SUSS assets by ETP, are subject to substantial risks that could adversely affect our financial condition and results of operations and reduce our ability to make distributions to unitholders.*

Any acquisitions, including the Acquisitions and any future contributions to us of Sunoco, Inc. (“Sunoco”) or SUSS assets by ETP, involve potential risks, including, among other things:

- the validity of our assumptions about revenues, capital expenditures and operating costs of the acquired business or assets, as well as assumptions about achieving synergies with our existing business;

- the validity of our assessment of environmental and other liabilities, including legacy liabilities;
- the costs associated with additional debt or equity capital, which may result in a significant increase in our interest expense and financial leverage resulting from any additional debt incurred to finance the acquisition, or the issuance of additional common units on which we will make distributions, either of which could offset the expected accretion to our unitholders from such acquisition and could be exacerbated by volatility in the equity or debt capital markets;
- a failure to realize anticipated benefits, such as increased available cash per unit, enhanced competitive position or new customer relationships;
- a decrease in our liquidity by using a significant portion of our available cash or borrowing capacity to finance the acquisition; and
- the incurrence of other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

***The pending Aloha Acquisition may not be consummated, which could have an adverse impact on our cash available for distribution.***

The pending Aloha Acquisition is subject to a number of closing conditions that, if not satisfied or waived, would result in the failure of the pending Aloha Acquisition to be consummated. These conditions include, but are not limited to, the accuracy of each party's representations and warranties contained in the Aloha Purchase Agreement, the performance by each party of its respective obligations under the Aloha Purchase Agreement, the absence of any court order or law restraining consummation of the pending Aloha Acquisition and the receipt of all necessary governmental and material third-party consents. Satisfaction of many of these closing conditions is beyond our control and, as a result, we cannot assure you that all of the closing conditions will be satisfied or that the pending Aloha Acquisition will be consummated. Our failure to complete the pending Aloha Acquisition or any delays in completing the pending Aloha Acquisition could have an adverse impact on our operations, prospects and cash available for distribution and could negatively impact the price of our common units. If you decide to purchase our common units, you should be willing to do so whether or not we complete the pending Aloha Acquisition.

***Integration of the assets acquired in the Acquisitions, other future acquisitions, or future contributions by ETP with our existing business will be a complex, time-consuming and costly process, particularly given that the acquired assets will significantly increase our size and diversify the geographic areas in which we operate. A failure to successfully integrate the acquired assets with our existing business in a timely manner may have a material adverse effect on our business, financial condition, results of operations or cash flows.***

The difficulties of integrating Aloha and MACS, other future acquisitions, or future contributions by ETP with our business include, among other things:

- difficulties operating in a larger combined organization in new geographic areas and new lines of business;
- the inability to hire, train or retain qualified personnel to manage and operate our growing business and assets;
- difficulties in integrating management teams and employees into our operations and establishing effective communication and information exchange with such management teams and employees;
- the diversion of management's attention from our existing business;
- difficulties in the assimilation of the acquired assets and operations, including additional regulatory programs;

- loss of customers or key employees;
- maintaining an effective system of internal controls and integrating internal controls, compliance under the Sarbanes-Oxley Act of 2002 and other regulatory compliance and corporate governance matters; and
- difficulties integrating new technology system or financial reporting.

If any of these risks or unanticipated liabilities or costs were to materialize, then any desired benefits from the Acquisitions, other future acquisitions, or contributions by ETP may not be fully realized, if at all, and our future results of operations could be negatively impacted. In addition, the assets acquired in the Acquisitions, other future acquisitions, or contributions by ETP, may actually perform at levels below the forecasts we used to evaluate the acquired assets, due to factors that are beyond our control. If the acquired assets perform at levels below the forecasts we used to evaluate the Acquisitions, other future acquisitions, or contributions by ETP, then our future results of operations could be negatively impacted.

Also, our reviews of businesses or assets proposed to be acquired are inherently imperfect because it generally is not feasible to perform an in-depth review of businesses and assets involved in each acquisition given time constraints imposed by sellers. Even a detailed review of assets and businesses may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the assets or businesses to fully assess their deficiencies and potential. Inspections may not always be performed on every asset, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

***Any acquisitions we complete, including the Acquisitions, are subject to substantial risks that could reduce our ability to make distributions to unitholders.***

Even if we do make acquisitions that we believe will increase available cash per unit, these acquisitions may nevertheless result in a decrease in available cash per unit. Any acquisition involves potential risks, including, among other things:

- we may not be able to obtain the cost savings and financial improvements we anticipate or acquired assets may not perform as we expect;
- we may not be able to successfully integrate the assets or management teams of the businesses we acquire with our assets and management team;
- we may fail or be unable to discover some of the liabilities of businesses that we acquire, including liabilities resulting from a prior owner's noncompliance with applicable federal, state or local laws;
- acquisitions may divert the attention of our senior management from focusing on our core business;
- we may experience a decrease in our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions; and
- we face the risk that our existing financial controls, information systems, management resources and human resources will need to grow to support future growth.

***The Acquisitions create direct or increased exposure to risks associated with our operation of retail convenience stores.***

We have not historically operated retail convenience stores and the vast majority of our revenues and distributable cash have historically come from the distribution of motor fuels at contracted prices. Consequently, our exposure to the risks associated with operating retail convenience stores has historically been indirect, primarily through the possibility that those risks might lead to volume or margin declines resulting from our distribution of motor fuel to those retail outlets. Pro forma for the completion of the Acquisitions, 22.4% of our 2013 gross profit would have come from retail fuel sales and 13.6% would have

come from retail merchandise sales. Consequently, the Acquisitions expose us directly and meaningfully to many new risks associated with the retail convenience industry, including retail fuel margin volatility, competition from other retailers, premises liability, food contamination and merchandise defects, health and safety concerns and merchandise supply and distribution risks. Please read “—Risks Related to our Business Following the Acquisitions” which includes a discussion of additional risks to our business based upon our entry into retail operations as a result of the Acquisitions.

***Compliance with and liability under local, state and federal environmental regulations related to our pending Aloha Acquisition, including those that require investigation and remediation activities, may require significant expenditures or result in liabilities that could have a material adverse effect on our business.***

As with our other businesses, the Aloha business is subject to various federal, state and local environmental laws and regulations, including those relating to the release or discharge of regulated materials into the air, water and soil, the generation, storage, handling, use, transportation and disposal of hazardous materials, the exposure of persons to regulated materials, and the health and safety of our employees. A violation of, liability under or compliance with these laws or regulations or any future environmental laws or regulations, could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders. With the acquisition of Aloha, we will be subject to a number of additional environmental, health and safety programs. In particular, there are a number of environmental and safety programs applicable to the terminals, including programs to respond to spills and emergencies.

