

SUNOCO LP

FORM 8-K/A (Amended Current report filing)

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Industry Oil & Gas Operations
Sector Energy
Fiscal Year 12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Act of 1934

Date of Report (Date of Earliest Event Reported):
December 16, 2014

Commission file number: 001-35653

SUNOCO LP

(Exact name of registrant as specified in its charter)

Delaware

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

30-0740483

*(IRS Employer
Identification No.)*

**555 East Airtex Drive
Houston, Texas 77073**

(Address of principal executive offices, including zip codes)

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

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 (17CFR 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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Item 2.01 Completion of Acquisition or Disposition of Assets.

On December 19, 2014 the Partnership filed a current report on Form 8-K announcing the closing of the acquisition of Aloha Petroleum, Ltd. ("Aloha") (the "Aloha Acquisition"), pursuant to the purchase and sale agreement by and among the Partnership, Susser Petroleum Property Company LLC (a wholly owned subsidiary of the Partnership) and Henger BV Inc. dated as of September 25, 2014. This amendment to that current report is filed to provide certain historical and pro forma financial statements pursuant to Regulation S-X, as described under Item 9.01, below, and attached hereto.

The audited financial statements of Aloha as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were filed with our current report on Form 8-K/A filed on October 21, 2014.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The following financial statements of Aloha are filed as Exhibit 99.2 hereto and incorporated herein by reference:

- Unaudited Condensed Financial Statements as of September 30, 2014 and 2013

(b) Pro Forma Financial Information.

The following pro forma financial statements of Sunoco LP reflecting the Aloha Acquisition, as well as the acquisition of Mid-Atlantic Convenience Stores, LLC on October 1, 2014, 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 statement of operations for the year ended December 31, 2014 (including notes thereto)

(d) Exhibits.

The following exhibits are filed herewith:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
99.1	Pro Forma Combined Financial Statements
99.2	Aloha Unaudited Condensed Financial Statements as of September 30, 2014 and 2013

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.

SUNOCO LP

Sunoco GP LLC, its general partner

By:

/s/ Mary E. Sullivan

Date: March 2, 2015

By:

Name: Mary E. Sullivan

Title: Executive Vice President and Chief Financial Officer

Exhibit Index

<u>Exhibit Number</u>	<u>Exhibit Description</u>
99.1	Pro Forma Combined Financial Statements
99.2	Aloha Unaudited Condensed Financial Statements as of September 30, 2014 and 2013

SUNOCO LP

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma combined financial information of Sunoco LP ("SUN"), formerly 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 statement of operations for the year ended December 31, 2014, reflect the following transactions:

- 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 42.8% 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 December 16, 2014, 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").

The historical financial information included in the column entitled "SUN" was derived from the audited consolidated financial statements included in SUN's Annual Report on Form 10-K for the year ended December 31, 2014. The unaudited pro forma condensed combined statements of operations assume that the MACS Acquisition and the Aloha Acquisition were consummated as of January 1, 2014. A pro forma balance sheet is not provided as both of these transactions were reflected in our audited consolidated balance sheet as of December 31, 2014. The unaudited pro forma condensed combined statements of operations should be read in conjunction with SUN's Annual Report on Form 10-K for the year ended December 31, 2014.

MACS Acquisition

On September 25, 2014, SUN entered into a contribution agreement with MACS, ETC M-A Acquisition LLC ("ETC") and ETP, whereby SUN 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. SUN initially financed the cash portion of the purchase price by utilizing availability under its revolving credit facility, subsequently raising net proceeds of \$405 million from the sale of 9.1 million common units which were used to repay revolver borrowing. The MACS Acquisition was completed on October 1, 2014.

SUN is accounting for the acquisition of MACS as a transfer of net assets between entities under common control. As such, the MACS assets acquired from ETP have been recorded by SUN at ETP's historic carrying value, and SUN has included the activities of MACS in its 2014 audited financial statements as of the September 1, 2014 date of common control for accounting purposes. Financial statements for MACS were previously provided as attachments 99.2 and 99.3 to our Current Report on Form 8-K/A on October 21, 2014.

