
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended: **June 30, 2016**

or

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

For the transition period from _____ to _____

Commission File Number: **001-35653**

SUNOCO LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

8020 Park Lane, Suite 200
Dallas, TX 75231
(Address of principal executive offices, including zip code)

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

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

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

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

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

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

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

The registrant had 95,339,786 common units representing limited partner interests and 16,410,780 Class C units representing limited partner interests outstanding at August 1, 2016.

SUNOCO LP
FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 83,175	\$ 72,627
Advances to affiliates	—	365,536
Accounts receivable, net	385,678	308,285
Accounts receivable from affiliates	7,138	8,074
Inventories, net	496,829	467,291
Other current assets	57,655	46,080
Total current assets	1,030,475	1,267,893
Property and equipment, net	3,228,409	3,154,826
Other assets:		
Goodwill	3,153,657	3,111,262
Intangible assets, net	1,277,309	1,259,440
Other noncurrent assets	71,704	48,398
Total assets	<u>\$ 8,761,554</u>	<u>\$ 8,841,819</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 445,709	\$ 433,988
Accounts payable to affiliates	22,660	14,988
Advances from affiliates	98,994	—
Accrued expenses and other current liabilities	302,299	307,939
Current maturities of long-term debt	5,694	5,084
Total current liabilities	875,356	761,999
Revolving line of credit	675,000	450,000
Long-term debt, net	3,514,261	1,502,531
Deferred tax liability	668,188	694,383
Other noncurrent liabilities	168,771	170,169
Total liabilities	<u>5,901,576</u>	<u>3,579,082</u>
Commitments and contingencies (Note 11)		
Equity:		
Limited partners:		
Common unitholders - public (49,588,960 units issued and outstanding as of June 30, 2016 and December 31, 2015)	1,763,151	1,768,890
Common unitholders - affiliated (45,750,826 units issued and outstanding as of June 30, 2016 and 37,776,746 units issued and outstanding as of December 31, 2015)	1,096,827	1,275,558
Class A unitholders - held by subsidiary (no units issued and outstanding as of June 30, 2016 and 11,018,744 units issued and outstanding as of December 31, 2015)	—	—
Class C unitholders - held by subsidiary (16,410,780 units issued and outstanding as of June 30, 2016 and no units issued and outstanding as of December 31, 2015)	—	—
Total partners' capital	2,859,978	3,044,448
Predecessor equity	—	2,218,289
Total equity	<u>2,859,978</u>	<u>5,262,737</u>
Total liabilities and equity	<u>\$ 8,761,554</u>	<u>\$ 8,841,819</u>

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

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

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues				
Retail motor fuel	\$ 1,384,858	\$ 1,649,199	\$ 2,500,573	\$ 3,016,855
Wholesale motor fuel sales to third parties	1,996,716	2,845,635	3,492,590	5,282,137
Wholesale motor fuel sales to affiliates	9,710	3,972	16,839	4,939
Merchandise	576,594	560,680	1,100,688	1,043,803
Rental income	22,575	20,534	44,699	40,316
Other	61,714	46,064	99,091	88,886
Total revenues	4,052,167	5,126,084	7,254,480	9,476,936
Cost of sales				
Retail motor fuel	1,229,528	1,509,411	2,213,970	2,729,650
Wholesale motor fuel	1,842,464	2,686,740	3,194,308	5,031,539
Merchandise	389,303	383,869	747,018	718,791
Other	10,305	854	19,874	2,513
Total cost of sales	3,471,600	4,580,874	6,175,170	8,482,493
Gross profit	580,567	545,210	1,079,310	994,443
Operating expenses				
General and administrative	73,723	65,941	118,914	106,200
Other operating	266,788	249,442	515,793	493,032
Rent	35,639	35,791	69,096	69,117
Loss on disposal of assets	1,501	178	2,715	147
Depreciation, amortization and accretion	78,724	70,200	156,790	136,943
Total operating expenses	456,375	421,552	863,308	805,439
Income from operations	124,192	123,658	216,002	189,004
Interest expense, net	50,587	21,198	78,276	29,175
Income before income taxes	73,605	102,460	137,726	159,829
Income tax expense	1,468	8,926	3,580	16,989
Net income and comprehensive income	72,137	93,534	134,146	142,840
Less: Net income and comprehensive income attributable to noncontrolling interest	—	847	—	1,693
Less: Preacquisition income allocated to general partner	—	57,820	—	89,208
Net income and comprehensive income attributable to partners	<u>\$ 72,137</u>	<u>\$ 34,867</u>	<u>\$ 134,146</u>	<u>\$ 51,939</u>
Net income per limited partner unit:				
Common (basic and diluted)	\$ 0.53	\$ 0.87	\$ 1.01	\$ 1.31
Subordinated (basic and diluted)	\$ —	\$ 0.87	\$ —	\$ 1.31
Weighted average limited partner units outstanding:				
Common units - public (basic)	49,588,960	20,036,329	49,588,960	20,036,329
Common units - public (diluted)	49,644,916	20,077,865	49,644,916	20,077,865
Common units - affiliated (basic and diluted)	45,750,826	4,858,330	41,807,600	4,460,589
Subordinated units - affiliated	—	10,939,436	—	10,939,436
Cash distribution per common unit	\$ 0.8255	\$ 0.6934	\$ 1.6428	\$ 1.3384

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

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

	Common Units- Public	Common Units- Affiliated	Predecessor Equity	Total Equity
Balance at December 31, 2015	<u>\$ 1,768,890</u>	<u>\$ 1,275,558</u>	<u>\$ 2,218,289</u>	<u>\$ 5,262,737</u>
Contribution of Sunoco Retail & Sunoco LLC from ETP	—	—	(2,200,000)	(2,200,000)
Equity issued to ETP	—	194,000	—	194,000
Equity issued to ETE, net of issuance costs	—	60,944	—	60,944
Contribution of assets between entities under common control above historic cost	—	(373,531)	(18,289)	(391,820)
Cash distribution to unitholders	(80,265)	(103,761)	—	(184,026)
Cash distribution to ETP	—	(50,000)	—	(50,000)
Unit-based compensation	2,966	2,736	—	5,702
Other	(250)	28,545	—	28,295
Net income	71,810	62,336	—	134,146
Balance at June 30, 2016	<u>\$ 1,763,151</u>	<u>\$ 1,096,827</u>	<u>\$ —</u>	<u>\$ 2,859,978</u>

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

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

	For the Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 134,146	\$ 142,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	156,790	136,943
Amortization of deferred financing fees	4,008	1,202
Loss on disposal of assets	2,715	147
Non-cash unit based compensation	6,792	3,754
Deferred income tax	(5,750)	(13,967)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(77,677)	(57,388)
Accounts receivable from affiliates	2,567	(3,297)
Inventories, net	(26,159)	(50,832)
Other current assets	(34,881)	15,188
Accounts payable	31,737	13,530
Accounts payable to affiliates	6,582	(42,549)
Accrued expenses and other current liabilities	(8,674)	(65,130)
Other noncurrent liabilities	6,922	40,451
Net cash provided by operating activities	199,118	120,892
Cash flows from investing activities:		
Capital expenditures	(179,893)	(201,661)
Purchase of intangible assets	(31,434)	(51,078)
Acquisition of Sunoco LLC and Sunoco Retail LLC	(2,200,000)	(775,000)
Other acquisitions	(118,168)	(16,499)
Proceeds from disposal of property and equipment	9,341	6,972
Net cash used in investing activities	(2,520,154)	(1,037,266)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,835,000	820,000
Payments on long-term debt	(796,495)	(3,709)
Revolver, borrowings	1,257,901	248,619
Revolver, repayments	(1,032,901)	(207,308)
Debt issuance costs	(29,176)	—
Advances to affiliates	266,710	264,997
Equity issued to ETE	60,944	—
Distributions to ETP	(50,000)	(179,182)
Other cash from financing activities, net	3,627	(88)
Distributions to unitholders	(184,026)	(32,770)
Net cash provided by financing activities	2,331,584	910,559
Net increase (decrease) in cash	10,548	(5,815)
Cash and cash equivalents at beginning of period	72,627	136,581
Cash and cash equivalents at end of period	\$ 83,175	\$ 130,766

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

SUNOCO LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Principles of Consolidation

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

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

Effective October 27, 2014, the Partnership changed its name from Susser Petroleum Partners LP (NYSE: SUSP) to Sunoco LP (“SUN”, NYSE: SUN). This change aligned the Partnership's legal and marketing name with that of ETP's iconic brand, Sunoco. As used in this document, the terms “Partnership”, “SUN”, “we”, “us”, or “our” should be understood to refer to Sunoco LP and our consolidated subsidiaries, unless the context clearly indicates otherwise.

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

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

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

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

Wholesale Subsidiaries

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

Retail Subsidiaries

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

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

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

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

2. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Pursuant to Regulation S-X, certain information and disclosures normally included in the annual financial statements have been condensed or omitted. The consolidated financial statements and notes included herein should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 25, 2016 and on our Form 8-K filed on July 15, 2016.

Significant Accounting Policies

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

Motor Fuel and Sales Taxes

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

For retail locations where the Partnership holds inventory, including consignment arrangements, motor fuel sales and motor fuel cost of sales include motor fuel taxes. Such amounts were \$297.0 and \$293.2 million for the three months ended June 30, 2016 and 2015 and \$581.5 and \$575.0 million for the six months ended June 30, 2016 and 2015, respectively. Merchandise sales and cost of merchandise sales are reported net of sales tax in the accompanying Consolidated Statements of Operations and Comprehensive Income.

Recently Issued Accounting Pronouncements

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

3. Acquisitions

Sunoco LLC and Sunoco Retail LLC Acquisitions

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

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

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

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

The acquisitions of Sunoco LLC and Sunoco Retail were accounted for as transactions between entities under common control. Specifically, the Partnership recognized the acquired assets and assumed liabilities at their respective carrying values with no goodwill created. The Partnership’s results of operations include Sunoco LLC’s and Sunoco Retail’s results of operations beginning September 1, 2014, the date of common control. As a result, the Partnership retrospectively adjusted its financial statements to include the balances and operations of Sunoco LLC and Sunoco Retail from August 31, 2014. Accordingly, the Partnership retrospectively adjusted its consolidated statement of operations and comprehensive income to include \$2.4 billion of Sunoco LLC revenues and \$24.5 million of net income for the three months ended March 31, 2015, as well as \$726.8 million of Sunoco Retail revenues and \$1.6 million of net loss for the six months ended June 30, 2015. The equity of Sunoco LLC and Sunoco Retail prior to the respective acquisitions is presented as predecessor equity in our consolidated financial statements.