Regulations under the Water Pollution Control Act of 1972 (the “Clean Water Act”), the Oil Pollution Act of 1990 (“OPA 90”) and state laws impose regulatory burdens on terminal operations. Spill prevention control and countermeasure requirements of federal laws and state laws require containment to mitigate or prevent contamination of waters in the event of a refined product overflow, rupture, or leak from above-ground pipelines and storage tanks. The Clean Water Act requires us to maintain spill prevention control and countermeasure plans at our terminal facilities with above-ground storage tanks and pipelines. In addition, OPA 90 requires that most fuel transport and storage companies maintain and update various oil spill prevention and oil spill contingency plans. Facilities that are adjacent to water require the engagement of Federally Certified Oil Spill Response Organizations (“OSROs”) to be available to respond to a spill on water from above ground storage tanks or pipelines. In addition, the transportation and storage of refined products over and adjacent to water involves risk and potentially subjects us to strict, joint, and potentially unlimited liability for removal costs and other consequences of an oil spill where the spill is into navigable waters, along shorelines or in the exclusive economic zone of the United States. In the event of an oil spill into navigable waters, substantial liabilities could be imposed upon us. The Clean Water Act also imposes restrictions and strict controls regarding the discharge of pollutants into navigable waters. The Clean Water Act can impose substantial potential liability for the violation of permits or permitting requirements. For example, we may incur costs of up to \$7 million or more to install impervious liners within secondary containment facilities at a terminal in Hawaii after closing of the Aloha Acquisition to bring the terminal properties into compliance with the federal Clean Water Act, which costs, if realized, may have a material adverse effect on our business, liquidity and results of operations and cash available for distribution to our unitholders. In a related matter, Aloha is in negotiations with the U.S. Environmental Protection Agency (“EPA”) and the Department of Justice regarding alleged violations of the Clean Water Act related to a spill from one of the same terminals in 2011. It is possible that the final settlement could be greater than \$100,000.

In addition, the terminal operations and associated facilities are subject to the Clean Air Act and comparable state and local statutes. Under these laws, permits may be required before construction can commence on a new source of potentially significant air emissions, and operating permits may be required for sources that are already constructed. If regulations become more stringent, additional emission control technologies may be required to be installed at our facilities. Any such future obligations could require us to incur significant additional capital or operating costs. For example, Aloha is in settlement discussions



with EPA and the Department of Justice regarding alleged violations of the New Source Performance Standards under the Clean Air Act. It is likely that the final settlement will be greater than \$100,000.

Finally, terminal operations are also subject to additional programs and regulations under the Occupational Safety and Health Act (“OSHA”). A violation of, liability under or compliance with these laws or regulations or any future safety laws or regulations, could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders.

***We are relying upon the creditworthiness of Henger, which is indemnifying us for certain liabilities associated with the pending Aloha Acquisition. To the extent Henger is unable to satisfy its obligations to us, we may have no recourse under the Aloha Purchase Agreement and will bear the risk of certain liabilities associated with the pending Aloha Acquisition.***

Under the Aloha Purchase Agreement, Henger has agreed to indemnify us and our affiliates out of an escrow account (the “Escrow Account”) from any and all claims and losses actually suffered or incurred by us or our affiliates arising out of or relating to the breach of Henger’s representations, warranties or covenants or agreements contained in the Aloha Purchase Agreement. Henger’s indemnification obligations are generally limited by an aggregate ceiling equal to the Escrow Account, which is \$12.0 million. However, this aggregate ceiling does not apply to certain indemnification obligations relating to the breach of Henger’s fundamental representations, covenants or agreements contained in the Aloha Purchase Agreement, which are each subject to a ceiling equal to the total cash consideration pursuant to the Aloha Purchase Agreement. Henger has also agreed to indemnify us and our affiliates from certain environmental liabilities, including two specified environmental penalties amounting to \$900,000 that Aloha received notice of from the EPA and United States Department of Justice (collectively, the “Environmental Liabilities”). Henger retains responsibility after the closing of the pending Aloha Acquisition for such Environmental Liabilities.

To the extent Henger is unable to satisfy its indemnification obligations to us that are not limited to the Escrow Account, we may have no recourse under the Aloha Purchase Agreement and will bear the risk of certain liabilities associated with the pending Aloha Acquisition that are not covered by the Escrow Account, which could materially adversely affect our financial condition, results of operations or cash flows.

#### **Risks Related to Our Business Following the Acquisitions**

***We may not have sufficient cash from operations following the establishment of cash reserves and payment of costs and expenses, including cost reimbursements to our general partner, to enable us to pay the minimum quarterly distribution to our unitholders.***

We may not have sufficient cash each quarter to pay the full amount of our minimum quarterly distribution of \$0.4375 per unit, or \$1.75 per unit per year. The amount of cash we can distribute on our common and subordinated units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on a number of factors, some of which are beyond our control, including, among other things:

- volatility of prices for motor fuel;
- demand for motor fuel in the markets we serve, including seasonal fluctuations in demand for motor fuel;
- competition from other companies that sell motor fuel products or have convenience stores in our market areas;

- regulatory action affecting the supply of or demand for motor fuel, our operations, our existing contracts or our operating costs; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors including:

- the level and timing of capital expenditures we make;
- the cost of acquisitions, if any;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- reimbursements made to our general partner and its affiliates for all direct and indirect expenses they incur on our behalf pursuant to the partnership agreement;
- our ability to borrow funds and access capital markets;
- restrictions contained in debt agreements to which we are a party; and
- the amount of cash reserves established by our general partner.

***Historical prices for motor fuel have been volatile and significant changes in such prices in the future may adversely affect the profitability of our retail operations.***

Crude oil and domestic petroleum markets are volatile. General economic and political conditions, acts of war or terrorism and instability in oil producing regions, particularly in the Middle East and South America, could significantly impact crude oil supplies and petroleum costs. Significant increases and volatility in petroleum costs could impact consumer demand for motor fuel and convenience merchandise. This volatility makes it extremely difficult to predict the impact future petroleum costs fluctuations will have on our operating results and financial condition. Our recent acquisition of MACS and our pending acquisition of Aloha increases our exposure to such volatility due to the inherently greater degree of volatility in retail, versus wholesale, motor fuel margins. A significant change in any of these factors could materially impact both wholesale and retail fuel margins, the volume of motor fuel we distribute or sell at retail, and overall customer traffic, each of which in turn could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders.