Aloha Acquisition

On September 25, 2014, SUN and Susser Petroleum Property Company LLC ("Propco"), a wholly owned subsidiary of SUN, entered into a purchase and sale agreement in which SUN and Propco agreed to acquire all of the issued and outstanding shares of capital stock of Aloha for base consideration of \$240 million in cash, subject to a post-closing earn-out and certain closing adjustments. Consummation of the Aloha Acquisition occurred on December 16, 2014. SUN financed the purchase of Aloha by utilizing availability under its revolving credit facility. SUN's management currently plans to contribute certain assets from Propco to SUN at a future date; however, the impact 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 carrying values of assets and liabilities (excluding intangibles and non-current liabilities) in this preliminary estimate were assumed to approximate their fair values. Our identifiable intangible assets consist primarily of dealer relationships. The amount of goodwill preliminarily recorded represents the excess of our estimated enterprise value over the fair value of our assets and liabilities. The value of certain assets and liabilities are preliminary in nature, and are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the acquisition date. As a result, material adjustments to this preliminary allocation may occur in the future. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. Certain financial statements for Aloha were previously provided as attachments 99.4 and 99.5 to our Current Report on Form 8-K/A on October 21, 2014. The unaudited condensed financial statements for the nine months ended September 31, 2014 and 2013 are included herein as Exhibit 99.2.

SUNOCO LP
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
AND COMPREHENSIVE INCOME
FOR YEAR ENDED DECEMBER 31, 2014
(dollars in thousands except per unit)

	Historical	Pro Forma Adjustments			Pro Forma Combined
	SUN	MACS (a)	Aloha (b)	Adjustments	
Revenues:					
Merchandise sales	\$ 52,275	\$ 88,616	\$ 47,084	\$ —	\$ 187,975
Motor fuel sales	5,290,901	1,006,520	620,633	(48,958) (c)	\$ 6,869,096
Other Income	38,840	16,319	20,042	—	\$ 75,201
Total revenues	5,382,016	1,111,455	687,759	(48,958)	7,132,272
Cost of sales:					
Merchandise	38,820	64,234	34,292	—	\$ 137,346
Motor fuel	5,163,628	950,958	557,684	(48,958) (c)	\$ 6,623,312
Other	3,642	—	1,576	—	\$ 5,218
Total cost of sales	5,206,090	1,015,192	593,552	(48,958)	6,765,876
Gross profit	175,926	96,263	94,207	—	\$ 366,396
Operating expenses:					
Selling, general and administrative	71,873	37,965	64,827	—	\$ 174,665
Loss on disposal of assets and impairment charge	2,631	295	241	—	\$ 3,167
Depreciation, amortization and accretion	26,955	20,536	9,772	204 (d)	\$ 57,467
Acquisition transaction costs	—	—	523	(523) (d)	\$ —
Total operating expenses	101,459	58,796	75,363	(319)	235,299
Income from operations	74,467	37,467	18,844	319	131,097
Other income (expense):					
Interest income (expense), net	(14,329)	(6,802)	(2,696)	(2,181) (e)	\$ (28,306)
				2,696 (f)	
				(4,994) (g)	
Other miscellaneous	—	—	134	—	\$ 134
Total other expense	(14,329)	(6,802)	(2,562)	(4,479)	(28,172)
Income (loss) before income tax	60,138	30,665	16,282	(4,160)	\$ 102,925
Income tax expense	(2,352)	—	(6,607)	(3,199) (h)	\$ (12,158)
Net income (loss)	57,786	30,665	9,675	(7,359)	90,767
Less: Net income attributable to noncontrolling interest	1,043	2,086	—	—	\$ 3,129
Net income attributable to partners	\$ 56,743	\$ 28,579	\$ 9,675	\$ (7,359)	\$ 87,638
Net income per limited partner unit:					
Common - basic and diluted	\$ 1.96				\$ 2.29
Subordinated - (basic and diluted)	\$ 1.96				\$ 2.29
Weighted average limited partner units outstanding (diluted):					
Common units - basic	14,206,536			9,872,520 (i)	24,079,056
Common units - diluted	14,223,648			9,872,520 (i)	24,096,168
Subordinated units - affiliated	10,939,436				10,939,436

SUNOCO LP
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information presented above gives effect to the MACS Acquisition and the Aloha Acquisition as if all of these transactions had been consummated as of January 1, 2014.

