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 September 30, 2018

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 No. 001-35711

CROSSAMERICA PARTNERS LP

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**45-4165414** (I.R.S. Employer Identification No.)
600 Hamilton Street, Suite 500 **Allentown, PA** (Address of Principal Executive Offices)	**18101** (Zip Code)
	(610) 625-8000 (Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

As of November 1, 2018, the registrant had outstanding 34,444,113 common units.

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COMMONLY USED DEFINED TERMS

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

CrossAmerica Partners LP and subsidiaries:

CrossAmerica Partners LP	CrossAmerica, the Partnership, we, us, our
LGW	Lehigh Gas Wholesale LLC
LGPR	LGP Realty Holdings LP
LGWS	Lehigh Gas Wholesale Services, Inc. and subsidiaries

CrossAmerica Partners LP related parties:

Circle K	Circle K Stores Inc., a Texas corporation, and a wholly owned subsidiary of Couche-Tard
Couche-Tard	Alimentation Couche-Tard Inc. (TSX: ATD.A ATD.B)
Couche-Tard Board	the Board of Directors of Couche-Tard
CST	CST Brands, LLC and subsidiaries, indirectly owned by Circle K
CST Fuel Supply	CST Fuel Supply LP is the parent of CST Marketing and Supply, indirectly owned by Circle K. As of September 30, 2018, our total limited partner interest in CST Fuel Supply was 17.5%.
CST Marketing and Supply	CST Marketing and Supply, LLC, indirectly owned by Circle K. It is CST's wholesale motor fuel supply business, which provides wholesale fuel distribution to the majority of CST's U.S. retail convenience stores on a fixed markup per gallon.
CST Services	CST Services, LLC, a wholly owned subsidiary of Circle K
DMI	Dunne Manning Inc., an entity affiliated with Joseph V. Topper, Jr., a member of the Board, a related party and large holder of our common units
DMR	Dunne Manning Realty LP, an entity affiliated with Joseph V. Topper, Jr., a member of the Board, a related party and large holder of our common units
DMS	Dunne Manning Stores LLC (formerly known as Lehigh Gas-Ohio, LLC), an entity affiliated with the family of Joseph V. Topper, Jr., a member of the Board, a related party and large holder of our common units. DMS is an operator of retail motor fuel stations. DMS leases retail sites from us in accordance with a master lease agreement with us and DMS purchases substantially all of its motor fuel for these sites from us on a wholesale basis under rack plus pricing. The financial results of DMS are not consolidated with ours.
General Partner	CrossAmerica GP LLC, the General Partner of CrossAmerica, a Delaware limited liability company, indirectly owned by Circle K
Topstar	Topstar Enterprises, an entity affiliated with Joseph V. Topper, Jr. Topstar is an operator of convenience stores that leases retail sites from us, but does not purchase fuel from us.

Recent Acquisitions:

Franchised Holiday Stores	The franchised Holiday stores acquired in March 2016
Jet-Pep Assets	The assets acquired from Jet-Pep, Inc. in November 2017

Other Defined Terms:

Amended Omnibus Agreement	The Amended and Restated Omnibus Agreement, dated October 1, 2014, as amended on February 17, 2016 and May 7, 2018 by and among CrossAmerica, the General Partner, DMI, DMS, CST Services and Joseph V. Topper, Jr., which amends and restates the original omnibus agreement that was executed in connection with CrossAmerica's initial public offering on October 30, 2012. The terms of the Amended Omnibus Agreement were approved by the conflicts committee of the Board. Pursuant to the Amended Omnibus Agreement, CST Services agrees, among other things, to provide, or cause to be provided, to the Partnership certain management services.

ASU	Accounting Standards Update
Board	Board of Directors of our General Partner
BP	BP p.l.c.
DTW	Dealer tank wagon contracts, which are variable cent per gallon priced wholesale motor fuel distribution or supply contracts. DTW also refers to the pricing methodology under such contracts
EBITDA	Earnings before interest, taxes, depreciation, amortization and accretion, a non-GAAP financial measure
EICP	The Partnership's Lehigh Gas Partners LP Executive Income Continuity Plan, as amended
Exchange Act	Securities Exchange Act of 1934, as amended
ExxonMobil	ExxonMobil Corporation
FASB	Financial Accounting Standards Board
Form 10-K	CrossAmerica's Annual Report on Form 10-K for the year ended December 31, 2017
FTC	U.S. Federal Trade Commission
Getty Lease	In May 2012, the Predecessor Entity, which represents the portion of the business of DMI and its subsidiaries and affiliates contributed to the Partnership in connection with the IPO, entered into a 15-year master lease agreement with renewal options of up to an additional 20 years with Getty Realty Corporation. The Partnership pays fixed rent, which increases 1.5% per year. In addition, the lease requires contingent rent payments based on gallons of motor fuel sold. The Partnership leases sites under the lease in Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, Pennsylvania and Rhode Island.
IDRs	Incentive Distribution Rights represent the right to receive an increasing percentage of quarterly distributions after the target distribution levels have been achieved, as defined in our Partnership Agreement. Circle K is the indirect owner of 100% of the outstanding IDRs of CrossAmerica.
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IPO	Initial public offering of CrossAmerica Partners LP on October 30, 2012
LIBOR	London Interbank Offered Rate
Merger	The merger of Ultra Acquisition Corp., a Delaware corporation and an indirect, wholly owned subsidiary of Circle K ("Merger Sub"), with CST, with CST surviving the merger as a wholly owned subsidiary of Circle K, which closed on June 28, 2017. See Merger Agreement below.
Merger Agreement	CST's Agreement and Plan of Merger entered into on August 21, 2016 with Circle K and Merger Sub. Under and subject to the terms and conditions of the Merger Agreement, on June 28, 2017, Merger Sub was merged with and into CST, with CST surviving the Merger as a wholly owned subsidiary of Circle K.
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Motiva	Motiva Enterprises LLC
Partnership Agreement	The First Amended and Restated Agreement of Limited Partnership of CrossAmerica Partners LP, dated as of October 1, 2014, as amended
Predecessor Entity	Wholesale distribution business of DMS and real property and leasehold interests contributed in connection with the IPO
Retail Site	A general term to refer to convenience stores, including those operated by commission agents, independent dealers, Circle K, DMS or lessee dealers, as well as company operated sites
RIN	Renewable identification number, an identifier used by governmental agencies to track a specific batch of renewable fuel

Terms Discounts	Discounts for prompt payment and other rebates and incentives from our suppliers for a majority of the gallons of motor fuel purchased by us, which are recorded within cost of sales. Prompt payment discounts are based on a percentage of the purchase price of motor fuel.
U.S. GAAP	United States Generally Accepted Accounting Principles
Valero	Valero Energy Corporation and, where appropriate in context, one or more of its subsidiaries, or all of them taken as a whole
WTI	West Texas Intermediate crude oil

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CROSSAMERICA PARTNERS LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of Dollars, except unit data)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash	$ 3,791	$ 3,897
Accounts receivable, net of allowances of $275 and $277, respectively	26,488	27,792
Accounts receivable from related parties	14,496	14,459
Inventories	15,362	15,122
Assets held for sale	572	11,708
Other current assets	6,687	7,528
Total current assets	67,396	80,506
Property and equipment, net	658,514	681,000
Intangible assets, net	63,418	76,063
Goodwill	88,764	89,109
Other assets	20,391	20,558
Total assets	$ 898,483	$ 947,236
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt and capital lease obligations	$ 2,254	$ 2,916
Accounts payable	38,947	35,789
Accounts payable to related parties	26,967	25,512
Accrued expenses and other current liabilities	15,479	17,015
Motor fuel taxes payable	11,097	12,241
Total current liabilities	94,744	93,473
Debt and capital lease obligations, less current portion	538,075	529,147
Deferred tax liabilities, net	20,945	24,069
Asset retirement obligations	32,433	31,467
Other long-term liabilities	95,374	98,061
Total liabilities	781,571	776,217
Commitments and contingencies		
Equity:		
Partners' Capital		
Common units—(34,444,113 and 34,111,461 units issued and outstanding at September 30, 2018 and December 31, 2017, respectively)	116,912	171,337
General Partner's interest	—	—
Total Partners' Capital	116,912	171,337
Noncontrolling interests	—	(318)
Total equity	116,912	171,019
Total liabilities and equity	$ 898,483	$ 947,236

See Notes to Condensed Consolidated Financial Statements.