***The convenience store industry is highly competitive and impacted by new entrants and our failure to effectively compete could result in lower sales and lower margins.***

The geographic areas in which we operate are highly competitive and marked by ease of entry and constant change in the number and type of retailers offering products and services of the type we sell in our stores. We compete with other convenience store chains, independently owned convenience stores, motor fuel stations, supermarkets, drugstores, discount stores, dollar stores, club stores, mass merchants and local restaurants. Over the past 15 years, several non-traditional retailers, such as supermarkets, hypermarkets, club stores and mass merchants, have impacted the convenience store industry, particularly in the geographic areas in which we operate, by entering the motor fuel retail business. These non-traditional motor fuel retailers have captured a significant share of the motor fuels market, and we expect their market share will continue to grow. In some of our markets, our competitors have been in existence longer and have greater financial, marketing and other resources than we do. As a result, our competitors may be able to respond better to changes in the economy and new opportunities within the industry. To remain competitive, we must constantly analyze consumer preferences and competitors' offerings and prices to ensure that we offer a selection of convenience products and services at competitive prices to meet consumer demand. We must also maintain and upgrade our customer service levels, facilities and locations

to remain competitive and attract customer traffic to our stores. We may not be able to compete successfully against current and future competitors, and competitive pressures faced by us could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders.

***SUSS is our largest customer, and we are dependent on SUSS for a significant majority of our revenues. Therefore, we are subject to the business risks of SUSS. If SUSS changes its business strategy, is unable to satisfy its obligations under our various commercial agreements for any reason, or significantly reduces the volume of motor fuel it purchases under the SUSS Distribution Contract, our revenues will decline and our financial condition, results of operations, cash flows and ability to make distributions to our unitholders will be adversely affected.***

For the year ended December 31, 2013, SUSS accounted for approximately 66.2% of our revenues, 44.5% of our gross profit and 67.0% of our motor fuel volumes sold. We are the exclusive distributor of motor fuel to SUSS's existing *Stripes*® convenience stores and independently operated consignment locations pursuant to our long-term, fee based fuel distribution agreement with SUSS (the "SUSS Distribution Contract"). The SUSS Distribution Contract does not impose any minimum volume obligations on SUSS and SUSS will have a limited ability to remove *Stripes*® convenience stores from the SUSS Distribution Contract. If SUSS changes its business strategy or significantly reduces the volume of motor fuel it purchases for its *Stripes*® convenience stores and independently operated consignment locations, our cash flows will be adversely impacted. Any event, whether in our areas of operation or otherwise, that materially and adversely affects SUSS's financial condition, results of operation or cash flows may adversely affect our ability to sustain or increase cash distributions to our unitholders. Accordingly, we are indirectly subject to the operational and business risks of SUSS, some which are related to the following:

- competitive pressures from convenience stores, gasoline stations, and non-traditional fuel retailers such as supermarkets, club stores and mass merchants located in SUSS's markets;
- volatility in prices for motor fuel, which could adversely impact consumer demand for motor fuel;
- increasing consumer preferences for alternative motor fuels, or improvements in fuel efficiency;
- seasonal trends in the convenience store industry, which significantly impact motor fuel sales;
- the impact of severe or unfavorable weather conditions on SUSS's or our facilities or communications networks, or on consumer behavior, travel and convenience store traffic patterns;
- cross-border risks associated with the concentration of SUSS's stores in markets bordering Mexico;
- SUSS's dependence on information technology systems;
- SUSS's ability to build or acquire and successfully integrate new stores;
- the operation of SUSS's retail stores in close proximity to stores of our other customers; and
- risks relating to SUSS's dependence on us for cash flow generation.

Finally, we have no control over SUSS, our largest source of revenue and our primary customer. SUSS may elect to pursue a business strategy that does not favor us and our business. Our general partner and its affiliates, including SUSS and ETP, have conflicts of interest with us and limited fiduciary duties and they may favor their own interests to the detriment of us and our unitholders.

***The dangers inherent in the storage of motor fuel could cause disruptions and could expose us to potentially significant losses, costs or liabilities.***

We store motor fuel in underground and above ground storage tanks. Our operations are subject to significant hazards and risks inherent in storing motor fuel. These hazards and risks include, but are not limited to, fires, explosions, spills, discharges and other releases, any of which could result in distribution difficulties and disruptions, environmental pollution, governmentally-imposed fines or clean-up obligations, personal injury or wrongful death claims and other damage to our properties and the properties of others. As a result, any such event not covered, or only partially covered, by our insurance could have a material adverse effect on our business, financial condition and results of operations and cash available for distribution to our unitholders.

***We may incur costs or liabilities as a result of litigation or adverse publicity resulting from concerns over food quality, product safety, health or other negative events or developments that could cause consumers to avoid our retail locations.***

We may be the subject of complaints or litigation arising from food-related illness or product safety which could have a negative impact on our business. Additionally, negative publicity, regardless of whether the allegations are valid, concerning food quality, food safety or other health concerns, food service facilities, employee relations or other matters related to our operations may materially adversely affect demand for our food and other products and could result in a decrease in customer traffic to our retail stores.

It is critical to our reputation that we maintain a consistent level of high quality at our food service facilities and other franchise or fast food offerings. Health concerns, poor food quality or operating issues stemming from one store or a limited number of stores could materially and adversely affect the operating results of some or all of our stores and harm our company-owned brands, continuing favorable reputation, market value and name recognition.

***The growth of our wholesale business depends in part on SUSS's ability to construct, open and profitably operate new Stripes<sup>®</sup> convenience stores. If SUSS does not construct additional Stripes<sup>®</sup> convenience stores, our growth strategy and ability to increase cash distributions to our unitholders may be adversely affected.***

A significant part of our growth strategy is to increase our wholesale fuel distribution volumes and rental income relating to newly constructed Stripes<sup>®</sup> convenience stores. SUSS may not be able to construct and open new convenience stores, and any new stores that SUSS opens may be unprofitable or fail to attract expected volumes of motor fuel sales. Several factors that could affect SUSS's ability to open and profitably operate new stores include:

- competition in targeted market areas;
- the inability to identify and acquire suitable sites for new stores or to negotiate acceptable leases for such sites;
- difficulties in adapting distribution and other operational and management systems to an expanded network of stores;
- the potential inability to obtain adequate financing to fund its expansion; and
- difficulties in obtaining governmental and other third-party consents, permits and licenses needed to construct and operate additional stores.

Furthermore, SUSS is not obligated to construct additional Stripes<sup>®</sup> convenience stores nor enter into additional sale and leaseback transactions with respect to any newly constructed stores beyond the sale and leaseback option under the Omnibus Agreement. Additionally, under the SUSS Distribution Contract, SUSS will continue to have the right to convert a limited number of stores each year to third-party

consignment contracts, and the third-party wholesalers party to such consignment contracts would not be obligated to purchase any motor fuel from us. If SUSS were to determine in the future that growth via the construction of additional *Stripes*® convenience stores or additional sale and leaseback transactions is not attractive or that it is more advantageous to contract for third-party consignment sales of motor fuel at existing or future locations as opposed to SUSS selling the motor fuel, it could adversely impact our ability to grow our motor fuel volumes and rental income and our ability to make distributions to our unitholders could be adversely affected.