The following table summarizes the final recording of assets and liabilities at their respective carrying values as of August 31, 2014 (in thousands):

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

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

Susser Acquisition

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

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

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

The Susser Acquisition was accounted for as a transaction between entities under common control. Specifically, the Partnership recognized acquired assets and assumed liabilities at their respective carrying values with no additional goodwill created. The Partnership’s results of operations include Susser’s results of operations beginning September 1, 2014, the date of common control. As a result, the Partnership retrospectively adjusted its financial statements to include the balances and operations of Susser from August 31, 2014. Accordingly, the Partnership retrospectively adjusted its consolidated statement of operations and comprehensive income to include \$1.0 billion of Susser revenues and \$6.1 million of net income for the six months ended June 30, 2015.

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

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

Other Acquisitions

On June 23, 2016, we entered into a definitive agreement to purchase the fuels business (the "Fuels Business") from Emerge Energy Services LP (NYSE: EMES) ("Emerge") for \$178.5 million, subject to working capital and other adjustments. The Fuels Business comprises Dallas-based Direct Fuels LLC and Birmingham-based Allied Energy Company LLC, both wholly owned subsidiaries of Emerge, and engages in the processing of transmix and the distribution of refined fuels. The transaction is scheduled to close in the third quarter of 2016, subject to regulatory clearances and the satisfaction of other customary closing conditions.

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

On June 22, 2016, we acquired 18 convenience stores serving the upstate New York market from Valentine Stores, Inc. ("Valentine") for \$75.6 million plus the value of inventory on hand at closing. As part of the Valentine acquisition, we also acquired one stand-alone Tim Hortons restaurant, one IGA superette, 19 fee properties, one leased property, and three raw tracts of land for future store development. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$35.8 million.

On December 16, 2015, we acquired a wholesale motor fuel distribution business serving the Northeastern United States from Alta East, Inc. ("Alta East") for approximately \$57.1 million plus the value of inventory on hand at closing (the "Alta East acquisition"). As part of the Alta East acquisition, we also acquired a total of 32 fee and leased properties, including 30 properties operated by third party dealers or commission agents and two non-operating surplus locations. The Alta East acquisition also included supply contracts with the dealer-owned and operated sites. The Alta East acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values at the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$14.6 million.

On August 10, 2015, we acquired 27 convenience stores in the Upper Rio Grande Valley from Aziz Convenience Stores, L.L.C. ("Aziz") for \$41.6 million. Management allocated the total purchase consideration to assets acquired based on the preliminary estimate of their respective fair values at the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$4.3 million.

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

4. Accounts Receivable, net

Accounts receivable, excluding receivables from affiliates, consisted of the following (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Accounts receivable, trade	\$ 232,673	\$ 160,783
Credit card receivables	117,448	98,484
Vendor receivables for rebates, branding, and other	13,068	14,561
Other receivables	24,971	38,381
Allowance for doubtful accounts	(2,482)	(3,924)
Accounts receivable, net	<u>\$ 385,678</u>	<u>\$ 308,285</u>

5. Inventories , net

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

Inventories consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Fuel-retail	\$ 49,488	\$ 42,779
Fuel-other wholesale	292,599	283,021
Fuel-consignment	3,919	3,801
Merchandise	128,338	116,694
Equipment and maintenance spare parts	11,848	13,162
Corn	6,576	4,788
Other	4,061	3,046
Inventories, net	<u>\$ 496,829</u>	<u>\$ 467,291</u>

6. Property and Equipment, net

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

	June 30, 2016	December 31, 2015
Land	\$ 1,053,292	\$ 1,032,017
Buildings and leasehold improvements	1,201,969	1,150,701
Equipment	1,248,260	1,214,328
Construction in progress	185,050	97,412
Total property and equipment	3,688,571	3,494,458
Less: accumulated depreciation	460,162	339,632
Property and equipment, net	<u>\$ 3,228,409</u>	<u>\$ 3,154,826</u>

7. Goodwill and Other Intangible Assets

Goodwill is not amortized, but is tested annually for impairment, or more frequently if events and circumstances indicate that the asset might be impaired. The annual impairment test is performed as of the first day of the fourth quarter of the fiscal year. At June 30, 2016 and December 31, 2015, we had \$3.2 and \$3.1 billion, respectively, of goodwill recorded in conjunction with past business combinations. The 2015 impairment analysis indicated no impairment in goodwill. During 2016, we continued our evaluation of the Kolkhorst, Valentine, Alta East and Aziz acquisitions purchase accounting analyses with the assistance of a third party valuation firm. See Note 3 for the preliminary estimated fair value of assets and liabilities as of the dates of acquisitions.

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

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

In accordance with ASC 350 “*Intangibles-Goodwill and Other*,” the Partnership has finite-lived intangible assets recorded that are amortized. The finite-lived assets consist of supply agreements, customer relations, favorable leasehold arrangements, non-competes, and loan origination costs, all of which are amortized over the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Partnership's future cash flows. Customer relations and supply agreements have a remaining weighted-average life of approximately 9 years. Favorable leasehold arrangements have a remaining weighted-average life of approximately 11 years. Non-competition agreements have a remaining weighted-average life of approximately 7 years. Loan origination costs have a remaining weighted-average life of approximately 3 years.

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

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

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

	June 30, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Indefinite-lived						
Tradenames	\$ 784,058	\$ 6,508	\$ 777,550	\$ 784,058	\$ 6,508	\$ 777,550
Contractual rights	42,024	—	42,024	33,850	—	33,850
Liquor licenses	16,000	—	16,000	16,000	—	16,000
Finite-lived						
Customer relations including supply agreements	587,818	176,609	411,209	551,033	150,101	400,932
Favorable leasehold arrangements, net	22,863	1,910	20,953	22,863	1,188	21,675
Loan origination costs	9,769	3,169	6,600	9,358	2,172	7,186
Other intangibles	4,745	1,772	2,973	3,675	1,428	2,247
Intangible assets, net	<u>\$ 1,467,277</u>	<u>\$ 189,968</u>	<u>\$ 1,277,309</u>	<u>\$ 1,420,837</u>	<u>\$ 161,397</u>	<u>\$ 1,259,440</u>

8. Accrued Expenses and Other Current Liabilities

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

	June 30, 2016	December 31, 2015
Wage and other employee-related accrued expenses	\$ 33,512	\$ 26,019
Franchise agreement termination accrual	2,176	4,399
Accrued tax expense	127,819	102,473
Accrued insurance	21,197	32,716
Accrued environmental	6,755	7,600
Accrued interest expense	42,065	28,494
Deposits and other	68,775	106,238
Total	<u>\$ 302,299</u>	<u>\$ 307,939</u>

9. Long-Term Debt

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

	June 30, 2016	December 31, 2015
Term Loan	\$ 1,243,000	\$ —
Sale leaseback financing obligation	119,748	121,992
2014 Revolver	675,000	450,000
6.375% Senior Notes Due 2023	800,000	800,000
5.500% Senior Notes Due 2020	600,000	600,000
6.250% Senior Notes Due 2021	800,000	—
Capital lease obligation and notes payable	1,450	3,975
Total debt	4,239,198	1,975,967
Less: current maturities	5,694	5,084
Less: debt issuance costs	44,243	18,352
Long-term debt, net of current maturities	<u>\$ 4,189,261</u>	<u>\$ 1,952,531</u>

Term Loan

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

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

The Partnership may voluntarily prepay borrowings under the Term Loan at any time without premium or penalty, subject to any applicable breakage costs for loans bearing interest at LIBOR. Under certain circumstances, the Partnership is required to repay borrowings under the Term Loan in connection with the issuance by the Partnership of certain types of indebtedness for borrowed money. The Term Loan also includes certain (i) representations and warranties, (ii) affirmative covenants, including delivery of financial and other information to the administrative agent, notice to the administrative agent upon the occurrence of certain material events, preservation of existence, payment of material taxes and other claims, maintenance of properties and insurance, access to properties and records for inspection by administrative agent and lenders, further assurances and provision of additional guarantees and collateral, (iii) negative covenants, including restrictions on the Partnership and our restricted subsidiaries’ ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make loans, advances or investments, pay dividends, sell or otherwise transfer assets or enter into transactions with shareholders or affiliates and (iv) events of default, in each case substantially similar to the representations and warranties, affirmative and negative covenants and events of default in the Partnership’s existing revolving credit facility.

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

6.250% Senior Notes Due 2021

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

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

5.500% Senior Notes Due 2020

On July 20, 2015, we and our wholly owned subsidiary, SUN Finance (together with the Partnership, the “2020 Issuers”), completed a private offering of \$600.0 million 5.500% senior notes due 2020 (the “2020 Senior Notes”). The terms of the 2020 Senior Notes are governed by an indenture dated July 20, 2015, among the 2020 Issuers, our General Partner, and certain other subsidiaries of the Partnership (the “2020 Guarantors”) and U.S. Bank National Association, as trustee (the “2020 Trustee”). The 2020 Senior Notes will mature on August 1, 2020 and interest is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2016. The 2020 Senior Notes are senior obligations of the 2020 Issuers and are guaranteed on a senior basis by all of the Partnership’s existing subsidiaries. The 2020 Senior Notes and guarantees are unsecured and rank equally with all of the 2020 Issuers’ and each 2020 Guarantor’s existing and future senior obligations. The 2020 Senior Notes are senior in right of payment to any of the 2020 Issuers’ and each 2020 Guarantor’s future obligations that are, by their terms, expressly subordinated in right of payment to the 2020 Senior Notes and guarantees. The 2020 Senior Notes and guarantees are effectively subordinated to the 2020 Issuers’ and each 2020 Guarantor’s secured obligations, including obligations under the Partnership’s revolving credit facility, to the extent of the value of the collateral securing such obligations, and structurally subordinated to all indebtedness and obligations, including trade payables, of the Partnership’s subsidiaries that do not guarantee the 2020 Senior Notes.