CROSSAMERICA PARTNERS LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands of Dollars, Except Unit and Per Unit Amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating revenues[a]	$ 670,810	$ 544,092	$ 1,898,675	$ 1,542,167
Costs of sales[b]	627,012	502,517	1,770,954	1,421,524
Gross profit	43,798	41,575	127,721	120,643
Income from CST Fuel Supply equity interests	3,479	3,752	11,024	11,185
Operating expenses:				
Operating expenses	15,261	15,371	47,294	46,853
General and administrative expenses	4,310	5,994	13,840	23,731
Depreciation, amortization and accretion expense	13,993	14,049	51,425	42,675
Total operating expenses	33,564	35,414	112,559	113,259
(Loss) gain on dispositions and lease terminations, net	(61)	2,371	(6,678)	2,013
Operating income	13,652	12,284	19,508	20,582
Other income (expense), net	104	121	287	366
Interest expense	(8,145)	(7,102)	(24,354)	(20,599)
Income (loss) before income taxes	5,611	5,303	(4,559)	349
Income tax expense (benefit)	303	966	(2,122)	(1,686)
Net income (loss)	5,308	4,337	(2,437)	2,035
Less: net income (loss) attributable to noncontrolling interests	—	4	(5)	(1)
Net income (loss) attributable to limited partners	5,308	4,333	(2,432)	2,036
IDR distributions	(133)	(1,115)	(1,446)	(3,162)
Net income (loss) available to limited partners	$ 5,175	$ 3,218	$ (3,878)	$ (1,126)
Basic and diluted earnings per limited partner unit	$ 0.15	$ 0.09	$ (0.11)	$ (0.03)
Weighted-average limited partner units:				
Basic common units	34,439,416	33,931,056	34,311,998	33,773,964
Diluted common units[c]	34,439,416	33,937,702	34,311,998	33,792,181
Supplemental information:				
(a) Includes excise taxes of:	$ 25,176	$ 19,704	$ 74,984	$ 58,351
(a) Includes revenues from fuel sales to and rental income from related parties of:	122,383	110,337	350,454	309,313
(a) Includes rental income of:	21,149	21,644	64,331	65,090
(b) Includes rental expense of:	4,980	4,876	14,775	14,593

(c) Diluted common units were not used in the calculation of diluted earnings per common unit for the three and nine months ended September 30, 2018 and the nine months ended September 30, 2017 because to do so would have been antidilutive.

See Notes to Condensed Consolidated Financial Statements.

CROSSAMERICA PARTNERS LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of Dollars)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net (loss) income	$ (2,437)	$ 2,035
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion expense	51,425	42,675
Amortization of deferred financing costs	1,227	1,278
Amortization of (above) below market leases, net	(18)	57
Provision for losses on doubtful accounts	278	46
Deferred income taxes	(3,124)	(2,971)
Equity-based employee and director compensation expense	340	1,889
Amended Omnibus Agreement fees settled in common units	3,300	9,900
Loss (gain) on dispositions and lease terminations, net	6,678	(2,013)
Changes in operating assets and liabilities, net of acquisitions	(399)	13,542
Net cash provided by operating activities	57,270	66,438
Cash flows from investing activities:		
Principal payments received on notes receivable	718	345
Proceeds from sale of property and equipment	5,043	23,900
Capital expenditures	(10,217)	(10,175)
Cash paid in connection with acquisitions, net of cash acquired	—	(2,779)
Cash paid to Circle K in connection with acquisitions	(485)	—
Net cash (used in) provided by investing activities	(4,941)	11,291
Cash flows from financing activities:		
Borrowings under the revolving credit facility	106,720	88,840
Repayments on the revolving credit facility	(96,220)	(98,856)
Payments of long-term debt and capital lease obligations	(2,319)	(1,509)
Payments of sale leaseback obligations	(750)	(635)
Payment of deferred financing fees	(901)	(6)
Contributions from parent company	—	329
Distributions paid on distribution equivalent rights	(22)	(15)
Distributions paid to holders of the IDRs	(1,446)	(3,162)
Distributions paid to noncontrolling interests	(18)	(60)
Distributions paid on common units	(57,479)	(62,439)
Net cash used in financing activities	(52,435)	(77,513)
Net (decrease) increase in cash	(106)	216
Cash at beginning of period	3,897	1,350
Cash at end of period	$ 3,791	$ 1,566

See Notes to Condensed Consolidated Financial Statements.

CROSSAMERICA PARTNERS LP
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Thousands of Dollars, Except Unit Amounts)
(Unaudited)

	Limited Partners' Interest		General	Incentive		
	Common Unitholders		Partner's Interest	Distribution Rights	Noncontrolling Interest	Equity
	Units	Dollars	Dollars	Dollars	Dollars	Dollars
Balance at June 30, 2018	34,433,574	$ 129,971	$ —	$ —	$ (341)	$ 129,630
Vesting of incentive and director awards, net of units withheld for taxes	10,539	(150)	—	—	341	191
Net income and comprehensive income	—	5,175	—	133	—	5,308
Distributions paid	—	(18,084)	—	(133)	—	(18,217)
Balance at September 30, 2018	34,444,113	$ 116,912	$ —	$ —	$ —	$ 116,912
Balance at June 30, 2017	33,860,967	$ 183,941	$ —	$ —	$ (280)	$ 183,661
Issuance of units to Circle K for the payment of fees under the Amended Omnibus Agreement	124,003	3,162	—	—	—	3,162
Contribution from Circle K as reimbursement of income tax liability incurred on FTC divestiture	—	329	—	—	—	329
Net income and comprehensive income	—	3,218	—	1,115	4	4,337
Distributions paid	—	(21,081)	—	(1,115)	(18)	(22,214)
Balance at September 30, 2017	33,984,970	$ 169,569	$ —	$ —	$ (294)	$ 169,275
Balance at December 31, 2017	34,111,461	$ 171,337	$ —	$ —	$ (318)	$ 171,019
Vesting of incentive and director awards, net of units withheld for taxes	40,534	492	—	—	341	833
Issuance of units to Circle K for the payment of fees under the Amended Omnibus Agreement	292,118	6,518	—	—	—	6,518
Acquisition of leasehold interest in three sites from Circle K	—	(56)	—	—	—	(56)
Net (loss) income and comprehensive (loss) income	—	(3,878)	—	1,446	(5)	(2,437)
Distributions paid	—	(57,501)	—	(1,446)	(18)	(58,965)
Balance at September 30, 2018	34,444,113	$ 116,912	$ —	$ —	$ —	$ 116,912
Balance at December 31, 2016	33,524,952	$ 221,044	$ —	$ —	$ (233)	$ 220,811
Vesting of incentive and director awards, net of units withheld for taxes	35,993	896	—	—	—	896
Issuance of units to Circle K for the payment of fees under the Amended Omnibus Agreement	424,025	10,880	—	—	—	10,880
Contribution from Circle K as reimbursement of income tax liability incurred on FTC divestiture	—	329	—	—	—	329
Net (loss) income and comprehensive (loss) income	—	(1,126)	—	3,162	(1)	2,035
Distributions paid	—	(62,454)	—	(3,162)	(60)	(65,676)
Balance at September 30, 2017	33,984,970	$ 169,569	$ —	$ —	$ (294)	$ 169,275

See Notes to Condensed Consolidated Financial Statements.

Note 1. DESCRIPTION OF BUSINESS AND OTHER DISCLOSURES

Circle K and CST Merger

On June 28, 2017, a wholly owned subsidiary of Circle K, merged with and into CST, with CST surviving the Merger as an indirect, wholly owned subsidiary of Circle K. Circle K is a wholly owned subsidiary of Couche-Tard.

As a result of the Merger, Circle K indirectly owns all of the membership interests in the sole member of our General Partner, as well as a 21.7% limited partner interest in the Partnership and all of the IDRs of the Partnership. Circle K, through its indirect ownership interest in the sole member of our General Partner, has the ability to appoint all of the members of the Board and to control and manage our operations and activities.

Description of Business

Our business consists of:

- the wholesale distribution of motor fuels;
- the retail distribution of motor fuels to end customers at retail sites operated by commission agents or us;
- generating revenues through leasing or subleasing our real estate used in the retail distribution of motor fuels; and
- the operation of retail sites.