***A significant decrease in demand for motor fuel in the areas we serve would reduce our ability to make distributions to our unitholders.***

A significant decrease in demand for motor fuel in the areas that we serve could significantly reduce our revenues and, therefore, reduce our ability to make or increase distributions to our unitholders. Our revenues are dependent on various trends, such as trends in commercial truck traffic, travel and tourism in our areas of operation, and these trends can change. Furthermore, seasonal fluctuations or regulatory action, including government imposed fuel efficiency standards, may affect demand for motor fuel. Because certain of our operating costs and expenses are fixed and do not vary with the volumes of motor fuel we distribute, our costs and expenses might not decrease ratably or at all should we experience a reduction in our volumes distributed. As a result, we may experience declines in our profit margin if our fuel distribution volumes decrease.

***Certain of our contracts with suppliers currently have early payment and volume-related discounts which reduce the price we pay for motor fuel that we purchase from them. If we are unable to renew these contracts on similar terms, our gross profit will correspondingly decrease.***

Certain of our contracts with suppliers currently have early payment and volume-related discounts based on the timing of our payment and the market price of the fuel and volumes that we purchase. During the year ended December 31, 2013 we received early payment and volume-related discounts on approximately 41% of all motor fuel volumes purchased. If we were to be unable to qualify for these discounts, or unable to renew these contracts on similar terms, our gross profit would decrease, which could, in turn, reduce our cash available for distribution to our unitholders.

***We currently depend on limited principal suppliers for the majority of our motor fuel in each of our operating areas. A failure by a principal supplier to renew our supply agreement or an unexpected change in our supplier relationships could have a material adverse effect on our business.***

We currently depend on limited principal suppliers for the majority of our motor fuel in each of our operating areas. If any of our principal suppliers elect not to renew their contracts with us, we may be unable to replace the volume of motor fuel we currently purchase from them on similar terms or at all. Furthermore, an unexpected change in our relationship with our principal fuel suppliers could have a material adverse effect on our business, results of operation and cash available for distribution to our unitholders.

***We are exposed to performance risk in our supply chain. If our suppliers are unable to sell to us sufficient amounts of motor fuel products, we may be unable to satisfy our customers' demand for motor fuel.***

We rely upon our suppliers to timely provide the volumes and types of motor fuels for which they contract with us. We purchase motor fuels from a variety of suppliers under term contracts. Generally, our supply contracts do not guarantee that we will receive all of the volumes that we need to fulfill the demands of our distribution customers. In times of extreme market demand or supply disruption, we may be unable to acquire enough fuel to satisfy the fuel demand of our customers. Furthermore, the feedstock for a significant portion of our supply comes from other countries, which could be disrupted by political

events. In the event that such feedstock becomes scarce, whether as a result of political events or otherwise, we may be unable to meet our customers' demand for motor fuel.

***We currently depend on a limited number of principal suppliers in each of our operating areas for a substantial portion of our merchandise inventory and our products and ingredients for our food service facilities. A disruption in supply or a change in either relationship could have a material adverse effect on our business.***

We currently depend on a limited number of principal suppliers in each of our operating areas for a substantial portion of our merchandise inventory and our products and ingredients for our food service facilities. If any of our principal suppliers elect not to renew their contracts with us, we may be unable to replace the volume of merchandise inventory and products and ingredients we currently purchase from them on similar terms or at all in those operating areas. Further, a disruption in supply or a significant change in our relationship with any of these suppliers could have a material adverse effect on our business and results of operations.

***Increasing consumer preferences for alternative motor fuels, or improvements in fuel efficiency, could adversely impact our business.***

Any technological advancements, regulatory changes or changes in consumer preferences causing a significant shift toward alternative motor fuels, or non-fuel dependent means of transportation, could reduce demand for the conventional petroleum based motor fuels we currently sell. Additionally, a shift toward electric, hydrogen, natural gas or other alternative or non fuel-powered vehicles could fundamentally change our customers' shopping habits or lead to new forms of fueling destinations or new competitive pressures. Finally, new technologies developed to improve fuel efficiency or governmental mandates to improve fuel efficiency may result in decreased demand for petroleum-based fuel. Any of these outcomes could potentially result in fewer visits to our convenience stores, a reduction in demand from our wholesale customers, decreases in both fuel and merchandise sales revenue or reduced profit margins, any of which could have a material adverse effect on our business, financial condition and results of operations and cash available for distribution to our unitholders.

***General economic, financial and political conditions may materially adversely affect our results of operations and financial conditions and cash available for distribution to our unitholders.***

General economic, financial and political conditions may have a material adverse effect on our results of operations and financial condition and cash available for distribution to our unitholders. Declines in consumer confidence and/or consumer spending, continuing high unemployment, significant inflationary or deflationary changes or disruptive regulatory or geopolitical events could contribute to increased volatility and diminished expectations for the economy and our markets, including the market for our goods and services, and lead to demand or cost pressures that could negatively and adversely impact our business. Examples of these types or conditions would include a general or prolonged decline or shocks to regional or broader macro-economies; regulatory changes that could impact the markets in which we operate, such as immigration or trade reform laws or regulations prohibiting or limiting hydraulic fracturing, which could reduce demand for our goods and services or lead to pricing, currency or other pressures; or deflationary economic pressures, which could hinder our ability to operate profitably in view of the challenges inherent in making corresponding deflationary adjustments to our cost structure, which includes significant levels of both fixed costs, such as rent and interest expense, that would require significant structural changes to reduce or eliminate as well as variable costs, such as labor expenses, which could reduce profitability if they do not fall as quickly or as much as the prices we are able to charge for our goods and services. The nature of these types of risks, which are often unpredictable, makes them difficult to plan for, or otherwise mitigate, and they are generally uninsurable, which compounds their potential impact on our business.

***Compliance with and liability under existing and future local, state and federal environmental regulation, including those that require investigation and remediation activities, may require significant expenditures or result in liabilities that could have a material adverse effect on our business.***

Our business is subject to various federal, state and local environmental laws and regulations, including those relating to underground storage tanks, the release or discharge of regulated materials into the air, water and soil, the generation, storage, handling, use, transportation and disposal of hazardous materials, the exposure of persons to regulated materials, and the health and safety of our employees. A violation of, liability under or compliance with these laws or regulations or any future environmental laws or regulations, could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders.

Certain environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), impose strict, and under certain circumstances, joint and several, liability on the owner and operator as well as former owners and operators of properties for the costs of investigation, removal or remediation of contamination and also impose liability for any related damages to natural resources without regard to fault. In addition, under CERCLA and similar state laws, as persons who arrange for the transportation, treatment or disposal of hazardous substances, we also may be subject to similar liability at sites where such hazardous substances come to be located. We may also be subject to third-party claims alleging property damage and/or personal injury in connection with releases of or exposure to hazardous substances at, from or in the vicinity of our current or former properties or off-site waste disposal sites. The costs associated with the investigation and remediation of contamination, as well as any associated third party claims, could be substantial, and could have a material adverse effect on our business and results of operations and our ability to service our outstanding indebtedness. In addition, the presence of, or failure to, remediate identified or unidentified contamination at our properties could potentially materially adversely affect our ability to sell or rent such property or to borrow money using such property as collateral.