In connection with our issuance of the 2020 Senior Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2020 Senior Notes for an issue of registered notes with terms substantially identical to the 2020 Senior Notes on or before July 20, 2016 (the “Target Date”). We have not completed this exchange offer and, as a result, we are required to pay each holder of 2020 Senior Notes liquidated damages in the form of additional interest equal to 0.25% per annum of the principal amount of 2020 Senior Notes held by such holder, with respect to the first 90 days after the Target Date (which rate will be increased by an additional 0.25% per annum for each subsequent 90 day period that such liquidated damages continue to accrue), in each case until the exchange offer is completed; provided, however, that at no time will the amount of liquidated damages accruing exceed in the aggregate 1.00% per annum.

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

6.375% Senior Notes Due 2023

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

In connection with our issuance of the 2023 Senior Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed to complete an offer to exchange the 2023 Senior Notes for an issue of registered notes with terms substantially identical to the 2023 Senior Notes on or before April 1, 2016 (the “Target Date”). We have not completed this exchange offer and, as a result, we are required to pay each holder of 2023 Senior Notes liquidated damages in the form of additional interest equal to 0.25% per annum of the principal amount of 2023 Senior Notes held by such holder, with respect to the first 90 days after the Target Date (which rate will be increased by an additional 0.25% per annum for each subsequent 90 day period that such liquidated damages continue to accrue), in each case until the exchange offer is completed; provided, however, that at no time will the amount of liquidated damages accruing exceed in the aggregate 1.00% per annum.

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

Revolving Credit Agreement

On September 25, 2014, we entered into a new \$1.25 billion revolving credit facility (the “2014 Revolver”) with a syndicate of banks expiring September 25, 2019 (which date may be extended in accordance with the terms of the 2014 Revolver). The 2014

Revolver includes an accordion feature providing flexibility to increase the facility by an additional \$ 250 million, subject to certain conditions. Borrowings under the 2014 Revolver were used to repay and cancel the \$400 million revolving credit facility (the “2012 Revolver”) entered into in connection with the IPO.

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

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

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

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

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

As of June 30, 2016, the balance on the 2014 Revolver was \$675.0 million, and \$22.2 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at June 30, 2016 was \$802.8 million. The Partnership was in compliance with all financial covenants at June 30, 2016.

Sale Leaseback Financing Obligation

On April 4, 2013, MACS completed a sale leaseback transaction with two separate companies for 50 of its dealer operated sites. As MACS did not meet the criteria for sale leaseback accounting, this transaction was accounted for as a financing arrangement over the course of the lease agreement. The obligations mature in varying dates through 2033, require monthly interest and principal payments, and bear interest at 5.125%. The obligation related to this transaction is included in long-term debt and the balance outstanding as of June 30, 2016 was \$ 119.7 million.

Other Debt

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

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

The estimated fair value of debt is calculated using Level 3 inputs (see Note 10). The fair value of debt as of June 30, 2016, is estimated to be approximately \$4.2 billion, based on outstanding balances as of the end of the period using current interest rates for similar securities.

10. Fair Value Measurements

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

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

- | | |
|---------|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities; |
| Level 2 | Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; |
| Level 3 | Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing. |

Debt or equity securities are classified into the following reporting categories: held-to-maturity, trading, or available-for-sale securities. The investments in debt securities, which typically mature in one year or less, are classified as held-to-maturity and valued at amortized cost, which approximates fair value. The fair value of marketable securities is measured using Level 1 inputs. There were none outstanding as of June 30, 2016 or December 31, 2015.

11. Commitments and Contingencies

Leases

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Cash rent:				
Store base rent (1) (2)	\$ 28,821	\$ 30,970	\$ 57,031	\$ 60,217
Equipment and other rent (3)	6,023	4,727	10,913	9,663
Total cash rent	34,844	35,697	67,944	69,880
Non-cash rent:				
Straight-line rent	795	347	1,152	(257)
Amortization of deferred gain	—	(253)	—	(506)
Net rent expense	<u>\$ 35,639</u>	<u>\$ 35,791</u>	<u>\$ 69,096</u>	<u>\$ 69,117</u>

- (1) Store base rent includes sublease rental income totaling \$5.9 and \$6.6 million for the three months ended June 30, 2016 and 2015, respectively and \$11.7 and \$13.9 million for the six months ended June 30, 2016 and 2015, respectively.
- (2) Store base rent includes contingent rent expense totaling \$6.7 and \$6.0 million for the three months ended June 30, 2016 and 2015, respectively and \$9.1 and \$10.0 million for the six months ended June 30, 2016 and 2015, respectively.
- (3) Equipment and other rent consists primarily of store equipment and vehicles.

12. Interest Expense, net

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Interest expense (1)	\$ 50,834	\$ 20,672	\$ 78,122	\$ 29,583
Amortization of deferred financing fees	2,768	821	4,008	1,202
Interest income	(3,015)	(295)	(3,854)	(1,610)
Interest expense, net	<u>\$ 50,587</u>	<u>\$ 21,198</u>	<u>\$ 78,276</u>	<u>\$ 29,175</u>

- (1) Interest expense related to the VIEs was approximately \$2.4 million and \$4.7 million for the three and six months ended June 30, 2015, respectively.

13. Income Tax Expense

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Tax at statutory federal rate	\$ 25,843	\$ 35,861	\$ 48,204	\$ 55,940
Partnership earnings not subject to tax	(23,096)	(27,367)	(55,864)	(38,734)
State and local tax, net of federal benefit	1,461	(311)	12,196	423
Other	(2,740)	743	(956)	(640)
Net income tax expense	<u>\$ 1,468</u>	<u>\$ 8,926</u>	<u>\$ 3,580</u>	<u>\$ 16,989</u>

14. Partners' Capital

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

Common Units

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

The following table presents the activity of our common units for the six months ended June 30, 2016:

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

Allocations of Net Income

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Attributable to Common Units				
Distributions (1)	\$ 78,703	\$ 21,076	\$ 156,624	\$ 37,133
Distributions in excess of income	(27,838)	595	(64,247)	(4,983)
Limited partners' interest in net income	<u>\$ 50,865</u>	<u>\$ 21,671</u>	<u>\$ 92,377</u>	<u>\$ 32,150</u>
Attributable to Subordinated Units				
Distributions (1)	\$ —	\$ 7,585	\$ —	\$ 14,641
Distributions in excess of income	—	1,938	—	(284)
Limited partners' interest in net income	<u>\$ —</u>	<u>\$ 9,523</u>	<u>\$ —</u>	<u>\$ 14,357</u>
(1) Distributions declared per unit to unitholders as of record date				
	\$ 0.8255	\$ 0.6934	\$ 1.6428	\$ 1.3384

Class C Units

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

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

Pursuant to the terms described above, these distributions do not have an impact on the Partnership's consolidated cash flows and as such, are excluded from total cash distributions and allocation of limited partners' interest in net income. For the six months ended June 30, 2016, Class C distributions declared totaled \$28.5 million.

Incentive Distribution Rights

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

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

Cash Distributions

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

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

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

15. Unit-Based Compensation

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Phantom common units	\$ 2,810	\$ 1,678	\$ 5,702	\$ 3,036
Allocated expense from ETP	569	718	1,090	718
Total equity-based compensation expense	<u>\$ 3,379</u>	<u>\$ 2,396</u>	<u>\$ 6,792</u>	<u>\$ 3,754</u>

Phantom Common Unit Awards

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

Subsequent to the ETP Merger, phantom units were issued which also have the right to receive distributions prior to vesting. The units vest 60% after three years and 40% after five years. The fair value of these units is the market prices of our common units on the grant date, and is amortized over the five-year vesting period using the straight-line method. Unrecognized compensation cost related to our nonvested restricted phantom units totaled \$ 30.7 million as of June 30, 2016, which is expected to be recognized over a weighted average period of 2.94 years. The fair value of nonvested service phantom units outstanding as of June 30, 2016 totaled \$46.0 million.

A summary of our phantom unit award activity is set forth below:

	Number of Phantom Common Units	Weighted- Average Grant Date Fair Value
Nonvested at December 31, 2014	241,235	\$ 45.50
Granted	993,134	40.63
Forfeited	(87,321)	50.71
Nonvested at December 31, 2015	1,147,048	41.19
Granted	25,040	35.15
Forfeited	(53,266)	39.10
Nonvested at June 30, 2016	<u>1,118,822</u>	<u>\$ 41.16</u>

Cash Awards

In January 2015, the Partnership granted 30,710 awards that are settled in cash under the terms of the Sunoco LP Long-Term Cash Restricted Unit Plan. An additional 1,000 awards were granted in September 2015. During the six months ended June 30, 2016, 3,470 units were forfeited. These awards do not have the right to receive distributions prior to vesting. The awards vest 100% after three years. Unrecognized compensation cost related to our nonvested cash awards totaled \$0.6 million as of June 30, 2016, which is expected to be recognized over a weighted average period of 1.43 years. The fair value of nonvested cash awards outstanding as of June 30, 2016 totaled \$1.4 million.