- (a) To reflect the addition of MACS operating results for the eight months ended August 31, 2014. These amounts reflect the unaudited results for the nine months ended September 30, 2014, reduced by the results for the month of September 2014 which has already been reflected in our audited results of operations for the twelve months ended December 31, 2014. We previously filed audited financial statements for MACS in our Current Report on Form 8-K/A filed on October 21, 2014. Additional information regarding the MACS Acquisition may be found in the Notes to Consolidated Financial Statements included in our Form 10-K filed on February 27, 2015.
- (b) To reflect the operating results for Aloha for the the 11.5 months ended December 15, 2014. These amounts reflect the unaudited results for the nine months ended September 30, 2014, included herein as Exhibit 99.2, plus Aloha's results of operations for the period October 1, 2014 through December 15, 2014. Aloha's results for the period December 16, 2014 through December 31, 2014 are included in SUN's 2014 results. We previously filed audited financial statements for Aloha in our Current Report on Form 8-K/A filed on October 21, 2014. Additional information regarding the Aloha Acquisition may be found in the Notes to Consolidated Financial Statements included in our Form 10-K filed on February 27, 2015.
- (c) To conform the Aloha accounting policies for the presentation of motor fuel taxes as gross in motor fuel sales and motor fuel cost of sales, to SUN's accounting policy to present wholesale motor fuel taxes net in motor fuel sales and motor fuel cost of sales.
- (d) To reflect the acquisition of Aloha by Propco to include the amortization on the estimated fair value of the trade name over 15 years, and elimination of non-recurring acquisition expenses.
- (e) To reflect interest expense on the \$150.8 million draw on our revolving credit facility required in excess of equity issuance net proceeds to finance the cash payment made to ETP for the acquisition of MACS. Interest on the revolving credit facility is calculated to reflect 8 months of interest based on a variable rate. The borrowing rate as of February 27, 2014 of 2.17% is assumed for the entire period presented.
- (f) To remove historical interest expense related to Aloha's \$32.2 million of debt that was repaid concurrent with the closing of the Aloha Acquisition.
- (g) To reflect interest expense on the funding of Aloha Acquisition with a \$240 million draw on our revolving credit facility. Assumed interest rate of 2.17%, reflecting our 30-day LIBOR borrowing cost as of February 27, 2014, resulting in annual pro forma interest expense of \$5.0 million. A 1/8% change in the interest rate would impact annual interest expense by \$0.3 million.
- (h) To reflect the estimated income tax provision for the portion of MACS operations that is included in Propco's results of operations, at an estimated combined federal and state statutory tax rate of 39.6%.
- (i) To adjust the weighted average common units outstanding for the issuance of approximately 4.0 million units to ETP in October 2014, and the issuance of a total of approximately 9.1 million units to the public in October and November 2014, as if they had been issued on January 1, 2014 for purposes of calculating pro forma earnings per unit.

Aloha Petroleum, Ltd.

(A Wholly Owned Subsidiary of Henger BV Inc.)