The financial statements reflect the consolidated results of the Partnership and its wholly owned subsidiaries. Our primary operations are conducted by the following consolidated wholly owned subsidiaries:

- LGW, which distributes motor fuels on a wholesale basis and generates qualified income under Section 7704(d) of the Internal Revenue Code;
- LGPR, which functions as the real estate holding company and holds assets that generate qualified rental income under Section 7704(d) of the Internal Revenue Code; and
- LGWS, which owns and leases (or leases and sub-leases) real estate and personal property used in the retail distribution of motor fuels, as well as provides maintenance and other services to its customers. In addition, LGWS distributes motor fuels on a retail basis and sells convenience merchandise items to end customers at company operated retail sites and sells motor fuel on a retail basis at sites operated by commission agents. Income from LGWS generally is not qualified income under Section 7704(d) of the Internal Revenue Code.

Interim Financial Statements

These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and the Exchange Act. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Management believes that the disclosures made are adequate to keep the information presented from being misleading. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K. Financial information as of September 30, 2018 and for the three and nine months ended September 30, 2018 and 2017 included in the consolidated financial statements has been derived from our unaudited financial statements. Financial information as of December 31, 2017 has been derived from our audited financial statements and notes thereto as of that date.

Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. Our business exhibits seasonality due to our wholesale and retail sites being located in certain geographic areas that are affected by seasonal weather and temperature trends and associated changes in retail customer activity during different seasons. Historically, sales volumes have been highest in the second and third quarters (during the summer activity months) and lowest during the winter months in the first and fourth quarters.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results and outcomes could differ from those estimates and assumptions. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances could result in revised estimates and assumptions.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09–*Revenue from Contracts with Customers (Topic 606)*, which results in comprehensive new revenue accounting guidance, requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized, and develops a common revenue standard under U.S. GAAP and International Financial Reporting Standards. Specifically, the core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance was effective January 1, 2018 and we applied the modified retrospective method of adoption. There was no material impact on the financial statements other than disclosures. This guidance applies to over 90% of our revenues as the only primary revenue stream outside the scope of this guidance is rental income.

Revenues from the delivery of motor fuel are recorded at the time of delivery to our customers, by which time the price is fixed, title to the products has transferred and payment has either been received or collection is reasonably assured, net of applicable discounts and allowances.

Revenues from the sale of convenience store products are recognized at the time of sale to the customer.

Revenues from leasing arrangements for which we are the lessor are recognized ratably over the term of the underlying lease.

See Note 13 for additional information on our revenues and related receivables.

Motor Fuel Taxes

LGW collects motor fuel taxes, which consist of various pass through taxes collected from customers on behalf of taxing authorities, and remits such taxes directly to those taxing authorities. LGW's accounting policy is to exclude the taxes collected and remitted from wholesale revenues and cost of sales and account for them as liabilities. LGWS's retail sales and cost of sales include motor fuel taxes as the taxes are included in the cost paid for motor fuel and LGWS has no direct responsibility to collect or remit such taxes to the taxing authorities. This accounting policy is consistent with that used in prior periods.

Investment in CST Fuel Supply

ASU 2016-15–*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* was effective January 1, 2018. This ASU provides guidance on cash flow presentation of various specific transactions. We apply the cumulative earnings approach in presenting our cash flows from our investment in CST Fuel Supply. Distributions received are considered returns on investment and classified as cash inflows from operating activities.

Significant Accounting Policies

There have been no other material changes to the significant accounting policies described in our Form 10-K. Certain new financial accounting pronouncements have become effective for our financial statements but the adoption of these pronouncements did not materially impact our financial position, results of operations or disclosures.

New Accounting Guidance Pending Adoption

In February 2016, the FASB issued ASU 2016-02–*Leases (Topic 842)*. This standard modifies existing guidance for reporting organizations that enter into leases to increase transparency by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2018, and requires a modified retrospective approach to adoption. This guidance will be effective January 1, 2019.

Management continues to evaluate the impact of this new guidance, but the adoption will have a material impact on our balance sheet as we will be required to recognize right-of-use assets and lease liabilities for operating leases. We have performed certain system upgrades and further validated the completeness and accuracy of our lease data. We intend to apply each of the practical expedients in adopting this new guidance. Since our previous sale-leaseback transactions were accounted for as failed sale-leasebacks, we are required to reassess these leases under the new guidance as part of adopting ASU 2016-02. Although our analysis is not complete, we believe these leases will be accounted for as operating leases under the new guidance and the assets and sale-leaseback financing obligations currently recorded on the balance sheet will be removed with a transition adjustment to equity upon adoption.

Concentration Risk

For the nine months ended September 30, 2018, we distributed 12% of our total wholesale distribution volumes to DMS and DMS accounted for 17% of our rental income. For the nine months ended September 30, 2017, we distributed 14% of our total wholesale distribution volumes to DMS and DMS accounted for 23% of our rental income.

In June 2018, we executed master fuel supply and master lease agreements with a third party multi-site operator of retail motor fuel stations, to which we transitioned 43 sites in Florida from DMS in the third quarter of 2018. The master fuel supply and master lease agreements have an initial 10-year term with four 5-year renewal options. See Note 7 for information relating to our recapture of these sites from the master lease agreement with DMS.

For the nine months ended September 30, 2018, we distributed 7% of our total wholesale distribution volume to Circle K retail sites that are not supplied by CST Fuel Supply and received 20% of our rental income from Circle K. For the nine months ended September 30, 2017, we distributed 8% of our total wholesale distribution volume to Circle K retail sites that are not supplied by CST Fuel Supply and received 22% of our rental income from Circle K.

For more information regarding transactions with DMS and Circle K, see Note 7.

For the nine months ended September 30, 2018, our wholesale business purchased approximately 26%, 26%, 12% and 10% of its motor fuel from ExxonMobil, BP, Motiva and Circle K, respectively. For the nine months ended September 30, 2017, our wholesale business purchased approximately 28%, 27% and 17% of its motor fuel from ExxonMobil, BP and Motiva, respectively. No other fuel suppliers accounted for 10% or more of our motor fuel purchases during the nine months ended September 30, 2018 and 2017.

Valero supplied substantially all of the motor fuel purchased by CST Fuel Supply during all periods presented.

Note 2. ASSETS HELD FOR SALE

We classified one site and 12 sites as held for sale at September 30, 2018 and December 31, 2017, respectively. Of the sites held for sale at December 31, 2017, 11 were required to be divested per FTC orders in connection with Circle K's acquisition of Holiday Stationstores, Inc. ("Holiday") and the joint acquisition of Jet-Pep Assets by Circle K and us. These assets were sold in the third quarter of 2018 for total proceeds of $4.9 million. Assets held for sale were as follows (in thousands):

	September 30, 2018	December 31, 2017
Land	$ 525	$ 4,946
Buildings and site improvements	136	5,785
Equipment	158	2,485
Total	819	13,216
Less accumulated depreciation	(247)	(1,508)
Assets held for sale	$ 572	$ 11,708

We recorded impairment charges totaling $8.9 million during the nine months ended September 30, 2018 related to the 11 FTC-required divestitures, included within depreciation, amortization and accretion expense on the statement of operations. The impairment charges include $1.2 million of wholesale fuel distribution rights and $0.3 million of goodwill, most of which relates to the Retail segment. No significant impairments were recorded during the three months ended September 30, 2018 or during the three and nine months ended September 30, 2017.

As part of Circle K's acquisition of Holiday, the FTC issued a decree in which nine sites were required to be divested to FTC approved third-party buyers ("Upper Midwest Sites"). Since this was a forced divestiture of assets for us, Circle K has agreed to compensate us with an amount representing the difference between the value of the nine Upper Midwest Sites and the proceeds of the sale to FTC approved third-party buyers, which amounted to $6.3 million. We anticipate Circle K's payment to us will be made during the fourth quarter of 2018. This payment will be accounted for as a transaction between entities under common control and thus recorded as a contribution to partners' capital and will be subject to income taxes.

These sites were divested in September 2018, after the June 15, 2018 deadline specified in the FTC orders. As a result, Couche-Tard and/or the Partnership may be subject to civil penalties, up to a maximum allowed by law of $41,000 per day per violation of the FTC divestiture orders. Circle K has agreed that it would be solely responsible for any such penalties and we have not accrued any liability for such penalties.