16. Segment Reporting

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

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

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

Wholesale Segment

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

Retail Segment

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

The following tables present financial information by segment for the three and six months ended June 30, 2016 and 2015 :

Segment Financial Data
(in thousands)

	For the Three Months Ended June 30,							
	2016				2015			
	Wholesale	Retail	Intercompany Eliminations	Total	Wholesale	Retail	Intercompany Eliminations	Total
Revenues								
Retail motor fuel	\$ —	\$ 1,384,858		\$ 1,384,858	\$ —	\$ 1,649,199		\$ 1,649,199
Wholesale motor fuel sales to third parties	1,996,716	—		1,996,716	2,845,635	—		2,845,635
Wholesale motor fuel sales to affiliates	9,710	—		9,710	3,972	—		3,972
Merchandise	—	576,594		576,594	—	560,680		560,680
Rental income	19,137	3,438		22,575	11,485	9,049		20,534
Other	7,281	54,433		61,714	6,270	39,794		46,064
Intersegment	2,706,287	30,696	(2,736,983)	—	3,571,017	30,624	(3,601,641)	—
Total revenues	4,739,131	2,050,019	(2,736,983)	4,052,167	6,438,379	2,289,346	(3,601,641)	5,126,084
Gross profit								
Retail motor fuel	—	155,330		155,330	—	139,788		139,788
Wholesale motor fuel	163,962	—		163,962	162,867	—		162,867
Merchandise	—	187,291		187,291	—	176,811		176,811
Other	25,006	48,978		73,984	16,926	48,818		65,744
Total gross profit	188,968	391,599		580,567	179,793	365,417		545,210
Total operating expenses	88,950	367,425		456,375	83,848	337,704		421,552
Income (loss) from operations	100,018	24,174		124,192	95,945	27,713		123,658
Interest expense, net	16,241	34,346		50,587	5,313	15,885		21,198
Income (loss) before income taxes	83,777	(10,172)		73,605	90,632	11,828		102,460
Income tax expense (benefit)	606	862		1,468	(262)	9,188		8,926
Net income (loss) and comprehensive income (loss)	\$ 83,171	\$ (11,034)		\$ 72,137	\$ 90,894	\$ 2,640		\$ 93,534
Depreciation, amortization and accretion	17,423	61,301		78,724	15,459	54,741		70,200
Interest expense, net	16,241	34,346		50,587	5,313	15,885		21,198
Income tax expense (benefit)	606	862		1,468	(262)	9,188		8,926
EBITDA	117,441	85,475		202,916	111,404	82,454		193,858
Non-cash compensation expense	2,796	583		3,379	1,121	1,275		2,396
Loss (gain) on disposal of assets	(351)	1,852		1,501	(11)	189		178
Unrealized loss on commodity derivatives	5,570	—		5,570	786	—		786
Inventory fair value adjustments	(48,118)	(1,250)		(49,368)	(51,843)	(3,002)		(54,845)
Adjusted EBITDA	\$ 77,338	\$ 86,660		\$ 163,998	\$ 61,457	\$ 80,916		\$ 142,373
Capital expenditures	\$ 27,831	\$ 46,437		\$ 74,268	\$ 68,737	\$ 31,892		\$ 100,629
Total assets at end of period	\$2,591,503	\$6,170,051		\$8,761,554	\$2,925,842	\$5,915,977		\$8,841,819

Segment Financial Data
(in thousands)

	For the Six Months Ended June 30,							
	2016				2015			
	Wholesale	Retail	Intercompany Eliminations	Total	Wholesale	Retail	Intercompany Eliminations	Total
Revenues								
Retail motor fuel	\$ —	\$2,500,573		\$2,500,573	\$ —	\$3,016,855		\$3,016,855
Wholesale motor fuel sales to third parties	3,492,590	—		3,492,590	5,282,137	—		5,282,137
Wholesale motor fuel sales to affiliates	16,839	—		16,839	4,939	—		4,939
Merchandise	—	1,100,688		1,100,688	—	1,043,803		1,043,803
Rental income	37,857	6,842		44,699	22,994	17,322		40,316
Other	13,223	85,868		99,091	11,883	77,003		88,886
Intersegment	4,671,106	61,275	(4,732,381)	—	6,288,335	59,705	(6,348,040)	—
Total revenues	8,231,615	3,755,246	(4,732,381)	7,254,480	11,610,288	4,214,688	(6,348,040)	9,476,936
Gross profit								
Retail motor fuel	—	286,603		286,603	—	287,205		287,205
Wholesale motor fuel	315,121	—		315,121	255,537	—		255,537
Merchandise	—	353,670		353,670	—	325,012		325,012
Other	48,373	75,543		123,916	32,491	94,198		126,689
Total gross profit	363,494	715,816		1,079,310	288,028	706,415		994,443
Total operating expenses	168,650	694,658		863,308	161,668	643,771		805,439
Income from operations	194,844	21,158		216,002	126,360	62,644		189,004
Interest expense, net	26,214	52,062		78,276	5,547	23,628		29,175
Income (loss) before income taxes	168,630	(30,904)		137,726	120,813	39,016		159,829
Income tax expense (benefit)	(333)	3,913		3,580	773	16,216		16,989
Net income (loss) and comprehensive income (loss)	\$ 168,963	\$ (34,817)		\$ 134,146	\$ 120,040	\$ 22,800		\$ 142,840
Depreciation, amortization and accretion	34,276	122,514		156,790	34,249	102,694		136,943
Interest expense, net	26,214	52,062		78,276	5,547	23,628		29,175
Income tax expense (benefit)	(333)	3,913		3,580	773	16,216		16,989
EBITDA	229,120	143,672		372,792	160,609	165,338		325,947
Non-cash compensation expense	5,393	1,399		6,792	1,543	2,211		3,754
Loss (gain) on disposal of assets	(797)	3,512		2,715	148	(1)		147
Unrealized loss on commodity derivatives	2,845	—		2,845	2,191	—		2,191
Inventory fair value adjustments	(59,340)	(2,690)		(62,030)	(59,989)	(1,516)		(61,505)
Adjusted EBITDA	\$ 177,221	\$ 145,893		\$ 323,114	\$ 104,502	\$ 166,032		\$ 270,534
Capital expenditures	\$ 69,408	\$ 110,485		\$ 179,893	\$ 134,502	\$ 67,159		\$ 201,661
Total assets at end of period	\$2,591,503	\$6,170,051		\$8,761,554	\$ 2,925,842	\$5,915,977		\$8,841,819

17. Net Income per Unit

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

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

We also disclose limited partner units issued and outstanding. A reconciliation of the numerators and denominators of the basic and diluted per unit computations is as follows (in thousands, except units and per unit amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 72,137	\$ 93,534	\$ 134,146	\$ 142,840
Less: Net income and comprehensive income attributable to noncontrolling interest	—	847	—	1,693
Less: Preacquisition income allocated to general partner	—	57,820	—	89,208
Net income and comprehensive income attributable to partners	72,137	34,867	134,146	51,939
Less: Incentive distribution rights	20,348	3,362	39,915	4,810
Less: Distributions on nonvested phantom unit awards	924	311	1,854	622
Limited partners' interest in net income	\$ 50,865	\$ 31,194	\$ 92,377	\$ 46,507
Weighted average limited partner units outstanding:				
Common - basic	95,339,786	24,894,659	91,396,560	24,496,918
Common - equivalents	55,956	41,536	55,956	41,536
Common - diluted	95,395,742	24,936,195	91,452,516	24,538,454
Subordinated - basic and diluted	—	10,939,436	—	10,939,436
Net income per limited partner unit:				
Common - basic and diluted	\$ 0.53	\$ 0.87	\$ 1.01	\$ 1.31
Subordinated - basic and diluted	\$ —	\$ 0.87	\$ —	\$ 1.31

18. Related-Party Transactions

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

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

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

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

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

Summary of Transactions

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

- Net advances to affiliates was \$365.5 million as of December 31, 2015. Net advances from affiliates was \$99.0 million as of June 30, 2016. Advances to and from affiliates are primarily related to the treasury services agreements between Sunoco LLC and Sunoco, Inc. (R&M) and Sunoco Retail and Sunoco Inc. (R&M), which are in place for purposes of cash management. During the second quarter of 2016, approximately \$175 million was used to repay a portion of the 2014 Revolver.
- Net accounts receivable from affiliates were \$7.1 million and \$8.1 million as of June 30, 2016 and December 31, 2015, respectively, which are primarily related to motor fuel purchases from us.
- Net accounts payable to affiliates was \$22.7 million and \$15.0 million as of June 30, 2016 and December 31, 2015, respectively, which are related to operational expenses and fuel pipeline purchases.
- Motor fuel sales to affiliates of \$9.7 million and \$4.0 million for the three months ended June 30, 2016 and 2015, respectively.
- Motor fuel sales to affiliates of \$16.8 million and \$4.9 million for the six months ended June 30, 2016 and 2015, respectively.
- Bulk fuel purchases from affiliates of \$545.5 million and \$760.8 million for the three months ended June 30, 2016 and 2015, respectively.
- Bulk fuel purchases from affiliates of \$885.7 million and \$1.4 billion for the six months ended June 30, 2016 and 2015, respectively.

19. Subsequent Events

On July 11, 2016, we entered into a definitive agreement to purchase the convenience store, wholesale motor fuel distribution, and commercial fuels distribution business serving East Texas and Louisiana from Denny Oil Company ("Denny") for approximately \$55.0 million plus inventory on hand at closing, subject to closing adjustments. The purchase agreement comprises 13 fee properties, approximately 127 supply contracts with dealer-owned and operated sites, and over 500 commercial accounts in Denny's commercial fuels and lubricants division. The transaction is scheduled to close in the fourth quarter of 2016, subject to the satisfaction of customary closing conditions.

On August 1, 2016, we entered into the Third Amendment to the Credit Agreement (the "Amendment"), with the lenders party thereto and Bank of America, N.A., in its capacity as a letter of credit issuer, as swing line lender, and as administrative agent. The Amendment amended the 2104 Revolver to, among other matters, conform certain terms of the 2014 Revolver to certain terms of our Term Loan.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this report. Additional discussion and analysis related to our Partnership is contained in our Annual Report on Form 10-K including the audited financial statements for the fiscal year ended December 31, 2015 and on our Form 8-K filed on July 15, 2016.

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

Forward-Looking Statements

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

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

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

For a discussion of these and other risks and uncertainties, please refer to "Item 1A. Risk Factors" included herein and in our Annual Report on Form 10-K for the year ended December 31, 2015. The list of factors that could affect future performance and the accuracy of forward-looking statements is illustrative but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The forward-looking statements included in this report are based on, and include, our estimates as of the filing of this report. We anticipate that subsequent events and market developments will cause our estimates to change. However, while we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so except as required by law, even if new information becomes available in the future.

Overview

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

We are a growth-oriented Delaware master limited partnership engaged in the retail sale of motor fuels and merchandise through our company-operated convenience stores and retail fuel sites, as well as the wholesale distribution of motor fuels to convenience stores, independent dealers, commercial customers and distributors. Additionally, through Sunoco LLC, we are the exclusive wholesale supplier of the iconic Sunoco-branded motor fuel, supplying an extensive distribution network of approximately 5,290 Sunoco-branded company and third-party operated locations throughout the East Coast, Midwest and Southeast regions of the United States including approximately 200 company-operated Sunoco-branded Stripes locations in Texas.