We are required to make financial expenditures to comply with regulations governing underground storage tanks adopted by federal, state and local regulatory agencies. Compliance with existing and future environmental laws regulating underground storage tank systems of the kind we use may require significant capital expenditures in the future. For example, on September 23, 2014, the EPA sent a revised rulemaking originally proposed in November 2011 to the federal Office of Management and Budget for final review that, once adopted by the EPA, would amend the existing federal underground storage tank rules in a manner that could require us to incur added costs to comply, which costs may be substantial. The EPA currently projects that the revised rulemaking will be adopted by the end of 2014. Expenditures under existing or future laws and regulations may include upgrades, modifications, and the replacement of underground storage tanks and related piping to comply with current and future regulatory requirements designed to ensure the detection, prevention, investigation and remediation of leaks and spills.

In addition, the Clean Air Act and similar state laws impose requirements on emissions to the air from motor fueling activities in certain areas of the country, including those that do not meet state or national ambient air quality standards. These laws may require the installation of vapor recovery systems to control emissions of volatile organic compounds to the air during the motor fueling process. While we believe we are in material compliance with all applicable regulatory requirements with respect to underground storage tank systems of the kind we use, the regulatory requirements may become more stringent or apply to an increased number of underground storage tanks in the future, which would require additional, potentially material, expenditures.

We are required to comply with federal and state financial responsibility requirements to demonstrate that we have the ability to pay for cleanups or to compensate third parties for damages incurred as a result of a release of regulated materials from our underground storage tank systems. We seek to comply with these requirements by maintaining insurance that we purchase from private insurers and in certain

circumstances, rely on applicable state trust funds, which are funded by underground storage tank registration fees and taxes on wholesale purchase of motor fuels. The coverage afforded by each fund varies and is dependent upon the continued maintenance and solvency of each fund. More specifically, in Texas we met our financial responsibility requirements by state trust fund coverage for claims asserted prior to December 1998 (claims reported after that date are ineligible for reimbursement) and all claims covered by the fund were paid by August 31, 2012 when the fund expired. We meet such requirements for claims asserted after December 1998 through insurance that we have obtained from private insurers. In Oklahoma and New Mexico, we meet our financial responsibility requirements by state trust fund coverage for cleanup liability and meet the requirements for third-party liability through private insurance. In Tennessee and Georgia, our financial responsibility requirements are covered under the state trust fund up to the fund limits backed by private insurance for those sites where cleanup costs exceed the coverage of the fund and meet the requirements for third-party liability through private insurance. The sites in Virginia are covered under the state fund for site cleanup, backed by parental guarantees and private insurance at sites where the cleanup costs exceed fund limits and private insurance for third-party claims. Finally, in Maryland, we meet our financial responsibility requirements through private insurance for both cleanup costs and third-party claims.

We are currently responsible for investigating and remediating contamination at a number of our current and former properties. We are entitled to reimbursement for certain of these costs under various third-party contractual indemnities, and insurance policies, subject to eligibility requirements, deductibles, per incident, annual and aggregate caps. To the extent third parties (including insurers) do not pay for investigation and remediation as we anticipate, and/or insurance is not available, we will be obligated to make these additional payments, which could materially adversely affect our business, liquidity and results of operations and cash available for distribution to our unitholders.

We believe we are in material compliance with applicable environmental requirements; however, we cannot ensure that violations of these requirements will not occur in the future. Although we have a comprehensive environmental, health and safety program, we may not have identified all of the environmental liabilities at all of our current and former locations; material environmental conditions not known to us may exist; existing and future laws, ordinances or regulations may impose material environmental liability or compliance costs on us; or we may be required to make material environmental expenditures for remediation of contamination that has not been discovered at existing locations or locations that we may acquire.

Furthermore, new laws, new interpretations of existing laws, increased governmental enforcement of existing laws or other developments could require us to make additional capital expenditures or incur additional liabilities. The occurrence of any of these events could have a material adverse effect on our business and results of operations and cash available for distribution to our unitholders.

***Pending or future consumer or other litigation could adversely affect our financial condition and results of operations.***

Our retail operations are characterized by a high volume of customer traffic and by transactions involving a wide array of product selections. These operations carry a higher exposure to consumer litigation risk when compared to the operations of companies operating in many other industries. Consequently, we are frequently party to individual personal injury, bad fuel, products liability and other legal actions in the ordinary course of our business. While we believe these actions are generally routine in nature, incidental to the operation of our business and immaterial in scope, if our assessment of any action or actions should prove inaccurate our financial condition and results of operations could be adversely affected.

Additionally, we are occasionally exposed to industry-wide or class-action claims arising from the products we carry, the equipment or processes we use or employ or industry-specific business practices. In



recent years several retailers have also experienced data breaches resulting in exposure of sensitive customer data, including payment card information. Any such breach of our systems, or any failure to secure our systems against such a breach, could expose us to customer litigation, as well as sanctions from the payment card industry. Retailers have also increasingly become targets of certain types of patent litigation by “non-practicing entities” who acquire intellectual property rights solely for purposes of instituting mass litigation.

While industry-specific or class action litigation of this type is less frequent in occurrence than individual consumer claims, the cost of defense and ultimate disposition may be material to our financial condition, results of operation and cash available for distribution to our unitholders.

***Wholesale cost increases in tobacco products, including excise tax increases on cigarettes, could adversely impact our revenues and profitability.***

Significant increases in wholesale cigarette costs and tax increases on cigarettes may have an adverse effect on unit demand for cigarettes. Cigarettes are subject to substantial and increasing excise taxes on both a state and federal level. We cannot predict whether this trend will continue into the future. Increased excise taxes may result in declines in overall sales volume as well as reduced gross profit percent, due to lower consumption levels and to a shift in consumer purchases from the premium to the non-premium or discount segments or to other lower-priced tobacco products or to the import of cigarettes from countries with lower, or no, excise taxes on such items.

Currently, major cigarette manufacturers offer rebates to retailers. We include these rebates as a component of our gross margin from sales of cigarettes. In the event these rebates are no longer offered, or decreased, our wholesale cigarette costs will increase accordingly. In general, we attempt to pass price increases on to our customers. However, due to competitive pressures in our markets, we may not be able to do so. These factors could materially impact our retail price of cigarettes, cigarette unit volume and revenues, merchandise gross profit and overall customer traffic, which could in turn have a material adverse effect on our business, results of operations and cash available for distribution to our unitholders.