During the three and nine months ended September 30, 2017, as approved by the conflicts committee of our Board, we sold 28 properties to DMR for $16.6 million, resulting in a $0.5 million loss. Three additional properties and approximately $3.0 million of proceeds remained in escrow as of September 30, 2017 until certain conditions were met during the fourth quarter of 2017. These sites were generally sites at which we did not supply fuel or represented vacant land.

During the three and nine months ended September 30, 2017, we sold two properties as a result of the FTC's requirements associated with the Merger for $6.7 million, resulting in a gain of $2.2 million. In addition, Circle K agreed to reimburse us for the tax liability incurred on the required sale, resulting in additional proceeds of $0.3 million, which was accounted for as a contribution to partners' capital.

During the three and nine months ended September 30, 2017, DMS renewed its contract with one of its customers, triggering a $0.8 million earn-out payment by DMS to us under a contract entered into with DMS at the time of CST acquiring our General Partner in October 2014, which was recorded as a gain.

Note 3. INVENTORIES

Inventories consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Retail site merchandise	$ 7,061	$ 7,806
Motor fuel	8,301	7,316
Inventories	$ 15,362	$ 15,122

Note 4. PROPERTY AND EQUIPMENT

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

	September 30, 2018	December 31, 2017
Land	$ 284,945	$ 285,682
Buildings and site improvements	363,160	362,207
Leasehold improvements	11,165	10,155
Equipment	188,658	185,733
Construction in progress	5,002	1,797
Property and equipment, at cost	852,930	845,574
Accumulated depreciation and amortization	(194,416)	(164,574)
Property and equipment, net	$ 658,514	$ 681,000

Note 5. INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	September 30, 2018			December 31, 2017		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Wholesale fuel supply contracts/rights	$ 126,734	$ (66,268)	$ 60,466	$ 127,955	$ (56,915)	$ 71,040
Trademarks	2,064	(1,130)	934	2,064	(863)	1,201
Covenant not to compete	4,581	(3,911)	670	4,581	(3,300)	1,281
Below market leases	11,177	(9,829)	1,348	11,401	(8,860)	2,541
Total intangible assets	$ 144,556	$ (81,138)	$ 63,418	$ 146,001	$ (69,938)	$ 76,063

Note 6. DEBT

Our balances for long-term debt and capital lease obligations are as follows (in thousands):

	September 30, 2018	December 31, 2017
$650 million revolving credit facility	$ 516,500	$ 506,000
Capital lease obligations	25,474	27,220
Note payable	—	765
Total debt and capital lease obligations	541,974	533,985
Current portion	2,254	2,916
Noncurrent portion	539,720	531,069
Deferred financing costs, net	1,645	1,922
Noncurrent portion, net of deferred financing costs	$ 538,075	$ 529,147

Our revolving credit facility is secured by substantially all of our assets. Letters of credit outstanding at September 30, 2018 and December 31, 2017 totaled $5.3 million and $6.7 million, respectively, which reduced availability under our credit facility. The amount of availability at September 30, 2018 under the revolving credit facility, after taking into account debt covenant restrictions, was $45.7 million. In connection with future acquisitions, the revolving credit facility requires, among other things, that we have, after giving effect to such acquisitions, at least $20.0 million in the aggregate of borrowing availability under the revolving credit facility and unrestricted cash on the balance sheet on the date of such acquisition.

Financial Covenants and Interest Rate

We are required to comply with certain financial covenants under the credit facility. We are required to maintain (i) a total leverage ratio (as defined in the revolving credit facility) for the most recently completed four fiscal quarters of less than or equal to 4.50 : 1.00, except for periods following a material acquisition, generally defined as an acquisition with a purchase price of at least $30.0 million and (ii) a consolidated interest coverage ratio (as defined in the revolving credit facility) of at least 2.75 : 1.00. The total leverage ratio shall not exceed 5.00 : 1.00 for the first four full fiscal quarters following the closing of a material acquisition. Since the November 2017 Jet-Pep Assets acquisition qualified as a material acquisition, the maximum leverage ratio applicable to the quarter ended September 30, 2018 was 5.00 : 1.00. If we issued qualified senior notes (as defined in the revolving credit facility) in the aggregate principal amount of $175.0 million or greater, the ratio shall not exceed 5.50 : 1.00. If we issued qualified senior notes (as defined in the revolving credit facility) of $175.0 million or greater, we are also required to maintain a senior leverage ratio (as defined in the revolving credit facility) of less than or equal to 3.00 : 1.00. As of September 30, 2018, we were in compliance with these financial covenants.

At September 30, 2018, outstanding borrowings under the revolving credit facility bore interest at LIBOR plus a margin of 2.50%. Our borrowings had an effective interest rate of 4.66% as of September 30, 2018.

On April 25, 2018, the credit facility was amended to:

- Extend the maturity date from March 4, 2019 to April 25, 2020;
- Increase the capacity from $550 million to $650 million;
- Extend the period during which the permitted total leverage ratio (as defined in the revolving credit facility) is increased from 4.50 : 1.00 to 5.00 : 1.00 after the closing of a material acquisition (as defined in the revolving credit facility) from three quarters to four quarters; and
- Decrease the applicable margin and commitment fee (each as defined in the revolving credit facility), which vary based on our total leverage ratio, such that the applicable margin ranges from 1.50% to 2.75% for LIBOR rate loans (as defined in the revolving credit facility) and 0.50% to 1.75% for alternate base rate loans (as defined in the revolving credit facility), and the commitment fee ranges from 0.20% to 0.45%. In general, the applicable margin for LIBOR and alternate base rate loans was reduced by 0.5%.

Note 7. RELATED-PARTY TRANSACTIONS

Transactions with Circle K

Fuel Sales and Rental Income

We sell wholesale motor fuel under a master fuel distribution agreement to 47 Circle K retail sites and lease real property on 73 retail sites to Circle K under a master lease agreement, each having initial 10-year terms. The master fuel distribution agreement provides us with a fixed wholesale mark-up per gallon. The master lease agreement is a triple net lease.

Revenues from wholesale fuel sales and real property rental income from Circle K were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues from motor fuel sales to Circle K	$ 46,060	$ 36,449	$ 125,627	$ 100,683
Rental income from Circle K	4,198	4,262	12,593	12,823

Accounts receivable from Circle K for fuel amounted to $5.1 million and $3.9 million at September 30, 2018 and December 31, 2017, respectively.

CST Fuel Supply Equity Interests

CST Fuel Supply provides wholesale motor fuel distribution to the majority of CST's legacy U.S. retail sites at cost plus a fixed markup per gallon. We have owned a 17.5% total interest in CST Fuel Supply since July 2015. We account for the income derived from our equity interest of CST Fuel Supply as "Income from CST Fuel Supply equity interests" on our statement of operations, which amounted to $3.5 million and $3.8 million for the three months ended September 30, 2018 and 2017 and $11.0 million and $11.2 million for the nine months ended September 30, 2018 and 2017, respectively.

Purchase of Fuel from Circle K

We purchase the fuel supplied to 21 retail sites from CST Fuel Supply, of which we own a 17.5% interest, and resell the wholesale motor fuel to independent dealers and sub-wholesalers. We purchased $4.4 million and $6.2 million of motor fuel from CST Fuel Supply for the three months ended September 30, 2018 and 2017 and $14.7 million and $17.9 million for the nine months ended September 30, 2018 and 2017, respectively.

We also purchase the fuel supplied to 99 commission sites acquired in the Jet-Pep Assets acquisition from Circle K at a terminal owned and operated by Circle K. We purchased $32.7 million and $98.5 million of motor fuel from Circle K for the three and nine months ended September 30, 2018, respectively.

Circle K acquired Holiday on December 22, 2017. Prior to that acquisition, we were a franchisee of Holiday ("Franchised Holiday Stores"), purchased fuel from Holiday and paid a franchise fee to Holiday. As a result of Circle K's acquisition, we now purchase fuel from Circle K to supply our Franchised Holiday Stores. These fuel purchases amounted to $15.1 million and $39.5 million for the three and nine months ended September 30, 2018, respectively. We also pay a franchise fee to Circle K, which amounted to $0.4 million and $0.9 million for the three and nine months ended September 30, 2018, respectively.

In March and May 2018, we purchased the leasehold interest in three retail sites from Circle K for $0.5 million. We purchase the fuel supplied to these retail sites from Circle K, which amounted to $0.6 million and $1.3 million for the three and nine months ended September 30, 2018, respectively.