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

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

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

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

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

- 1,340 company-operated convenience stores and fuel outlets;
- 165 independently operated consignment locations where we sell motor fuel to retail customers under consignment arrangements with such operators;
- 5,410 convenience stores and retail fuel outlets operated by independent operators, which we refer to as "dealers," or "distributors" pursuant to long-term distribution agreements; and
- 1,870 other commercial customers, including unbranded convenience stores, other fuel distributors, school districts and municipalities and other industrial customers.

Our retail segment operates approximately 1,340 convenience stores and fuel outlets. Our retail convenience stores operate under several brands, including our proprietary brands Stripes, APlus, and Aloha Island Mart, and offer a broad selection of food, beverages, snacks, grocery and non-food merchandise, motor fuel and other services. We sold 641.2 million and 1.2 billion retail motor fuel gallons at these sites during the three and six months ended June 30, 2016, respectively. We opened ten new retail sites during the six months ended June 30, 2016, which is reflected in retail activity for the period.

We operate approximately 730 Stripes convenience stores that carry a broad selection of food, beverages, snacks, grocery and non-food merchandise. Our proprietary in-house Laredo Taco Company restaurant is implemented in approximately 450 Stripes convenience stores and we intend to implement it in all newly constructed Stripes convenience stores. Additionally, we have approximately 55 national branded restaurant offerings in our Stripes stores.

We operate approximately 455 retail convenience stores and fuel outlets primarily under our proprietary iconic Sunoco fuel brand and primarily located in Pennsylvania, New York, and Florida as of June 30, 2016, including 360 APlus convenience stores.

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

Recent Developments

On July 11, 2016, we entered into a definitive agreement to purchase the convenience store, wholesale motor fuel distribution, and commercial fuels distribution business serving East Texas and Louisiana from Denny Oil Company ("Denny") for approximately \$55.0 million plus inventory on hand at closing, subject to closing adjustments. The purchase agreement comprises 13 fee properties, approximately 127 supply contracts with dealer-owned and operated sites, and over 500 commercial accounts in Denny's commercial fuels and lubricants division. The transaction is scheduled to close in the fourth quarter of 2016, subject to the satisfaction of customary closing conditions.

On June 23, 2016, we entered into a definitive agreement to purchase the fuels business (the "Fuels Business") from Emerge Energy Services LP (NYSE: EMES) ("Emerge") for \$178.5 million, subject to working capital and other adjustments. The Fuels Business comprises Dallas-based Direct Fuels LLC and Birmingham-based Allied Energy Company LLC, both wholly owned subsidiaries of Emerge, and engages in the processing of transmix and the distribution of refined fuels. The transaction is scheduled to close in the third quarter of 2016, subject to regulatory clearances and the satisfaction of other customary closing conditions.

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

On June 22, 2016, we acquired 18 convenience stores serving the upstate New York market from Valentine Stores, Inc. ("Valentine") for \$75.6 million plus the value of inventory on hand at closing. As part of the Valentine acquisition, we also acquired one stand-alone Tim Hortons restaurant, one IGA superette, 19 fee properties, one leased property, and three raw tracts of land for future store development. This acquisition was funded using amounts available under our revolving credit facility with the total purchase consideration allocated to assets acquired based on the preliminary estimate of their respective fair values on the purchase date. Management is reviewing the valuation and confirming the results to determine the final purchase price allocation. As a result, material adjustments to this preliminary allocation may occur in the future. The acquisition preliminarily increased goodwill by \$35.8 million.

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

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

Key Operating Metrics

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

Key operating metrics set forth below are presented as of and for the three and six months ended June 30, 2016 and 2015 and have been derived from our historical consolidated financial statements.

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

	For the Three Months Ended June 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Revenues						
Retail motor fuel	\$ —	\$ 1,384,858	\$ 1,384,858	\$ —	\$ 1,649,199	\$ 1,649,199
Wholesale motor fuel sales to third parties	1,996,716	—	1,996,716	2,845,635	—	2,845,635
Wholesale motor fuel sales to affiliates	9,710	—	9,710	3,972	—	3,972
Merchandise	—	576,594	576,594	—	560,680	560,680
Rental income	19,137	3,438	22,575	11,485	9,049	20,534
Other	7,281	54,433	61,714	6,270	39,794	46,064
Total revenues	\$ 2,032,844	\$ 2,019,323	\$ 4,052,167	\$ 2,867,362	\$ 2,258,722	\$ 5,126,084
Gross profit						
Retail motor fuel	\$ —	\$ 155,330	\$ 155,330	\$ —	\$ 139,788	\$ 139,788
Wholesale motor fuel	163,962	—	163,962	162,867	—	162,867
Merchandise	—	187,291	187,291	—	176,811	176,811
Rental and other	25,006	48,978	73,984	16,926	48,818	65,744
Total gross profit	\$ 188,968	\$ 391,599	\$ 580,567	\$ 179,793	\$ 365,417	\$ 545,210
Net income (loss) and comprehensive income (loss) attributable to partners	\$ 83,171	\$ (11,034)	\$ 72,137	\$ 30,657	\$ 4,210	\$ 34,867
Adjusted EBITDA attributable to partners (2)	\$ 77,338	\$ 86,660	\$ 163,998	\$ 61,457	\$ 76,953	\$ 138,410
Distributable cash flow attributable to partners, as adjusted (2)			\$ 92,225			\$ 39,293
Operating Data						
Total motor fuel gallons sold:						
Retail		641,198	641,198		639,148	639,148
Wholesale	1,315,728		1,315,728	1,285,041		1,285,041
Motor fuel gross profit (cents per gallon) (1):						
Retail		24.0¢			21.4¢	
Wholesale	8.8¢			8.6¢		
Volume-weighted average for all gallons			13.8¢			12.9¢
Retail merchandise margin		32.5%			31.5%	

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

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

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

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

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

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

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

	For the Three Months Ended June 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Net income (loss) and comprehensive income (loss)	\$ 83,171	\$ (11,034)	\$ 72,137	\$ 90,894	\$ 2,640	\$ 93,534
Depreciation, amortization and accretion	17,423	61,301	78,724	15,459	54,741	70,200
Interest expense, net	16,241	34,346	50,587	5,313	15,885	21,198
Income tax expense (benefit)	606	862	1,468	(262)	9,188	8,926
EBITDA	\$ 117,441	\$ 85,475	\$ 202,916	\$ 111,404	\$ 82,454	\$ 193,858
Non-cash stock compensation expense	2,796	583	3,379	1,121	1,275	2,396
Loss (gain) on disposal of assets	(351)	1,852	1,501	(11)	189	178
Unrealized loss on commodity derivatives	5,570	—	5,570	786	—	786
Inventory fair value adjustment	(48,118)	(1,250)	(49,368)	(51,843)	(3,002)	(54,845)
Adjusted EBITDA	\$ 77,338	\$ 86,660	\$ 163,998	\$ 61,457	\$ 80,916	\$ 142,373
Adjusted EBITDA attributable to noncontrolling interest	—	—	—	—	3,963	3,963
Adjusted EBITDA attributable to partners	\$ 77,338	\$ 86,660	\$ 163,998	\$ 61,457	\$ 76,953	\$ 138,410
Cash interest expense (3)			47,819			15,088
Income tax expense (benefit) (current)			288			(259)
Maintenance capital expenditures			23,944			4,074
Preacquisition earnings			—			82,914
Distributable cash flow attributable to partners			\$ 91,947			\$ 36,593
Transaction-related expense			278			2,700
Distributable cash flow attributable to partners, as adjusted			\$ 92,225			\$ 39,293

(3) Reflects the Partnership's cash interest paid less the cash interest paid on our VIE debt of \$4.0 million during the three months ended June 30, 2015.

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

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

Revenue. Total revenue for the second quarter of 2016 was \$4.1 billion, a decrease of \$1.1 billion from the second quarter of 2015. This decrease is primarily attributable to the following:

- a decrease in wholesale motor fuel revenue of \$843.2 million due to a 31.2%, or a \$0.69, decrease in the sales price per wholesale motor fuel gallon, slightly offset by an increase in wholesale motor fuel gallons sold of approximately 30.7 million;
- a decrease in retail motor fuel revenue of \$264.3 million due to a 16.3%, or \$0.42, decrease in sales price per retail motor fuel gallon, slightly offset by an increase in gallons sold of approximately 2.1 million; offset by
- an increase in merchandise revenue of \$15.9 million at our company operated convenience stores due to an increase in the number of retail sites; and
- an increase in rental and other income of \$17.7 million primarily due to increased other retail income such as car wash, ATM and lottery income.

Gross Profit. Gross profit for the second quarter of 2016 was \$580.6 million, an increase of \$35.4 million from the second quarter of 2015. This increase is primarily attributable to the following:

- an increase in the gross profit on retail motor fuel revenue of \$15.5 million due to a 18.7%, or \$0.44, decrease in the cost per retail motor fuel gallon;
- an increase in the gross profit on merchandise revenue of \$10.5 million due to the increase in the number of retail sites mentioned above; and
- an increase in rental and other gross profit of \$8.2 million due to the other retail income items mentioned above.

Total Operating Expenses. Total operating expenses for the second quarter of 2016 were \$456.4 million, an increase of \$34.8 million from the second quarter of 2015. This increase is primarily attributable to the following:

- an increase in other operating expenses of \$17.3 million primarily attributable to our retail business which has expanded through third-party acquisitions as well as through the construction of new-to-industry sites, resulting in approximately a \$8.0 million increase in personnel expense as well as a collective increase of approximately \$7.0 million of property tax, advertising, utility, and maintenance expenses;
- increased depreciation, amortization and accretion expense of \$8.5 million due to third-party acquisitions completed in the last six months of 2015; and
- increased general and administrative expenses of \$7.8 million primarily due to the transition of employees from Houston, Texas, Corpus Christi, Texas and Philadelphia, Pennsylvania to Dallas, Texas.

Interest Expense. Interest expense for the second quarter of 2016 was \$50.6 million, an increase of \$29.4 million from the second quarter of 2015. This increase is attributable to borrowings under our term loan agreement ("Term Loan"), the issuance of our 2020 and 2021 Senior Notes, as well as the increase in borrowings under our \$1.5 billion revolving credit facility expiring September 25, 2019 (as amended, the "2014 Revolver").