***Failure to comply with state laws regulating the sale of alcohol and cigarettes may result in the loss of necessary licenses and the imposition of fines and penalties on us, which could have a material adverse effect on our business and cash available for distribution to our unitholders.***

State laws regulate the sale of alcohol and cigarettes. A violation or change of these laws could adversely affect our business, financial condition and results of operations because state and local regulatory agencies have the power to approve, revoke, suspend or deny applications for, and renewals of, permits and licenses relating to the sale of these products or to seek other remedies. Such a loss or imposition could have a material adverse effect on our business, results of operations and cash available for distribution to our unitholders.

***Future legislation and campaigns to discourage smoking may have a material adverse effect on our revenues and gross profit.***

Future legislation and national, state and local campaigns to discourage smoking could have a substantial impact on our business, as consumers adjust their behaviors in response to such legislation and campaigns. Reduced demand for cigarettes could have a material adverse effect on sales of, and margins for, the cigarettes we sell.

***The wholesale motor fuel distribution industry is characterized by intense competition and fragmentation, and our failure to effectively compete could result in lower margins.***

The market for distribution of wholesale motor fuel is highly competitive and fragmented, which results in narrow margins. We have numerous competitors, some of which may have significantly greater

resources and name recognition than us. We rely on our ability to provide value-added, reliable services and to control our operating costs in order to maintain our margins and competitive position. If we were to fail to maintain the quality of our services, certain of our customers could choose alternative distribution sources and our margins could decrease. While major integrated oil companies have generally continued to divest retail sites and the corresponding wholesale distribution to such sites, such major oil companies could shift from this strategy and decide to distribute their own products in direct competition with us, or large customers could attempt to buy directly from the major oil companies. The occurrence of any of these events could have a material adverse effect on our business, results of operations and cash available for distribution to our unitholders.

***Severe weather could adversely affect our business by damaging our suppliers', our or our customers' facilities or communications networks.***

A substantial portion of our wholesale distribution and retail networks is located in regions susceptible to severe storms, including hurricanes. A severe storm could damage locations, facilities or communications and transportation networks essential to the success of our wholesale distribution and retail businesses. If warmer temperatures, or other climate changes, lead to changes in extreme weather events, including increased frequency, duration or severity, these weather-related risks could become more pronounced. Any weather-related catastrophe or disruption could have a material adverse effect on our business and results of operations, potentially causing losses beyond the limits of the insurance we currently carry.

***Negative events or developments associated with our branded suppliers could have an adverse impact on our revenues.***

We believe that the success of our operations is dependent, in part, on the continuing favorable reputation, market value and name recognition associated with the motor fuel brands sold both at *Stripes*® and *Sac-N-Pac*™ convenience stores and to independent, branded dealers. Erosion of the value of those brands could have an adverse impact on the volumes of motor fuel we distribute, which in turn could have a material adverse effect on our financial condition and ability to make distributions to our unitholders.

***We are subject to federal, state and local laws and regulations that govern the product quality specifications of the refined petroleum products we purchase, store, transport and sell to our distribution customers.***

Various federal, state and local government agencies have the authority to prescribe specific product quality specifications for certain commodities, including commodities that we distribute. Changes in product quality specifications, such as reduced sulfur content in refined petroleum products, or other more stringent requirements for fuels, could reduce our ability to procure product, require us to incur additional handling costs and/or require the expenditure of capital. If we are unable to procure product or recover these costs through increased sales, we may not be able to meet our financial obligations. Failure to comply with these regulations could result in substantial penalties.

***We are not fully insured against all risks incident to our business.***

We are not fully insured against all risks incident to our business. We may be unable to obtain or maintain insurance with the coverage that we desire at reasonable rates. As a result of market conditions, the premiums and deductibles for certain of our insurance policies have increased and could continue to do so. Certain insurance coverage could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial condition and ability to make distributions to our unitholders.

***Future litigation could adversely affect our financial condition and results of operations.***

We are occasionally exposed to various litigation claims in the ordinary course of our business, including dealer litigation and industry-wide or class-action claims arising from the equipment or processes we use or employ or industry-specific business practices. If we were to become subject to any such claims in the future, our defense costs and any resulting awards or settlement amounts may not be fully covered by our insurance policies. An unfavorable outcome or settlement of any future lawsuits could have a material adverse effect on our financial condition, results of operation and cash available for distribution to our unitholders.

***We rely on SUSS for transportation of a significant portion of our motor fuel, which in turn relies, in part, on third-party transportation providers. As a result, a change in SUSS's transportation providers, a significant change in SUSS's relationship with its transportation providers or nonperformance or a disruption of motor fuel transportation services by SUSS or by SUSS's transportation providers could have a material adverse effect on our business .***

SUSS transports a significant portion of our motor fuel from terminals to its *Stripes*® convenience stores and consignment locations, and to our third-party dealers and other customers pursuant to a long-term, fee based transportation contract with us (the "SUSS Transportation Contract"). SUSS transports a portion of our motor fuel itself and has contracts with third-party transportation carriers for the remainder of our motor fuel. SUSS's third-party contracts with its transportation providers may be terminated by either party upon 30 days' notice. A change in transportation providers, a significant change in SUSS's relationship with its transportation providers or nonperformance or a disruption in service by SUSS or by SUSS's transportation providers could have a material adverse effect on our business, results of operations and cash available for distribution.

***If we cannot otherwise agree with SUSS on fuel supply terms for volumes we sell to SUSS in the future (other than for stores purchased by us pursuant to our sale and leaseback option), then we will be required to supply volumes at a price equal to our motor fuel cost plus the alternate fuel sales rate, which will be substantially less than the fixed profit margin of three cents per gallon we will receive for motor fuel sold pursuant to the SUSS Distribution Contract. Furthermore, if certain of our operating costs increase significantly, we may not realize our anticipated profit margin with regard to motor fuel distributed to SUSS at the alternate fuel sales rate.***

Our Omnibus Agreement provides that if we cannot agree with SUSS on fuel supply terms for volumes we sell to SUSS in the future (other than for stores purchased by us pursuant to our sale and leaseback option), we will be required to distribute motor fuel to SUSS's newly built, acquired or added retail stores or consignment locations at a price equal to our motor fuel cost plus the alternate fuel sales rate, which will be substantially less than the fixed profit margin of three cents we receive for motor fuel sold pursuant to the SUSS Distribution Contract. The alternate fuel sales rate is a per gallon fee we will receive equal to our prior year per-gallon motor fuel distribution costs, excluding the cost of the motor fuel, plus 30% of such costs. Our motor fuel distribution costs include direct distribution expenses as well as general and administrative expenses, maintenance capital expenditures, franchise taxes and other miscellaneous costs. Under the Omnibus Agreement, the alternate fuel sales rate will reset annually, but the fixed fee included in the rate for a given year will be based on our motor fuel distribution costs for the immediately preceding year.