Effective February 1, 2018, Couche-Tard began renegotiating fuel carrier agreements, including our wholesale transportation agreements, with third party carriers. On May 4, 2018, the independent conflicts committee of our Board approved an amendment to the Amended Omnibus Agreement providing for the payment by us to an affiliate of Couche-Tard of a 2.57% commission based on the payments made by us on the renegotiated wholesale transportation contracts to compensate such affiliate of Couche-Tard for its services in connection with the renegotiations of our fuel carrier agreements with third party carriers, which resulted in overall reductions in transportation costs to us. This commission amounted to $0.1 million and $0.4 million for the three and nine months ended September 30, 2018, respectively.

Amounts payable to Circle K related to these fuel purchases and freight commissions totaled $7.1 million and $7.0 million at September 30, 2018 and December 31, 2017, respectively.

Amended Omnibus Agreement and Management Fees

We incurred costs and expenses under the Amended Omnibus Agreement of $2.9 million for both the three months ended September 30, 2018 and 2017 and $8.9 million and $11.5 million for the nine months ended September 30, 2018 and 2017, respectively, including incentive compensation costs and non-cash stock-based compensation expenses, which are recorded as a component of operating expenses and general and administrative expenses in the statement of operations. The decrease for the nine-month period was driven by personnel and salary reductions effective at the time of the Merger.

In addition, during the three and nine months ended September 30, 2017, the Partnership recognized a $0.2 million and $6.8 million charge for severance, benefit, and retention costs allocated by Circle K in relation to the Merger. Such costs are included in general and administrative expenses in the statements of operations.

Amounts payable to Circle K related to expenses incurred by Circle K on our behalf in accordance with the Amended Omnibus Agreement, including the separation benefits discussed above, totaled $19.5 million and $18.3 million at September 30, 2018 and December 31, 2017, respectively.

Common Units Issued to Circle K as Consideration for Amounts Due Under the Amended Omnibus Agreement

As approved by the independent conflicts committee of the Board, the Partnership and Circle K mutually agreed to settle, from time to time, some or all of the amounts due under the terms of the Amended Omnibus Agreement in newly issued common units representing limited partner interests in the Partnership. As approved by the independent conflicts committee, the number of common units issued is based on the volume weighted average daily trading price of the common units for the 20 trading days prior to issuance. We issued the following common units to Circle K as consideration for amounts due under the terms of the Amended Omnibus Agreement:

Period	Date of Issuance	Number of Common Units Issued
Quarter ended December 31, 2017	March 1, 2018	136,882
Quarter ended March 31, 2018	May 21, 2018	155,236

All charges allocated to us by Circle K under the Amended Omnibus Agreement since the first quarter of 2018 have been paid by us in cash.

IDR and Common Unit Distributions

We distributed $0.1 million and $1.1 million to Circle K related to its ownership of our IDRs and $3.9 million and $4.3 million related to its ownership of our common units during the three months ended September 30, 2018 and 2017, respectively. We distributed $1.4 million and $3.2 million to Circle K related to its ownership of our IDRs and $12.3 million and $12.6 million related to its ownership of our common units during the nine months ended September 30, 2018 and 2017, respectively.

Transactions with Affiliates of Members of our Board

Wholesale Motor Fuel Sales and Real Estate Rentals

Revenues from motor fuel sales and rental income from DMS were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues from motor fuel sales to DMS	$ 68,987	$ 64,741	$ 201,283	$ 180,928
Rental income from DMS	3,078	4,739	10,768	14,472

Accounts receivable from DMS totaled $7.8 million and $9.3 million at September 30, 2018 and December 31, 2017, respectively.

During the second quarter of 2018, in connection with the transition of 43 sites in Florida from DMS to a third party multi-site operator of retail motor fuel stations, we accrued a $3.8 million contract termination payment, which was paid to DMS during the third quarter of 2018. This payment was approved by the independent conflicts committee of our Board. Additionally, we recorded a $2.2 million charge to write off deferred rent income related to our recapture of these sites from the master lease agreement with DMS. These charges are included in loss on dispositions and lease terminations, net in the statement of operations. See Note 1 for additional information on the agreements entered into with the third party multi-site operator.

Revenues from rental income from Topstar were $0.1 and $0.2 million for the three and nine months ended September 30, 2018 and $0.2 million and $0.4 million for the three and nine months ended September 30, 2017, respectively.

CrossAmerica leases real estate from certain other entities affiliated with Joseph V. Topper, Jr., a member of the Board. Rent expense paid to these entities was $0.3 million and $0.8 million for the three and nine months ended September 30, 2018 and $0.2 million and $0.7 million for the three and nine months ended September 30, 2017, respectively.

Maintenance and Environmental Costs

Certain maintenance and environmental monitoring and remediation activities are performed by an entity affiliated with Joseph V. Topper, Jr., a member of the Board, as approved by the independent conflicts committee of the Board. We incurred charges with this related party of $0.1 million and $0.4 million for the three months ended September 30, 2018 and 2017 and $0.4 million and $1.3 million for the nine months ended September 30, 2018 and 2017, respectively. Accounts payable to this related party amounted to $0.4 million and $0.2 million at September 30, 2018 and December 31, 2017, respectively.

Principal Executive Offices

Our principal executive offices are in Allentown, Pennsylvania. We sublease office space from Circle K that Circle K leases from an affiliate of John B. Reilly, III and Joseph V. Topper, Jr., members of our Board. The management fee charged by Circle K to us under the Amended Omnibus Agreement includes this rental expense, which amounted to $0.2 million and $0.5 million for the three and nine months ended September 30, 2018 and $0.2 million and $0.5 million for the three and nine months ended September 30, 2017, respectively.

Public Relations and Website Consulting Services

We have engaged a company affiliated with John B. Reilly, III, a member of the Board, for public relations and website consulting services. The cost of these services was insignificant for the three and nine months ended September 30, 2018 and 2017.

Note 8. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

We have minimum volume purchase requirements under certain of our fuel supply agreements with a purchase price at prevailing market rates for wholesale distribution. In the event we fail to purchase the required minimum volume for a given contract year, the underlying third party's exclusive remedies (depending on the magnitude of the failure) are either termination of the supply agreement and/or a financial penalty per gallon based on the volume shortfall for the given year. We did not incur any significant penalties in 2017 or 2018.

Litigation Matters

We are from time to time party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damages, environmental damages, employment-related claims and damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In addition, we disclose matters for which management believes a material loss is at least reasonably possible. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows. In all instances, management has assessed the matter based on current information and made a judgment concerning its potential outcome, giving due consideration to the nature of the claim, the amount and nature of damages sought and the probability of success. Management's judgment may prove materially inaccurate, and such judgment is made subject to the known uncertainties of litigation.

We were a co-defendant, together with our General Partner, CST and CST Services, in a lawsuit brought by a former executive of CST Services who, until March 2015, provided services to us as Chief Investment Officer and Vice President of Finance (Court of Common Pleas, Lehigh County, Pennsylvania, case number 2015-1003, filed in May 2015). In connection with CST's acquisition of our General Partner in 2014, the plaintiff alleged breach of contract and associated claims relating to his termination of employment and claimed severance benefits under the EICP. In October 2017, a jury awarded the plaintiff a total of $1.7 million. Such amount was recorded in general and administrative expenses in the statements of operations for the three and nine months ended September 30, 2017. Under the EICP, we were also obligated to pay reasonable legal expenses incurred by the plaintiff in connection with this dispute, which we expensed as incurred. The Partnership incurred total legal fees related to this case of $0.6 million for the nine months ended September 30, 2017.

Environmental Matters

We currently own or lease retail sites where refined petroleum products are being or have been handled. These retail sites and the refined petroleum products handled thereon may be subject to federal and state environmental laws and regulations. Under such laws and regulations, we could be required to remove or remediate containerized hazardous liquids or associated generated wastes (including wastes disposed of or abandoned by prior owners or operators), to remediate contaminated property arising from the release of liquids or wastes into the environment, including contaminated groundwater, or to implement best management practices to prevent future contamination.

We maintain insurance of various types with varying levels of coverage that is considered adequate under the circumstances to cover operations and properties. The insurance policies are subject to deductibles that are considered reasonable and not excessive. In addition, we have entered into indemnification and escrow agreements with various sellers in conjunction with several of their respective acquisitions, as further described below. Financial responsibility for environmental remediation is negotiated in connection with each acquisition transaction. In each case, an assessment is made of potential environmental liability exposure based on available information. Based on that assessment and relevant economic and risk factors, a determination is made whether to, and the extent to which we will assume liability for existing environmental conditions.