Income Tax Expense. Income tax expense for the second quarter of 2016 was \$1.5 million, a decrease of \$7.5 million from the second quarter of 2015. This decrease is primarily attributable to lower earnings among the Partnership's consolidated corporate subsidiaries partially offset by additional expense attributable to the acquisition of Sunoco Retail.

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

	For the Six Months Ended June 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Revenues						
Retail motor fuel	\$ —	\$ 2,500,573	\$ 2,500,573	\$ —	\$ 3,016,855	\$ 3,016,855
Wholesale motor fuel sales to third parties	3,492,590	—	3,492,590	5,282,137	—	5,282,137
Wholesale motor fuel sales to affiliates	16,839	—	16,839	4,939	—	4,939
Merchandise	—	1,100,688	1,100,688	—	1,043,803	1,043,803
Rental income	37,857	6,842	44,699	22,994	17,322	40,316
Other	13,223	85,868	99,091	11,883	77,003	88,886
Total revenues	3,560,509	3,693,971	7,254,480	5,321,953	4,154,983	9,476,936
Gross profit						
Retail motor fuel	\$ —	\$ 286,603	\$ 286,603	\$ —	\$ 287,205	\$ 287,205
Wholesale motor fuel	315,121	—	315,121	255,537	—	255,537
Merchandise	—	353,670	353,670	—	325,012	325,012
Rental and other	48,373	75,543	123,916	32,491	94,198	126,689
Total gross profit	\$ 363,494	\$ 715,816	\$ 1,079,310	\$ 288,028	\$ 706,415	\$ 994,443
Net income (loss) and comprehensive income (loss) attributable to partners	\$ 168,963	\$ (34,817)	\$ 134,146	\$ 35,287	\$ 16,652	\$ 51,939
Adjusted EBITDA attributable to partners (2)	\$ 177,221	\$ 145,893	\$ 323,114	\$ 104,502	\$ 158,120	\$ 262,622
Distributable cash flow attributable to partners, as adjusted (2)			\$ 203,974			\$ 69,747
Operating Data						
Total motor fuel gallons sold:						
Retail		1,249,339	1,249,339		1,228,276	1,228,276
Wholesale	2,548,327		2,548,327	2,604,581		2,604,581
Motor fuel gross profit (cents per gallon) (1):						
Retail		22.7¢			23.3¢	
Wholesale	10.0¢			7.5¢		
Volume-weighted average for all gallons			14.2¢			12.6¢
Retail merchandise margin		32.1%			31.1%	

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

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

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

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

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

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

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

	For the Six Months Ended June 30,					
	2016			2015		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Net income (loss) and comprehensive income (loss)	\$ 168,963	\$ (34,817)	\$ 134,146	\$ 120,040	\$ 22,800	\$ 142,840
Depreciation, amortization and accretion	34,276	122,514	156,790	34,249	102,694	136,943
Interest expense, net	26,214	52,062	78,276	5,547	23,628	29,175
Income tax expense	(333)	3,913	3,580	773	16,216	16,989
EBITDA	\$ 229,120	\$ 143,672	\$ 372,792	\$ 160,609	\$ 165,338	\$ 325,947
Non-cash stock compensation expense	5,393	1,399	6,792	1,543	2,211	3,754
Loss (gain) on disposal of assets	(797)	3,512	2,715	148	(1)	147
Unrealized loss on commodity derivatives	2,845	—	2,845	2,191	—	2,191
Inventory fair value adjustments	(59,340)	(2,690)	(62,030)	(59,989)	(1,516)	(61,505)
Adjusted EBITDA	\$ 177,221	\$ 145,893	\$ 323,114	\$ 104,502	\$ 166,032	\$ 270,534
Adjusted EBITDA attributable to noncontrolling interest	—	—	—	—	7,912	7,912
Adjusted EBITDA attributable to partners	\$ 177,221	\$ 145,893	\$ 323,114	\$ 104,502	\$ 158,120	\$ 262,622
Cash interest expense (3)			74,268			22,217
Income tax expense (current)			2,408			(126)
Maintenance capital expenditures			43,571			10,279
Preacquisition earnings			—			164,089
Distributable cash flow attributable to partners			\$ 202,867			\$ 66,163
Transaction-related expenses			1,107			3,584
Distributable cash flow attributable to partners, as adjusted			\$ 203,974			\$ 69,747

(3) Reflects the Partnership's cash interest paid less the cash interest paid on our VIE debt of \$4.7 million during the six months ended June 30, 2015.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

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

Revenue. Total revenue for the first half of 2016 was \$7.3 billion, a decrease of \$2.2 billion from the first half of 2015. This change is primarily attributable to the following:

- a decrease in wholesale motor fuel revenue of \$1.8 billion due to a 32.2%, or a \$0.65, decrease in the sales price per wholesale motor fuel gallon and, and to a lesser extent a decrease in gallons sold of approximately 56.3 million;
- a decrease in retail motor fuel revenue of \$516.3 million due to a 18.5%, or \$0.45, decrease in sales price per retail motor fuel gallon, offset by an increase in gallons sold of approximately 21.1 million; offset by
- an increase in merchandise revenue of \$56.9 million at our company operated convenience stores due to an increase in the number of retail sites.

Gross Profit. Gross profit for the first half of 2016 was \$1.1 billion, an increase of \$84.9 million from the second quarter of 2015. This increase is primarily attributable to the following:

- an increase in the gross profit on wholesale motor fuel revenue of \$59.6 million due to a 35.5%, or \$0.68, decrease in the cost per retail motor fuel gallon; and
- an increase in merchandise gross profit of \$28.7 million due to the increase in the number of retail sites mentioned above.

Total Operating Expenses. Total operating expenses for the first half of 2016 were \$863.3 million, an increase of \$57.9 million from the first half of 2015. This increase is primarily attributable to the following:

- an increase in other operating expenses of \$22.8 million primarily attributable to our retail business which has expanded through third-party acquisitions as well as through the construction of new-to-industry sites, resulting in approximately a \$18.0 million increase in personnel expense with the remaining due to a collective increase of property tax, advertising, utility, and maintenance expenses;
- increased depreciation, amortization and accretion expense of \$19.8 million due to third-party acquisitions completed in the last six months of 2015; and
- an increase in general and administrative costs of \$12.7 million primarily due to the transition of employees from Houston, Texas, Corpus Christi, Texas and Philadelphia, Pennsylvania to Dallas, Texas.

Interest Expense. Interest expense for the first half of 2016 was \$78.3 million, an increase of \$49.1 million from the first half of 2015. This increase is attributable to borrowings under our Term Loan, the issuance of our 2020, 2023 and 2021 Senior Notes, as well as the increase in borrowings under our 2014 Revolver.

Income Tax Expense. Income tax expense for the first half of 2016 was \$3.6 million, a decrease of \$13.4 million from the first half of 2015. This decrease is primarily attributable to lower earnings among the Partnership's consolidated corporate subsidiaries partially offset by additional expense attributable to the acquisition of Sunoco Retail.

Liquidity and Capital Resources

Liquidity

Our principal liquidity requirements are to finance current operations, to fund capital expenditures, including acquisitions from time to time, to service our debt and to make distributions. We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and the issuance of additional long-term debt or partnership units as appropriate given market conditions. We expect that these sources of funds will be adequate to provide for our short-term and long-term liquidity needs.

Our ability to meet our debt service obligations and other capital requirements, including capital expenditures and acquisitions, will depend on our future operating performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory and other conditions, many of which are beyond our control. As a normal part of our business, depending on market conditions, we will from time to time consider opportunities to repay, redeem, repurchase or refinance our indebtedness. Changes in our operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may cause us to seek additional debt or equity financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions. In addition, any of the items discussed in detail under "Item 1A. Risk Factors" included herein and in our Annual Report on Form 10-K for the year ended December 31, 2015 may also significantly impact our liquidity.

We had \$ 83.2 million and \$72.6 million of cash and cash equivalents on hand as of June 30, 2016 and December 31, 2015, respectively, all of which were unrestricted. As of June 30, 2016, the balance under the 2014 Revolver was \$675.0 million, and \$ 22.2 million in standby letters of credit were outstanding. The unused availability on the 2014 Revolver at June 30, 2016 was \$ 802.8 million. The Partnership was in compliance with all financial covenants at June 30, 2016.

Cash Flows

	For the Six Months Ended June 30,	
	2016	2015
	(in thousands)	
Net cash provided by (used in)		
Operating activities	\$ 199,118	\$ 120,892
Investing activities	(2,520,154)	(1,037,266)
Financing activities	2,331,584	910,559
Net increase (decrease) in cash	<u>\$ 10,548</u>	<u>\$ (5,815)</u>

Cash Flows Provided by Operations. Cash flows provided by operations are our main source of liquidity. Our daily working capital requirements fluctuate within each month, primarily in response to the timing of payments for motor fuel, motor fuel tax and rent. Net cash provided by operations was \$199.1 million and \$120.9 million for the first six months of 2016 and 2015, respectively. The increase in cash flows from operations is primarily attributable to third party acquisitions completed in late 2015 as well as organic growth in the underlying business. Cash flows also fluctuate with increases or decreases in accounts receivable and accounts payable which are impacted by increasing or decreasing motor fuel prices and costs, as well as organic growth in volumes sold and volume increases due to acquisitions.

Cash Flows Used in Investing Activities. Net cash used in investing activities was \$2.5 billion and \$1.0 billion for the first six months of 2016 and 2015, respectively, of which \$2.2 billion and \$775.0 million in the first six months of 2016 and 2015, respectively, were due to the Sunoco LLC and Sunoco Retail acquisitions. Capital expenditures were \$179.9 million and \$201.7 million for the first six months of 2016 and 2015, respectively. Included in our capital expenditures for the first six months of 2016 was \$43.6 million in maintenance capital and \$136.3 million in growth capital. Growth capital relates primarily to new store construction.