Accordingly, even though the alternate fuel sales rate will reset annually, we may not realize our anticipated profit margin on motor fuel distributed to SUSS at the alternate fuel sales rate. If our operating costs significantly increase in a given year as compared to immediately preceding year operating costs, the profit margin we receive for fuel distributed at the alternate fuel sales rate will be reduced, which will negatively impact our results of operations and cash available for distribution to our unitholders.

***We rely on our suppliers to provide trade credit terms to adequately fund our ongoing operations.***

Our business is impacted by the availability of trade credit to fund fuel purchases. An actual or perceived downgrade in our liquidity or operations (including any credit rating downgrade by a rating agency) could cause our suppliers to seek credit support in the form of additional collateral, limit the extension of trade credit, or otherwise materially modify their payment terms. Any material changes in our payments terms, including early payment discounts, or availability of trade credit provided by our principal suppliers could impact our liquidity, results of operations and cash available for distribution to our unitholders.

***Terrorist attacks and threatened or actual war may adversely affect our business.***

Our business is affected by general economic conditions and fluctuations in consumer confidence and spending, which can decline as a result of numerous factors outside of our control. Terrorist attacks or threats, whether within the United States or abroad, rumors or threats of war, actual conflicts involving the United States or its allies, or military or trade disruptions impacting our suppliers or our customers may adversely impact our operations. Specifically, strategic targets such as energy related assets (which could include refineries that produce the motor fuel we purchase or ports in which crude oil is delivered) may be at greater risk of future terrorist attacks than other targets in the United States. These occurrences could have an adverse impact on energy prices, including prices for motor fuels, and an adverse impact on our operations. Any or a combination of these occurrences could have a material adverse effect on our business, results of operations and cash available for distribution to our unitholders.

***We rely on our information technology systems to manage numerous aspects of our business, and a disruption of these systems or an act of cyber-terrorism could adversely affect our business.***

We depend on our information technology (“IT”) systems to manage numerous aspects of our business transactions and provide analytical information to management. Our IT systems are an essential component of our business and growth strategies, and a serious disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, cyber- security breaches or cyber-terrorism, and computer viruses. Any disruption could cause our business and competitive position to suffer and cause our operating results to be reduced.

***Our future debt levels may impair our financial condition.***

We had \$775.0 million of debt outstanding as of October 17, 2014, of which \$772.0 million was outstanding borrowings under our \$1.25 billion revolving credit facility (“New Credit Facility”) pursuant to a credit agreement, entered into on September 25, 2014, by and among the Partnership, as Borrower, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent, Collateral Agent, Swingline Lender and an LC Issuer (the “Credit Agreement”), and had the ability to incur up to \$478 million of additional debt under our New Credit Facility (including letter of credit) and could seek to borrow up to an additional \$250 million under our New Credit Facility, subject to certain conditions. The level of our future indebtedness could have important consequences to us, including:

- making it more difficult for us to satisfy our obligations with respect to our Credit Agreement;
- limiting our ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, the execution of our growth strategy and other activities;
- requiring us to dedicate a substantial portion of our cash flow from operations to pay interest on our debt, which would reduce our cash flow available to fund working capital, capital expenditures, acquisitions, execution of our growth strategy and other activities;
- making us more vulnerable to adverse changes in general economic conditions, our industry and government regulations and in our business by limiting our flexibility in planning for, and making it more difficult for us to react quickly to, changing conditions; and

- placing us at a competitive disadvantage compared with our competitors that have less debt.

In addition, we may not be able to generate sufficient cash flow from our operations to repay our indebtedness when it becomes due and to meet our other cash needs. Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. In addition, our ability to service our debt will depend on market interest rates, since we anticipate that the interest rates applicable to our borrowings will fluctuate. If we are not able to pay our debts as they become due, we will be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring our indebtedness or selling additional debt or equity securities. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, and if we must sell our assets, it may negatively affect our ability to generate revenues.

***Increases in interest rates could reduce the amount of cash we have available for distributions as well as the relative value of those distributions to yield-oriented investors, which could cause a decline in the market value of our common units .***

Approximately \$772.0 million of our outstanding indebtedness as of October 17, 2014, bears interest at variable interest rates. Should those rates rise, the amount of cash we would otherwise have available for distribution would ordinarily be expected to decline, which could impact our ability to maintain or grow our quarterly distributions. Additionally, an increase in interest rates in lower risk investment alternatives, such as United States treasury securities, could cause investors to demand a relatively higher distribution yield on our common units, which, unless we are able to raise our distribution, would imply a lower trading price of our common units. Consequently, rising interest rates could cause a significant decline in the market value of our common units.

***Our New Credit Facility has substantial restrictions and financial covenants that may restrict our business and financing activities and our ability to pay distributions to our unitholders.***

We are dependent upon the earnings and cash flow generated by our operations in order to meet our debt service obligations and to allow us to make cash distributions to our unitholders. The operating and financial restrictions and covenants in our New Credit Facility and any future financing agreements may restrict our ability to finance future operations or capital needs, to engage in or expand our business activities or to pay distributions to our unitholders. For example, our New Credit Facility restricts our ability to, among other things:

- Incur certain additional indebtedness;
- Incur, assume or permit certain liens to exist on our properties or assets;
- Make certain investments or enter into certain restrictive material contracts; and
- Merge or dispose of all or substantially all of our assets.

In addition, our Credit Agreement contains covenants requiring us to maintain certain financial ratios. See our Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on October 1, 2014.

Our future ability to comply with these restrictions and covenants is uncertain and will be affected by the levels of cash flow from our operations and other events or circumstances beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any provisions of our New Credit Facility that are not cured or waived within the appropriate time periods provided in the New Credit Facility, a significant portion of our indebtedness may become immediately due and payable, our ability to make distributions to our unitholders will be inhibited

and our lenders' commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments.

***We depend on cash flow generated by our subsidiaries.***

We are a holding company with no material assets other than the equity interests in our subsidiaries. We currently have seven subsidiaries that conduct all of our operations and own all of our assets. These subsidiaries are distinct legal entities and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries and our subsidiaries may not be able to, or be permitted to, make distributions to us. In the event that we do not receive distributions from our current or future subsidiaries, we may be unable to meet our financial obligations or make distributions to our unitholders.

***The impact of derivatives legislation by the United States Congress could have an adverse effect on our ability to use derivative instruments to reduce the effect of changes in commodity prices and interest rates and other risks associated with our business.***

The United States Congress adopted comprehensive financial reform legislation that establishes federal oversight and regulation of the over-the-counter derivatives market and entities, such as us, that participate in that market. The legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010 and requires the Commodities Futures Trading Commission (the "CFTC"), the SEC and other regulators to promulgate rules and regulations implementing the new legislation. The CFTC has issued final regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalent. Certain bona fide hedging transactions or positions would be exempt from these position limits. The financial reform legislation may also require compliance with margin requirements and with certain clearing and trade-execution requirements in connection with certain derivative activities, although the application of those provisions is uncertain at this time. The financial reform legislation may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty.