**Unaudited Condensed Financial Statements
as of September 30, 2014 and 2013**

Aloha Petroleum, LTD.
(A Wholly Owned Subsidiary of Henger BV Inc.)
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Aloha Petroleum, Ltd.
(A Wholly Owned Subsidiary of Henger BV Inc.)
Condensed Balance Sheets
Unaudited

	September 30, 2014	December 31, 2013
	<i>(in thousands, except shares)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,974	\$ 23,192
Accounts receivable, net of allowance for doubtful accounts of \$634 and \$598 at September 30, 2014 and December 31, 2013, respectively	18,901	16,611
Inventories	22,610	33,005
Prepaid expenses and other current assets	2,058	1,265
Deferred income taxes	878	878
Total current assets	65,421	74,951
Property, plant & equipment, net	99,228	92,584
Intangible assets, net	7,772	10,366
Goodwill	24,455	23,235
Other non-current assets	1,469	2,083
Total assets	<u>\$ 198,345</u>	<u>\$ 203,219</u>
Liabilities & Stockholder's Equity		
Current liabilities:		
Accounts payable	\$ 5,285	\$ 11,973
Accrued liabilities and other expenses	14,635	15,779
Current maturities of long-term debt	8,100	6,150
Total current liabilities	28,020	33,902
Long-term debt, net of current maturities	24,150	30,750
Lease premium liability	9,572	9,602
Deferred income taxes	11,069	11,751
Asset retirement obligations	5,245	5,740
Deferred rent and other non-current liabilities	5,998	5,507
Total liabilities	84,054	97,252
Stockholder's Equity:		
Common stock, \$1 par value (750,000 shares authorized, issued and outstanding)	750	750
Additional paid-in capital	29,834	29,834
Accumulated other comprehensive loss	(29)	(39)
Retained earnings	83,736	75,422
Total stockholder's equity	114,291	105,967
Total liabilities and stockholder's equity	<u>\$ 198,345</u>	<u>\$ 203,219</u>

See accompanying notes to condensed financial statements

Aloha Petroleum, Ltd.
(A Wholly Owned Subsidiary of Henger BV Inc.)
Condensed Statements of Comprehensive Income
Unaudited

	Nine Months Ended	
	September 30, 2014	September 30, 2013
	<i>(in thousands)</i>	
Revenues:		
Merchandise sales	\$ 35,578	\$ 33,695
Fuel sales	499,709	537,684
Other income	14,739	15,715
Total operating revenues	550,026	587,094
Operating expenses:		
Cost of merchandise sales*	25,870	24,094
Cost of fuel sales*	451,941	486,019
Other	1,576	1,827
General and administrative*	47,015	45,413
Depreciation, amortization and accretion	7,921	5,993
Total operating expenses	534,323	563,346
Income from operations	15,703	23,748
Other income and expense:		
Interest expense, net	2,136	2,695
Gain on interest rate swap and other	(134)	(77)
Income before income taxes	13,701	21,130
Income tax expense	5,387	7,883
Net income	8,314	13,247
Other comprehensive income - Retirement plan benefit, net of tax	10	10
Comprehensive income	\$ 8,324	\$ 13,257

*Exclusive of depreciation and amortization expense shown separately below.

See accompanying notes to condensed financial statements

Aloha Petroleum, Ltd.
(A Wholly Owned Subsidiary of Henger BV Inc.)
Condensed Statements of Stockholder's Equity
Unaudited

	Common Stock		Additional			Accumulated	
	Shares	\$	Paid-In	Retained	Other	Comprehensive	Total
			Capital	Earnings	Income (Loss)		
	<i>(dollars in thousands, except shares)</i>						
Balance, January 1, 2014	750,000	\$ 750	\$ 29,834	\$ 75,422	\$ (39)	\$	105,967
Net income	—	—	—	8,314	—		8,314
Retirement plan benefit, net of tax	—	—	—	—	10		10
Balance, September 30, 2014	<u>750,000</u>	<u>\$ 750</u>	<u>\$ 29,834</u>	<u>\$ 83,736</u>	<u>\$ (29)</u>	<u>\$</u>	<u>114,291</u>

See accompanying notes to condensed financial statements

Aloha Petroleum, Ltd.
(A Wholly Owned Subsidiary of Henger BV Inc.)
Condensed Statements of Cash Flows
Unaudited