Environmental liabilities recorded on the balance sheet within accrued expenses and other current liabilities and other long-term liabilities totaled $3.5 million at both September 30, 2018 and December 31, 2017. Indemnification assets related to third-party escrow funds, state funds or insurance recorded on the balance sheet within other current assets and other noncurrent assets totaled $3.1 million and $3.4 million at September 30, 2018 and December 31, 2017, respectively. State funds represent probable state reimbursement amounts. Reimbursement will depend upon the continued maintenance and solvency of the state funds. Insurance coverage represents amounts deemed probable of reimbursement under insurance policies.

The estimates used in these reserves are based on all known facts at the time and an assessment of the ultimate remedial action outcomes. We will adjust loss accruals as further information becomes available or circumstances change. Among the many uncertainties that impact the estimates are the necessary regulatory approvals for, and potential modifications of remediation plans, the amount of data available upon initial assessment of the impact of soil or water contamination, changes in costs associated with environmental remediation services and equipment and the possibility of existing legal claims giving rise to additional claims.

Environmental liabilities related to the sites contributed to the Partnership in connection with our IPO have not been assigned to us, and are still the responsibility of the Predecessor Entity. Under the Amended Omnibus Agreement, the Predecessor Entity must indemnify us for any costs or expenses that it incurs for environmental liabilities and third-party claims, regardless of when a claim is made, that are based on environmental conditions in existence prior to the closing of the IPO for contributed sites. As such, these environmental liabilities and indemnification assets are recorded on the balance sheet of the Predecessor Entity rather than the balance sheet of the Partnership.

Note 9. FAIR VALUE MEASUREMENTS

General

We measure and report certain financial and non-financial assets and liabilities on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). U.S. GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument’s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

> Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2—Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in inactive markets.
>
> Level 3—Unobservable inputs are not corroborated by market data. This category is comprised of financial and non-financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies using significant inputs that are generally less readily observable from objective sources.

Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfers occurred. There were no transfers between any levels in 2018 or 2017.

As further discussed in Note 10, we have accrued for unvested phantom units and phantom performance units as a liability and adjust that liability on a recurring basis based on the market price of our common units each balance sheet date. Such fair value measurements are deemed Level 1 measurements.

Financial Instruments

The fair value of our accounts receivable, notes receivable, and accounts payable approximated their carrying values as of September 30, 2018 and December 31, 2017 due to the short-term maturity of these instruments. The fair value of the revolving credit facility approximated its carrying values of $516.5 million as of September 30, 2018 and $506.0 million as of December 31, 2017, due to the frequency with which interest rates are reset and the consistency of the market spread.

Note 10. EQUITY-BASED COMPENSATION

Overview

We record equity-based compensation as a component of general and administrative expenses in the statements of operations. Equity-based compensation expense was $0.2 million for both the three months ended September 30, 2018 and 2017 and $0.3 million and $1.9 million for the nine months ended September 30, 2018 and 2017, respectively.

Partnership Equity-Based Awards

Awards to Employees of Circle K who Provide Services to us under the Amended Omnibus Agreement

In August 2018, the Partnership granted 13,547 phantom performance unit awards to employees of Circle K who provide services to us under the Amended Omnibus Agreement, for which 35% vest upon the third anniversary of the grant date of such awards. The remaining 65% are subject to performance conditions relating to fuel volume, Adjusted EBITDA and employee engagement. These awards were accompanied by tandem distribution equivalent rights that entitle the holder to cash payments equal to the amount of unit distributions authorized to be paid to the holders of our common units. These awards may be settled in common units or cash at the discretion of the Board.

Since we grant awards to employees of Circle K who provide services to us under the Amended Omnibus Agreement, and since the grants may be settled in cash, unvested phantom units and phantom performance units receive fair value variable accounting treatment. As such, they are measured at fair value at each balance sheet reporting date and the cumulative compensation cost recognized is classified as a liability, which is included in accrued expenses and other current liabilities on the consolidated balance sheet. The liability was insignificant at September 30, 2018 and $0.7 million at December 31, 2017. The associated compensation cost was insignificant for all periods presented.

Awards to Non-Employee Members of the Board

In August 2018, the Partnership granted 15,580 phantom units to non-employee directors of the Board as a portion of director compensation. Such awards vest over one year and were accompanied by tandem distribution equivalent rights that entitle the holder to cash payments equal to the amount of unit distributions authorized to be paid to the holders of our common units.

In August 2017, the Partnership granted 10,539 phantom units to non-employee directors of the Board as a portion of director compensation. Such awards vested in August 2018.

The liability and associated compensation expense for these awards was insignificant for all periods presented.

CST Equity-Based Awards

In February 2017, CST granted approximately 47,000 equity-based awards in the form of time vested restricted stock units of CST to certain employees for services rendered on our behalf. Upon completion of the Merger, these awards converted to cash awards and remained subject to the same vesting terms and payment schedule of three annual tranches as those set forth in the original award agreement; provided that, upon completion of the Merger, such awards will vest in full upon an involuntary termination of employment without cause, or termination for “Good Reason”, or termination due to death, “Disability” or Retirement. The expense associated with these awards that was charged to us under the Amended Omnibus Agreement was $0.1 million and $0.2 million for the three and nine months ended September 30, 2018, respectively. Unrecognized compensation expense associated with these awards amounted to $0.4 million and $0.7 million as of September 30, 2018 and December 31, 2017, respectively, which will be recognized over the vesting term through January 2020.

For the three and nine months ended September 30, 2017, the expense associated with CST equity-based awards in the form of time vested restricted stock units of CST, stock options of CST and market share units of CST, which was charged to us under the Amended Omnibus Agreement, was $0.1 million and $1.6 million, respectively.

Note 11. INCOME TAXES

As a limited partnership, we are not subject to federal and state income taxes, however our corporate subsidiaries are subject to income taxes. Income tax attributable to our taxable income, which may differ significantly from income for financial statement purposes, is assessed at the individual limited partner unit holder level. We are subject to a statutory requirement that non-qualified income, as defined by the Internal Revenue Code, cannot exceed 10% of total gross income for the calendar year. If non-qualified income exceeds this statutory limit, we would be taxed as a corporation. The non-qualified income did not exceed the statutory limit in any period presented.

Certain activities that generate non-qualified income are conducted through LGWS. LGWS is a tax paying corporate subsidiary of ours that is subject to federal and state income taxes. Current and deferred income taxes are recognized on the earnings of LGWS. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates.

We recorded income tax expense of $0.3 million and $1.0 million for the three months ended September 30, 2018 and 2017, and an income tax benefit of $2.1 million and $1.7 million for the nine months ended September 30, 2018 and 2017, respectively, as a result of the income generated (or losses incurred) by our corporate subsidiaries. The effective tax rate differs from the combined federal and state statutory rate primarily because only LGWS is subject to income tax.

Note 12. NET INCOME PER LIMITED PARTNER UNIT

In addition to the common units, we have identified the IDRs as participating securities and compute income per unit using the two-class method under which any excess of distributions declared over net income shall be allocated to the partners based on their respective sharing of income as specified in the Partnership Agreement. Net income per unit applicable to limited partners is computed by dividing the limited partners' interest in net income (loss), after deducting the IDRs, by the weighted-average number of outstanding common units.

The following tables provide a reconciliation of net income (loss) and weighted-average units used in computing basic and diluted net income (loss) per limited partner unit for the following periods (in thousands, except unit and per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Distributions paid	$ 18,084	$ 21,081	$ 57,501	$ 62,454
Allocation of distributions in excess of net income (loss)	(12,909)	(17,863)	(61,379)	(63,580)
Limited partners' interest in net income (loss) - basic and diluted	$ 5,175	$ 3,218	$ (3,878)	$ (1,126)
Denominator:				
Weighted average limited partnership units outstanding - basic	34,439,416	33,931,056	34,311,998	33,773,964
Adjustment for phantom units(a)	—	6,646	—	—
Weighted average limited partnership units outstanding - diluted	34,439,416	33,937,702	34,311,998	33,773,964
Net income (loss) per limited partnership unit - basic and diluted	$ 0.15	$ 0.09	$ (0.11)	$ (0.03)
Distribution paid per common unit	$ 0.5250	$ 0.6225	$ 1.6775	$ 1.8525
Distribution declared (with respect to each respective period) per common unit	$ 0.5250	$ 0.6275	$ 1.5750	$ 1.8675

(a) Excludes 21,393 and 15,521 potentially dilutive securities from the calculation of diluted earnings per common unit because to do so would be antidilutive for the three and nine months ended September 30, 2018, respectively. Excludes 18,217 potentially dilutive securities from the calculation of diluted earnings per common unit because to do so would be antidilutive for the nine months ended September 30, 2017.