The final rules will be phased in over time according to a specified schedule which is dependent on the finalization of certain other rules to be promulgated jointly by the CFTC and the SEC. The Dodd-Frank Act and any new regulations could significantly increase the cost of some derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of some derivative contracts, reduce the availability of some derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and potentially increase our exposure to less creditworthy counterparties. Any of these consequences could have a material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

## Tax Risks to Common Unitholders

***Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service were to treat us as a corporation for federal income tax purposes or we were to become subject to material additional amounts of entity-level taxation for state tax purposes, then our cash available for distribution to our unitholders would be substantially reduced.***

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes. Despite the fact that we are organized as a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for U.S. federal income tax purposes. Although we do not believe, based upon our current operations, that we will be so treated, a change in our business (or a change in current law) could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

In addition, changes in current state law may subject us to additional entity-level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise and other forms of taxation. For example, we will be subject to the entity-level Texas franchise tax. Imposition of any such additional taxes on us or an increase in the existing tax rates would reduce the cash available for distribution to our unitholders.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

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

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time. For example, from time to time, members of the U.S. Congress propose and consider substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be retroactively applied and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes. We are unable to predict whether any such legislation will ultimately be enacted. Any such changes could negatively impact the value of an investment in our common units.

***We have a subsidiary that is treated as a corporation for U.S. federal income tax purposes and is subject to corporate-level income tax.***

Even though we (as a partnership for U.S. federal income tax purposes) are not subject to U.S. federal income tax, some of our operations are currently conducted, and our acquisition of MACS and our pending acquisition of Aloha will result in an increase in the proportion of our operations that are conducted through PropCo, our subsidiary that is organized as a corporation for U.S. federal income tax

purposes. The taxable income, if any, of PropCo is subject to corporate-level U.S. federal income taxes, which may reduce the cash available for distribution to us and, in turn, to our unitholders. If the Internal Revenue Service (the “IRS”) or other state or local jurisdictions were to successfully assert that PropCo or any of its wholly owned affiliates has more tax liability than we anticipate or legislation is enacted that increases the corporate tax rate, then cash available for distribution could be further reduced. The income tax return filing positions taken by PropCo requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is also required in assessing the amounts of deductible and taxable items. Despite our belief that the income tax return positions taken by PropCo (and its wholly owned affiliates) are fully supportable, certain positions may be successfully challenged by the IRS, state or local jurisdictions.

***Our unitholders will be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.***

Because our unitholders will be treated as partners to whom we will allocate taxable income that could be different in amount than the cash we distribute, our unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on their share of our taxable income whether or not they receive cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

***The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.***

We will be considered to have technically terminated as a partnership for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our technical termination would, among other things, result in the closing of our taxable year for all unitholders, which could result in us filing two U.S. federal income tax returns (and unitholders receiving two Schedules K-1 if relief was not available, as described below) for one fiscal year and would result in a deferral of depreciation deductions allowable in computing a unitholder’s share of our taxable income. In the case of a unitholder reporting on a taxable year other than a fiscal year ending December 31, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in his taxable income for the year of termination. Our technical termination currently would not affect our classification as a partnership for U.S. federal income tax purposes but instead we would be treated as a new partnership for U.S. federal income tax purposes. If we were treated as a new partnership for U.S. federal income tax purposes, we would be required to make new tax elections and could be subject to penalties if we were unable to determine that a technical termination occurred. Pursuant to an IRS relief procedure the IRS may allow, among other things, a constructively terminated partnership to provide a single Schedule K-1 for the calendar year in which a termination occurs.

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

If a unitholder sells its common units, it will recognize a gain or loss equal to the difference between the amount realized and its tax basis in those common units. Because distributions in excess of a unitholder’s allocable share of our net taxable income result in a decrease in its tax basis in its common units, the amount, if any, of such prior excess distributions with respect to the units it sells will, in effect, become taxable income to the unitholder if it sells such units at a price greater than its tax basis in those units, even if the price the unitholder receives is less than its original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture of depreciation deductions and certain other items. In addition, because the amount



realized includes a unitholder's share of our nonrecourse liabilities, if a unitholder sells its units, the unitholder may incur a tax liability in excess of the amount of cash it receives from the sale.

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

Investments in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (or "IRAs"), and non-U.S. persons raise issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes, and non-U.S. persons will be required to file U.S. federal tax returns and pay tax on their shares of our taxable income. Unitholders that are tax-exempt entities or non-U.S. persons should consult their tax advisors before investing in our common units.

***If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution to our unitholders.***

The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest by the IRS may materially and adversely impact the market for our common units and the price at which they trade. Our costs of any contest by the IRS will be borne indirectly by our unitholders because the costs will reduce our cash available for distribution.

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

Because we cannot match transferors and transferees of common units, we will adopt depreciation and amortization positions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to a unitholder. It also could affect the timing of these tax benefits or the amount of gain from a unitholder's sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder's tax returns.

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

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. Nonetheless, we allocate certain deductions for depreciation of capital additions based upon the date the underlying property is placed in service. The use of this proration method may not be permitted under existing Treasury Regulations, and although the U.S. Treasury Department issued proposed Treasury Regulations allowing a similar monthly simplifying convention, such regulations are not final and do not specifically authorize the use of the proration method we have adopted. Accordingly, our counsel is unable to opine as to the validity of this method. If the IRS were to successfully challenge our proration method, we may be required to change the allocation of items of income, gain, loss, and deduction among our unitholders.

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

Because there is no tax concept of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered as having disposed of the loaned units. In that case, he may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan of their common units should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

***Unitholders will likely be subject to state and local taxes and return filing requirements in states where they do not live as a result of investing in our common units.***

In addition to federal income taxes, unitholders may be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which we conduct business or own property now or in the future or in which the unitholder is a resident. We currently own property or do business in a substantial number of states, most of which impose a personal income tax and many impose an income tax on corporations and other entities. We may also own property or do business in other states in the future. Although an analysis of those various taxes is not presented here, each prospective unitholder should consider their potential impact on his investment in us.

Although you may not be required to file a return and pay taxes in some jurisdictions because your income from that jurisdiction falls below the filing and payment requirement, you will be required to file income tax returns and to pay income taxes in many of the jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. Some of the jurisdictions may require us, or we may elect, to withhold a percentage of income from amounts to be distributed to a unitholder who is not a resident of the jurisdiction. Withholding, the amount of which may be greater or less than a particular unitholder’s income tax liability to the jurisdiction, generally does not relieve a nonresident unitholder from the obligation to file an income tax return.

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