Cash Flows Provided by Financing Activities. Net cash provided by financing activities was \$2.3 billion and \$910.6 million for the first six months of 2016 and 2015, respectively. During the six months ended June 30, 2016, we:

- borrowed \$2.0 billion and repaid \$792.0 million under our Term Loan;
- borrowed \$1.3 billion and repaid \$1.0 billion under our 2014 Revolver to fund daily operations;
- borrowed \$800.0 million under our Senior Notes due 2021;
- paid \$184.0 million in distributions to our unitholders, of which \$103.8 million were paid to ETP and ETE collectively; and
- paid \$50.0 million in distributions to ETP.

We intend to pay a cash distribution to the holders of our common units and Class C units representing limited partners interest in the Partnership ("Class C Units") on a quarterly basis, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our General Partner and its affiliates. Class C unitholders receive distributions at a fixed rate equal to \$0.8682 per quarter for each Class C Unit outstanding. There is no guarantee that we will pay a distribution on our units.

Capital Expenditures

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

	Low	High
Maintenance	\$ 100	\$ 110
Growth	380	400
Total projected capital	<u>\$ 480</u>	<u>\$ 510</u>

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

Contractual Obligations and Commitments

Contractual Obligations . We have contractual obligations which are required to be settled in cash. As of June 30, 2016, we have \$675.0 million borrowed on the 2014 Revolver compared to \$450.0 million borrowed at December 31, 2015. The 2014 Revolver matures in September 2019. Further, as of June 30, 2016, we had \$2.2 billion outstanding under our Senior Notes, and \$1.2 billion outstanding under our Term Loan. See Note 9 in the accompanying Notes to Consolidated Financial Statements for more information on our debt transactions.

We enter into derivatives, such as futures and options, to manage our fuel price risk on inventory in the distribution system. Fuel hedging positions are not significant to our operations. We had 327 positions, representing 13.7 million gallons, outstanding at June 30, 2016 with a negative fair value of \$2.8 million.

Properties . Most of our leases are net leases requiring us to pay taxes, insurance and maintenance costs. We believe that no individual site is material to us. The following table summarizes the number of owned and leased properties as of June 30, 2016:

	Owned	Leased
Wholesale dealer and consignment sites	551	235
Company-operated convenience stores	834	510
Warehouses and offices	61	51
Total	1,446	796

Summary of Significant Accounting Policies

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

Critical accounting policies are those we believe are both most important to the portrayal of our financial condition and results of operations, and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Our significant accounting policies are described in Note 2 in the accompanying Notes to Consolidated Financial Statements and in our Annual Report on Form 10-K for the year ended December 31, 2015 and on our Form 8-K filed on July 15, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates based on our financing, investing and cash management activities. We had outstanding borrowings on the 2014 Revolver of \$675.0 million and \$1.2 billion under our Term Loan as of June 30, 2016. The annualized effect of a one percentage point change in floating interest rates on our variable rate debt obligations outstanding at June 30, 2016, would be to change interest expense by approximately \$19.2 million. Our primary exposure relates to:

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

While we cannot predict or manage our ability to refinance existing debt or the impact interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis. From time to time, we may enter into interest rate swaps to reduce the impact of changes in interest rates on our floating rate debt. We had no interest rate swaps in effect during the first six months of 2016 or 2015.

Commodity Price Risk

Aloha has terminals on all four major Hawaiian Islands that hold purchased fuel until it is delivered to customers (typically over a two to three week period). Commodity price risks relating to this inventory are not currently hedged. The terminal inventory balance was \$20.4 million at June 30, 2016.

Sunoco LLC and Susser Petroleum Operating Company LLC ("SPOC") hold working inventories of refined petroleum products, renewable fuels, and gasoline blendstocks in storage. As of June 30, 2016, Sunoco LLC and SPOC held \$272.2 million of such inventory. While in storage, volatility and declines in the market price of stored motor fuel could adversely impact the price at which we can later sell the motor fuel. However, Sunoco LLC and SPOC use futures, forwards and other derivative instruments to hedge a variety of price risks relating to deviations in that inventory from a target base operating level established by management. Derivative instruments utilized consist primarily of exchange-traded futures contracts traded on the NYMEX, CME and ICE as well as over-the-counter transactions (including swap agreements) entered into with established financial institutions and other credit-approved energy companies. Sunoco LLC's and SPOC's policy is generally to purchase only products for which there is a market and to structure sales contracts so that price fluctuations do not materially affect profit. Sunoco LLC also engages in controlled trading in accordance with specific parameters set forth in a written risk management policy. For the 2015 fiscal year, Sunoco LLC maintained an average eleven day working inventory. While these derivative instruments represent economic hedges, they are not designated as hedges for accounting purposes.

On a consolidated basis, the Partnership had 327 positions, representing 13.7 million gallons with a negative fair value of \$2.8 million outstanding at June 30, 2016.

Item 4. Controls and Procedures

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

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

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

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SUNOCO LP

By Sunoco GP LLC, its general partner

Date: August 4, 2016

By /s/ Thomas R. Miller
Thomas R. Miller
Chief Financial Officer
(On behalf of the registrant and in his capacity as chief financial officer)

By /s/ Leta McKinley
Leta McKinley
Vice President, Controller and
Principal Accounting Officer
(In her capacity as principal accounting officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	First Amended and Restated Agreement of Limited Partnership of Susser Petroleum Partners LP, dated September 25, 2012 (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K filed by the registrant on September 25, 2012)
3.2	Amendment No. 1 to the First Amended and Restated Agreement of Limited Partnership of Susser Petroleum Partners LP (Incorporated by reference to Exhibit 3.2 of the current report on Form 8-K filed by the registrant on October 28, 2014)
3.3	Amendment No. 2 to the First Amended and Restated Agreement of Limited Partnership of Susser Petroleum Partners LP (Incorporated by reference to Exhibit 3.2 of the current report on Form 8-K filed by the registrant on August 6, 2015)
3.4	Amendment No. 3 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP (Incorporated by reference to Exhibit 3.1 of the current report on Form 8-K filed by the registrant on January 5, 2016).
3.5	Amendment No. 4 to the First Amended and Restated Agreement of Limited Partnership of Sunoco LP dated as of June 6, 2016 (incorporated by reference to Exhibit 3.1 of the current report on Form 8-K filed by the registrant on June 8, 2016)
3.6	Amended and Restated Certificate of Limited Partnership of Sunoco LP dated as of June 6, 2016 (incorporated by reference to Exhibit 3.2 of the current report on Form 8-K filed by the registrant on June 8, 2016)
3.7	Amended and Restated Limited Liability Company Agreement of Susser Petroleum Partners GP LLC, dated September 25, 2012 (incorporated by reference to Exhibit 3.2 of the current report on Form 8-K filed by the registrant on September 25, 2012)
3.8	Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of Susser Petroleum Partners GP LLC (incorporated by reference to Exhibit 3.2 of the current report on Form 8-K filed by the registrant on October 28, 2014)
3.9	Amendment No. 2 to the Amended and Restated Limited Liability Company Agreement of Sunoco GP LLC dated as of June 6, 2016 (incorporated by reference to Exhibit 3.3 of the current report on Form 8-K filed by the registrant on June 8, 2016)
10.1	Third Amendment to Credit Agreement, dated as of August 1, 2016, by and among Sunoco LP, Bank of America, N.A. and the financial institutions parties thereto as Lenders (incorporated by reference to Exhibit 10.1 of the current report on Form 8-K filed by the registrant on August 3, 2016)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
99.1	Information Related to ETP Retail Holdings, LLC
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

Exhibit No.	Description
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation

CERTIFICATION

I, Robert W. Owens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Robert W. Owens

Robert W. Owens
President and Chief Executive Officer of Sunoco GP LLC, the
general partner of Sunoco LP

CERTIFICATION

I, Thomas R. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sunoco LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Thomas R. Miller

Thomas R. Miller
Chief Financial Officer of Sunoco GP LLC, the general partner
of Sunoco LP

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

In connection with this Quarterly Report on Form 10-Q of Sunoco LP (the "Partnership") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert W. Owens, as President and Chief Executive Officer of Sunoco GP LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

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

Date: August 4, 2016

/s/ Robert W. Owens

Robert W. Owens
President and Chief Executive Officer of Sunoco GP LLC, the
general partner of Sunoco LP

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

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

In connection with this Quarterly Report on Form 10-Q of Sunoco LP (the "Partnership") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas R. Miller, as Chief Financial Officer of Sunoco GP LLC, the general partner of Sunoco LP, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

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

Date: August 4, 2016

/s/ Thomas R. Miller

Thomas R. Miller
Chief Financial Officer of Sunoco GP LLC, the general partner
of Sunoco LP

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

ETP Retail Holdings, LLC
Consolidated Financial Statements
As of June 30, 2016 and December 31, 2015
Three and Six Months Ended June 30, 2016 and 2015

ETP Retail Holdings, LLC
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Management's Discussion and Analysis of Financial Condition and Results of Operations	9

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

	June 30, 2016	December 31, 2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ —	\$ —
Advances to affiliated companies	220	157
Total current assets	220	157
Investments in unconsolidated affiliates	432	375
Total assets	\$ 652	\$ 532
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ —	\$ —
Accrued and other current liabilities	3	3
Advances from affiliated companies	66	—
Total current liabilities	69	3
Commitments and contingencies		
Equity:		
Members' equity	607	534
Accumulated other comprehensive income	1	1
Noncontrolling interest	(25)	(6)
Total equity	583	529
Total liabilities and equity	\$ 652	\$ 532

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Sales and other operating revenue	\$ —	\$ —	\$ —	\$ 1,960
Sales to affiliates	—	—	—	424
Other	—	—	—	10
Total revenues	—	—	—	2,394
Costs and expenses:				
Cost of products sold	—	—	—	1,636
Purchases from affiliates	—	—	—	685
Operating expenses	—	—	—	20
Selling, general and administrative	—	—	—	17
Depreciation and amortization	—	—	—	13
Total costs and expenses	—	—	—	2,371
Operating income	—	—	—	23
Other income:				
Income from unconsolidated affiliates	2	109	23	123
Other, net	—	—	—	1
Income before income tax expense	2	109	23	147
Income tax expense	—	—	—	3
Net income	\$ 2	\$ 109	\$ 23	\$ 144
Comprehensive Income	\$ 2	\$ 109	\$ 23	\$ 144