Distributions

Distribution activity for 2018 was as follows:

Quarter Ended	Record Date	Payment Date	Cash Distribution (per unit)	Cash Distribution (in thousands)
December 31, 2017	February 5, 2018	February 12, 2018	$ 0.6275	$ 21,415
March 31, 2018	May 18, 2018	May 25, 2018	0.5250	18,002
June 30, 2018	August 6, 2018	August 13, 2018	0.5250	18,084
September 30, 2018	November 5, 2018	November 13, 2018	0.5250	18,098

The amount of any distribution is subject to the discretion of the Board, which may modify or revoke our cash distribution policy at any time. Our Partnership Agreement does not require us to pay any distributions. As such, there can be no assurance we will continue to pay distributions in the future.

Note 13. SEGMENT REPORTING

We conduct our business in two segments: 1) the Wholesale segment, and 2) the Retail segment. The Wholesale segment includes the wholesale distribution of motor fuel to lessee dealers, independent dealers, commission agents, DMS, Circle K and company operated retail sites. We have exclusive motor fuel distribution contracts with lessee dealers who lease the property from us. We also have exclusive distribution contracts with independent dealers to distribute motor fuel but do not collect rent from the independent dealers. Similar to lessee dealers, we have motor fuel distribution agreements with DMS and Circle K and collect rent from both. The Retail segment includes the sale of convenience merchandise items, the retail sale of motor fuel at company operated retail sites and the retail sale of motor fuel at retail sites operated by commission agents. A commission agent is a retail site where we retain title to the motor fuel inventory and sell it directly to our end user customers. At commission sites, we manage motor fuel inventory pricing and retain the gross profit on motor fuel sales, less a commission to the agent who operates the retail site. Similar to our Wholesale segment, we also generate revenues through leasing or subleasing real estate in our Retail segment.

As part of our business strategy, we will from time to time convert company owned retail sites from our Retail segment to lessee dealers in our Wholesale segment. As a result, we no longer generate revenues from the retail sale of motor fuel or merchandise at these stores subsequent to the date of conversion and we no longer incur retail operating expenses related to these retail sites. However, we continue to supply these retail sites with motor fuel on a wholesale basis pursuant to the fuel supply contract with the lessee dealer. Further, we continue to own/lease the property and earn rental income under lease/sublease agreements with the lessee dealers under triple net leases. The lessee dealer owns all motor fuel and convenience merchandise and retains all gross profit on such operating activities.

Unallocated items consist primarily of general and administrative expenses, depreciation, amortization and accretion expense, gains on sales of assets, net, and the elimination of the Retail segment's intersegment cost of revenues from motor fuel sales against the Wholesale segment's intersegment revenues from motor fuel sales. The profit in ending inventory generated by the intersegment motor fuel sales is also eliminated. Total assets by segment are not presented as management does not currently assess performance or allocate resources based on that data.

The following table reflects activity related to our reportable segments (in thousands):

	Wholesale	Retail	Unallocated	Consolidated
Three Months Ended September 30, 2018				
Revenues from fuel sales to external customers	$ 473,682	$ 148,155	$ —	$ 621,837
Intersegment revenues from fuel sales	117,468	—	(117,468)	—
Revenues from food and merchandise sales	—	27,039	—	27,039
Rent income	19,128	2,021	—	21,149
Other revenue	785	—	—	785
Total revenues	$ 611,063	$ 177,215	$ (117,468)	$ 670,810
Income from CST Fuel Supply equity interests	$ 3,479	$ —	$ —	$ 3,479
Operating income (loss)	$ 30,022	$ 2,065	$ (18,435)	$ 13,652
Three Months Ended September 30, 2017				
Revenues from fuel sales to external customers	$ 400,296	$ 93,285	$ —	$ 493,581
Intersegment revenues from fuel sales	69,504	—	(69,504)	—
Revenues from food and merchandise sales	—	28,366	—	28,366
Rent income	20,008	1,636	—	21,644
Other revenue	501	—	—	501
Total revenues	$ 490,309	$ 123,287	$ (69,504)	$ 544,092
Income from CST Fuel Supply equity interests	$ 3,752	$ —	$ —	$ 3,752
Operating income (loss)	$ 27,533	$ 2,409	$ (17,658)	$ 12,284

	Wholesale	Retail	Unallocated	Consolidated
Nine Months Ended September 30, 2018				
Revenues from fuel sales to external customers	$ 1,333,244	$ 422,966	$ —	$ 1,756,210
Intersegment revenues from fuel sales	332,978	—	(332,978)	—
Revenues from food and merchandise sales	—	75,759	—	75,759
Rent income	58,277	6,054	—	64,331
Other revenue	2,375	—	—	2,375
Total revenues	$ 1,726,874	$ 504,779	$ (332,978)	$ 1,898,675
Income from CST Fuel Supply equity interests	$ 11,024	$ —	$ —	$ 11,024
Operating income (loss)	$ 86,373	$ 5,312	$ (72,177)	$ 19,508
Nine Months Ended September 30, 2017				
Revenues from fuel sales to external customers	$ 1,122,903	$ 272,289	$ —	$ 1,395,192
Intersegment revenues from fuel sales	200,147	—	(200,147)	—
Revenues from food and merchandise sales	—	80,077	—	80,077
Rent income	60,008	5,082	—	65,090
Other revenue	1,808	—	—	1,808
Total revenues	$ 1,384,866	$ 357,448	$ (200,147)	$ 1,542,167
Income from CST Fuel Supply equity interests	$ 11,185	$ —	$ —	11,185
Operating income (loss)	$ 80,863	$ 4,092	$ (64,373)	$ 20,582

Receivables relating to the revenue streams above are as follows:

	September 30, 2018	December 31, 2017
Receivables from fuel and merchandise sales	$ 35,392	$ 35,439
Receivables for rent and other lease-related charges	5,592	6,812
Total accounts receivable	$ 40,984	$ 42,251

Performance obligations are satisfied as fuel is delivered to the customer. Many of our contracts with our customers include minimum purchase volumes measured on a monthly basis. Receivables from fuel are recognized on a per-gallon rate and are generally collected within 10 days of delivery.

Receivables from rent and other lease-related charges are generally collected at the beginning of the month.

Note 14. SUPPLEMENTAL CASH FLOW INFORMATION

In order to determine net cash provided by operating activities, net income is adjusted by, among other things, changes in assets and liabilities as follows (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Decrease (increase):		
Accounts receivable	$ 999	$ 5,183
Accounts receivable from related parties	(413)	(1,492)
Inventories	(914)	674
Other current assets	407	166
Other assets	304	(2,509)
Increase (decrease):		
Accounts payable	3,158	2,882
Accounts payable to related parties	380	5,576
Motor fuel taxes payable	(1,144)	(386)
Accrued expenses and other current liabilities	(871)	3,270
Other long-term liabilities	(2,305)	178
Changes in operating assets and liabilities, net of acquisitions	$ (399)	$ 13,542

The above changes in operating assets and liabilities may differ from changes between amounts reflected in the applicable balance sheets for the respective periods due to acquisitions.