	Nine Months Ended	
	September 30, 2014	September 30, 2013
	<i>(in thousands)</i>	
Cash flows from operating activities:	\$ 15,965	\$ 17,064
Cash flows from investing activities:		
Acquisition of Maui gas stations	(8,007)	—
Capital expenditures	(5,475)	(4,148)
Proceeds from sale of property and equipment	240	13
Net cash used in investing activities	(13,242)	(4,135)
Cash flows from financing activities:		
Debt payments	(4,650)	(12,166)
Debt issuance costs	—	(338)
Principal payments on capital lease obligations	(291)	(207)
Dividends paid	—	(1,000)
Net cash used in financing activities	(4,941)	(13,711)
Net decrease in cash and cash equivalents	(2,218)	(782)
Cash and cash equivalents at beginning of period	23,192	12,066
Cash and cash equivalents at end of period	<u>\$ 20,974</u>	<u>\$ 11,284</u>
Supplemental disclosure of cash flow information - Cash paid during the period for:		
Interest	2,051	2,488
Income taxes - net of refund	6,050	4,380
Noncash Activities:		
Accrued capital expenditures	464	1,733
Exchange of fuel inventory (payable) receivable	(8)	70

See accompanying notes to condensed financial statements

Aloha Petroleum, Ltd.
(A Wholly Owned Subsidiary of Henger BV Inc.)
Notes to Condensed Financial Statements

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.

On September 25, 2014, Sunoco LP ("Sunoco") (formerly known as Susser Petroleum Partners LP), a Delaware limited partnership, and Susser Petroleum Property Company LLC, ("Propco") a wholly owned subsidiary of Sunoco, entered into a purchase and sale agreement ("Purchase Agreement") with the Parent of the Company. Pursuant to the Purchase Agreement, Sunoco acquired 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 acquisition was subject to various customary closing conditions and closed on December 16, 2014 (see Note 10).

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, 2015, 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 \$22,610,000 at September 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 condensed 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 September 30, 2014, and December 31, 2013, the fair value of the senior secured note approximated \$24,100,000 and \$26,178,000, respectively, compared to its carrying value of \$25,000,000 as of September 30, 2014 and December 31, 2013. At September 30, 2014, and December 31, 2013, the fair value of the term loan approximated its carrying value of \$7,250,000 and \$11,900,000, respectively. As of September 30, 2014, and December 31, 2013, the fair value of the Company's swap agreements was \$96,000 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 September 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. **Acquisition of Maui gas stations**

On September 4, 2014, the Company acquired three gas stations located on Maui, Hawaii, for approximately \$8 million (the "Purchase Price"). For purposes of the September 30, 2014 balance sheet, the Purchase Price was allocated to various assets and liabilities based on estimates of the fair value of the assets of the acquired stations. The allocation of the Purchase Price at September 30, 2014 was as follows:

	(in thousands)
Land	\$ 984
Buildings and leasehold improvements	4,991
Equipment and vehicles	1,387
Lease premium liability	(575)
Goodwill	1,220
Purchase Price	<u>\$ 8,007</u>

9. **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 in October 2014, management updated their counteroffer amount and believes that the impact of this matter will not have a material effect on the Company's condensed 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. On August 20, 2014, a jury trial was scheduled for January 11, 2016 to settle the litigation. 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 condensed financial statements.

10. Subsequent events

On December 16, 2014, Sunoco and Propco completed the acquisition of all of the equity interests of the Company in exchange for approximately \$240 million in cash consideration, subject to certain adjustments. In connection with the closing, the proceeds from the acquisition were used to repay all of the Company's outstanding debt, which totaled \$32,250,000 as of September 30, 2014. On October 24, 2014, the Company approved a \$2.5 million incentive award to certain members of management, contingent upon the successful completion of the acquisition. The incentive awards were paid out in December 2014.

The Company evaluated events that have occurred after the condensed balance sheet date through March 2, 2015, 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 condensed financial statements.