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

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

	Members'	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Equity			
Balance, December 31, 2015	\$ 534	\$ 1	\$ (6)	\$ 529
Sunoco Retail Transaction	2,297	—	—	2,297
Distribution	(47)	—	(19)	(66)
R&M and Atlantic Distribution	(2,200)	—	—	(2,200)
Net income	23	—	—	23
Balance, June 30, 2016	<u>\$ 607</u>	<u>\$ 1</u>	<u>\$ (25)</u>	<u>\$ 583</u>

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

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 23	\$ 144
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	—	13
Inventory valuation adjustments	—	(3)
Income from unconsolidated affiliates	(23)	(123)
Distributions from unconsolidated affiliates	13	(27)
Net change in operating assets and liabilities:		
Accounts receivable, net	—	21
Accounts receivable, affiliated companies	—	(14)
Inventories	—	73
Accounts payable	—	(99)
Accounts payable, affiliated companies	—	51
Accrued and other current liabilities	—	(28)
Other operating	—	(14)
Net cash provided by operating activities	13	(6)
Cash flows from investing activities:		
Capital expenditures	—	(16)
Sunoco Retail Transaction	2,200	—
Purchase of intangibles	—	(28)
Proceeds from dispositions	—	2
Net cash provided by (used in) investing activities	2,200	(42)
Cash flows from financing activities:		
Advances (to) from affiliates — Sunoco, Inc.	(13)	227
Distributions to ETP	—	(179)
R&M and Atlantic Distribution	(2,200)	—
Net cash provided by (used in) used in financing activities	(2,213)	48
Change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	\$ —	\$ —
Non-Cash Financing Activities:		
Non-cash distribution to members	\$ 47	\$ —
Non-cash distribution to non-controlling interest	\$ 19	—

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

ETP Retail Holdings, LLC
Notes to Consolidated Financial Statements
(Dollars in millions)

1. Operations and Organization:

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

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

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

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

In October 2014, our affiliate, Sunoco LP acquired MACS from the Company in a transaction valued at approximately \$768 million (the “MACS Transaction”). The transaction included company-operated retail convenience stores and dealer-operated and consignment sites from MACS, which had originally been acquired by ETP in October 2013. The consideration paid by Sunoco LP consisted of 3,983,540 Sunoco LP common units and \$556 million in cash.

In April 2015, Sunoco LP acquired a 31.58% equity interest and 50.1% voting interest in Sunoco LLC from the Company for \$816 million (the “Sunoco LLC Transaction”). Sunoco LP paid \$775 million in cash and issued \$41 million of Sunoco LP common units to the Company, based on the five-day volume weighted average price of Sunoco LP’s common units as of March 20, 2015. As a result of the Sunoco LLC Transaction, the Company no longer has a controlling interest in Sunoco LLC, therefore all of the Sunoco LLC operations were deconsolidated as of April 1, 2015.

Sunoco Retail LLC (“Sunoco Retail”) was formed in December 2015 as an indirect wholly-owned subsidiary of ETP. On March 31, 2016, 100% of the equity interests in Sunoco Retail were contributed to the Company. Immediately prior to this contribution, Sunoco Retail’s assets included (i) the retail assets and the ethanol plant located in Fulton, NY formerly owned by Sunoco, Inc. (R&M), (ii) the retail assets formerly owned by Atlantic Refining and Marketing Corp; and (iii) 100% of the membership interests in Sunmarks LLC.

On March 31, 2016, effective January 1, 2016, the Company contributed to Sunoco LP the remaining 68.42% membership interest and 49.9% voting interest in Sunoco LLC and 100% of the membership interest in Sunoco Retail for approximately \$2.2 billion in cash (including the expected value of working capital) and the issuance to the Company of 5,710,922 Sunoco LP common units (the “Sunoco Retail Transaction”). Concurrently with the execution of the transaction, the Company distributed the \$2.2 billion in cash to Sunoco, Inc. (R&M) and Atlantic Refining & Marketing Corp in the amount of \$2 billion and \$0.2 billion, respectively (the “R&M and Atlantic Distribution”). In exchange for the distribution, Sunoco, Inc. (R&M) and Atlantic Refining & Marketing Corp agree to provide support to the Company related to the Company’s guarantee of the Term Loan Facility (see Note 4).

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

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

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

2. 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. Intercompany transactions have been eliminated in consolidation.

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

Use of Estimates

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

New Accounting Pronouncements

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

Cash

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

Investments in Unconsolidated Affiliates

We own interests in Sunoco LP and PES that are accounted for by the equity method. In general, we use the equity method of accounting for an investment in an affiliated company for which we exercise significant influence over, but do not control, the investee's operating and financial policies.

Revenue Recognition

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

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

Motor Fuel Taxes

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

Income Taxes

Income taxes are accounted for under the asset and liability method as if the Company were a separate taxpayer during the period that its operations were included as part of a federal consolidated tax return filing group with its parent company. Under

this method, deferred tax assets and liabilities of the Company are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date.

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

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

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

Fair Value of Financial Instruments

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

3. Investments in Unconsolidated Affiliates:

PES

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

Sunoco LP

At June 30, 2016, the Company's investment in Sunoco LP consists of 10,489,944 Sunoco LP common units that were issued to the Company as part of the consideration for the MACS, Sunoco LLC, and Sunoco Retail Transactions described in Note 1. The Company's investment represented approximately 9% of the total outstanding Sunoco LP common units at June 30, 2016. The Company's investment in Sunoco LP is accounted for in our consolidated financial statements using the equity method, because the Company is presumed to have significant influence over Sunoco LP due to the affiliate relationship resulting from both entities being under the common control of Energy Transfer Equity, L.P.

Summarized Financial Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 5,890	\$ 7,505	\$ 10,557	\$ 13,731
Operating income	119	281	274	396
Net income	56	238	167	324

4. Commitments and Contingencies:

ETP Retail Holdings Guarantee of Sunoco LP Notes

In April 2015, Sunoco LP acquired a 31.58% equity interest in Sunoco LLC from the Company for \$775 million of cash and \$41 million of Sunoco LP common units. The cash portion of the consideration was financed through Sunoco LP's issuance of \$800 million principal amount of 6.375% senior notes due 2023. The Company entered into a guarantee of collection with Sunoco LP and Sunoco Finance Corp., a wholly owned subsidiary of Sunoco LP, pursuant to which the Company has agreed to provide a guarantee of collection, but not of payment, to Sunoco LP with respect to the principal amount of the 6.375% senior notes issued by Sunoco LP.

In March 2016, Sunoco LP entered into a term loan in an aggregate principal amount of up to \$2.035 billion due October 1, 2019 (the "Term Loan Facility"), which was borrowed in full. The Company provided a limited contingent guaranty of collection with respect to the payment of the principal amount of the Term Loan Facility. As of June 30, 2016, Sunoco LP had \$1.2 billion outstanding under the Term Loan Facility.

In April 2016, Sunoco LP issued \$800 million of 6.250% senior notes due 2021 (the "Senior Notes"). The proceeds from the Senior Notes were used to repay a portion of Sunoco LP's indebtedness under its Term Loan Facility. The Company entered into a limited contingent guarantee on the obligation to pay the principal on the Senior Notes once all remedies have been fully exhausted against Sunoco LP with respect to such payment obligation, and holders of the Senior Notes are still owed amounts in respect of the principal of the Senior Notes.

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

Introduction

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

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

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

Sunoco Retail was formed in December 2015 as an indirect wholly owned subsidiary of ETP. On March 31, 2016, 100% of the equity interests in Sunoco Retail were contributed to the Company. Immediately prior to this contribution, Sunoco Retail's assets included (i) the retail assets and the ethanol plant located in Fulton, NY formerly owned by Sunoco R&M, (ii) the retail assets formerly owned by Atlantic Refining; and (iii) 100% of the membership interests in Sunmarks LLC.

On March 31, 2016, effective January 1, 2016, the Company contributed to Sunoco LP the remaining 68.42% membership interest in Sunoco LLC and 100% of the membership interest in Sunoco Retail. Prior to this transaction, the Company, through its interest in Sunoco LLC, was primarily engaged in the wholesale distribution of motor fuels to Sunoco R&M and third parties in the United States. Sunoco R&M operated convenience stores and retail fuel outlets under the proprietary Sunoco brand, primarily in the east coast and southeast regions of the United States. Through its membership interest in Sunoco LLC, the Company also distributed motor fuel to Sunoco-branded retail fuel outlets operated by third parties under long-term contracts. Through its membership interest in Sunoco LLC, the Company also supplied other commercial customers on a spot or short-term contract basis.

Recent Dispositions

In October 2014, our affiliate, Sunoco LP acquired MACS from the Company in a transaction valued at approximately \$768 million (the "MACS Transaction"). The transaction included company-operated retail convenience stores and dealer-operated and consignment sites from MACS, which had originally been acquired by ETP in October 2013. The consideration paid by Sunoco LP consisted of 3,983,540 Sunoco LP common units and \$556 million in cash.

In April 2015, Sunoco acquired a 31.58% equity interest and a 50.1% voting interest in Sunoco LLC from the Company for \$816 million. Sunoco paid \$775 million in cash and issued \$41 million of Sunoco common units to the Company, based on the five-day volume weighted average price of Sunoco's common units as of March 20, 2015. As a result of the transaction, the Company no longer has a controlling interest in Sunoco LLC; therefore, all of the Sunoco LLC operations were deconsolidated as of April 1, 2015. In March 2016, the Company contributed its remaining interest in Sunoco LLC to Sunoco LP.

Results of Operations

	Six Months Ended June 30,	
	2016	2015
Revenues:		
Sales and other operating revenue	\$ —	\$ 1,960
Sales to affiliates	—	424
Other	—	10
Total revenues	—	2,394
Costs and expenses:		
Cost of products sold	—	1,636
Purchases from affiliates	—	685
Operating expenses	—	20
Selling, general and administrative	—	17
Depreciation and amortization	—	13
Total costs and expenses	—	2,371
Operating income	—	23
Other income:		
Interest expense	—	—
Income from unconsolidated affiliates	23	123
Interest income - affiliate	—	—
Other, net	—	1
Income before income tax expense	23	147
Income tax expense	—	3
Net income	\$ 23	\$ 144

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

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

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

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