Supplemental disclosure of cash flow information (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Cash paid for interest	$ 23,145	$ 19,185
Cash paid for income taxes, net of refunds received	1,385	822

Supplemental schedule of non-cash investing and financing activities (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Amended Omnibus Agreement fees settled in our common units	$ 6,518	$ 10,880
Sale of property and equipment in Section 1031 like-kind exchange transactions	—	260
Issuance of capital lease obligations and recognition of asset retirement obligation related to the Getty Lease	—	740

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements, including in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, credit ratings, distribution growth, potential growth opportunities, potential operating performance improvements, potential improvements in return on capital employed, the effects of competition and the effects of future legislation or regulations. You can identify our forward-looking statements by the words "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "guidance," "outlook," "effort," "target" and similar expressions. Such statements are based on our current plans and expectations, and involve risks and uncertainties that could potentially affect actual results. These forward-looking statements include, among other things, statements regarding:

- future retail and wholesale gross profits, including gasoline, diesel and convenience store merchandise gross profits;
- our anticipated level of capital investments, primarily through acquisitions, and the effect of these capital investments on our results of operations;
- anticipated trends in the demand for, and volumes sold of, gasoline and diesel in the regions where we operate;
- volatility in the equity and credit markets limiting access to capital markets;
- our ability to integrate acquired businesses and to transition retail sites to dealer operated sites;
- expectations regarding environmental, tax and other regulatory initiatives; and
- the effect of general economic and other conditions on our business.

In general, we based the forward-looking statements included in this quarterly report on our current expectations and estimates about our company and the industry in which we operate. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties we cannot predict. We anticipate that subsequent events and market developments will cause our estimates to change. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- Couche-Tard's business strategy and operations and Couche-Tard's conflicts of interest with us;
- availability of cash flow to pay the current quarterly distributions on our common units;
- the availability and cost of competing motor fuels;
- motor fuel price volatility or a reduction in demand for motor fuels;
- competition in the industries and geographical areas in which we operate;
- the consummation of financing, acquisition or disposition transactions and the effect thereof on our business;
- environmental compliance and remediation costs;
- our existing or future indebtedness and the related interest expense and our ability to comply with debt covenants;
- our liquidity, results of operations and financial condition;
- failure to comply with applicable tax and other regulations or governmental policies;
- future legislation and changes in regulations, governmental policies, immigration laws and restrictions or changes in enforcement or interpretations thereof;
- future regulations and actions that could expand the non-exempt status of employees under the Fair Labor Standards Act;
- future income tax legislation;
- changes in energy policy;
- increases in energy conservation efforts;

- technological advances;
- the impact of worldwide economic and political conditions;
- the impact of wars and acts of terrorism;
- weather conditions or catastrophic weather-related damage;
- earthquakes and other natural disasters;
- hazards and risks associated with transporting and storing motor fuel;
- unexpected environmental liabilities;
- the outcome of pending or future litigation; and
- our ability to comply with federal and state laws and regulations, including those related to environmental matters, the sale of alcohol, cigarettes and fresh foods, employment, and health benefits, including the Affordable Care Act, immigration and international trade.

You should consider the areas of risk described above, as well as those set forth herein and in the section entitled "Risk Factors" included in our Form 10-K, in connection with considering any forward-looking statements that may be made by us and our businesses generally. We cannot assure you that anticipated results or events reflected in the forward-looking statements will be achieved or will occur. The forward-looking statements included in this report are made as of the date of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following MD&A is intended to help the reader understand our results of operations and financial condition. This section is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to these financial statements contained elsewhere in this report, and the MD&A section and the consolidated financial statements and accompanying notes to those financial statements in our Form 10-K. Our Form 10-K contains a discussion of other matters not included herein, such as disclosures regarding critical accounting policies and estimates and contractual obligations.

MD&A is organized as follows:

- **Merger**—This section provides information on the Merger.
- **Significant Factors Affecting Our Profitability**—This section describes the significant impact on our results of operations caused by crude oil commodity price volatility, seasonality and acquisition and financing activities.
- **Results of Operations**—This section provides an analysis of our results of operations, including the results of operations of our business segments, for the three and nine months ended September 30, 2018 and 2017 and non-GAAP financial measures.
- **Liquidity and Capital Resources**—This section provides a discussion of our financial condition and cash flows. It also includes a discussion of our debt, capital requirements, other matters impacting our liquidity and capital resources and an outlook for our business.
- **New Accounting Policies**—This section describes new accounting pronouncements that we have already adopted, those that we are required to adopt in the future and those that became applicable in the current year as a result of new circumstances.
- **Critical Accounting Policies Involving Critical Accounting Estimates**—This section describes the accounting policies and estimates that we consider most important for our business and that require significant judgment.

Circle K and CST Merger

On June 28, 2017, a wholly owned subsidiary of Circle K merged with and into CST, with CST surviving the Merger as an indirect, wholly owned subsidiary of Circle K. Circle K is a wholly owned subsidiary of Couche-Tard.

As a result of the Merger, Circle K indirectly owns all of the membership interests in the sole member of our General Partner, as well as a 21.7% limited partner interest in the Partnership and all of the outstanding IDRs of the Partnership. Circle K, through its indirect ownership interest in the sole member of our General Partner, has the ability to appoint all of the members of the Board and to control and manage the operations and activities of the Partnership.

Significant Factors Affecting our Profitability

The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit

Wholesale segment

The prices paid to our motor fuel suppliers for wholesale motor fuel (which affects our cost of sales) are highly correlated to the price of crude oil. The crude oil commodity markets are highly volatile, and the market prices of crude oil, and, correspondingly, the market prices of wholesale motor fuel, experience significant and rapid fluctuations. We receive a fixed mark-up per gallon on approximately 80% of gallons sold to our customers. The remaining gallons are primarily DTW priced contracts with our customers. These contracts provide for variable, market based pricing that results in motor fuel gross profit effects similar to retail motor fuel gross profits (as crude oil prices decline, motor fuel gross profit generally increases, as discussed in our Retail segment below). The increase in DTW gross profit results from the acquisition cost of wholesale motor fuel declining at a faster rate as compared to the rate retail motor fuel prices decline. Conversely, our DTW motor fuel gross profit declines when the cost of wholesale motor fuel increases at a faster rate as compared to the rate retail motor fuel prices increase.

CrossAmerica purchases motor fuel for our Jet-Pep Assets from Circle K at Circle K’s cost plus terminal and administration fees of $0.015 per gallon. Circle K’s cost to supply these sites includes price fluctuations associated with index-based motor fuel pricing for pipeline delivery and the generation and sale of RINs. We are exposed to more price risk with these motor fuel purchases from Circle K as compared to our other motor fuel purchases.

Effective November 1, 2018, we amended our contract with Circle K such that our cost is based on a rack-based price, which reduces our exposure to price fluctuations inherent in the previous pricing methodology. We will be rebranding substantially all these sites to a major fuel supplier and anticipate a positive impact on volume and fuel margin.

Regarding our supplier relationships, a majority of our total gallons purchased are subject to Terms Discounts. The dollar value of these Terms Discounts increases and decreases corresponding to motor fuel prices. Therefore, in periods of lower wholesale motor fuel prices, our gross profit is negatively affected and, in periods of higher wholesale motor fuel prices, our gross profit is positively affected (as it relates to these discounts).

Retail segment

We attempt to pass along wholesale motor fuel price changes to our retail customers through “at the pump” retail price changes; however, market conditions do not always allow us to do so immediately. The timing of any related increase or decrease in “at the pump” retail prices is affected by competitive conditions in each geographic market in which we operate. As such, the prices we charge our customers for motor fuel and the gross profit we receive on our motor fuel sales can increase or decrease significantly and rapidly over short periods of time.

Changes in our average motor fuel selling price per gallon and gross margin are directly related to the changes in crude oil and wholesale motor fuel prices over the same period. Variations in our reported revenues and cost of sales are, therefore, primarily related to the price of crude oil and wholesale motor fuel prices and generally not as a result of changes in motor fuel sales volumes, unless otherwise indicated and discussed below.

We typically experience lower retail motor fuel gross profits in periods when the wholesale cost of motor fuel increases, and higher retail motor fuel gross profits in periods when the wholesale cost of motor fuel declines rapidly.

Seasonality Effects on Volumes

Our business is subject to seasonality due to our wholesale and retail sites being located in certain geographic areas that are affected by seasonal weather and temperature trends and associated changes in retail customer activity during different seasons. Historically, sales volumes have been highest in the second and third quarters (during the summer months) and lowest during the winter months in the first and fourth quarters.

Impact of Inflation

Inflation affects our financial performance by increasing certain of our operating expenses and cost of goods sold. Operating expenses include labor costs, leases, and general and administrative expenses. While our Wholesale segment benefits from higher Terms Discounts as a result of higher fuel costs, inflation could negatively impact our Retail segment as a result of higher motor fuel, merchandise and operating costs. Although we have historically been able to pass on increased costs through price increases, there can be no assurance that we will be able to do so in the future.

Acquisition and Financing Activity

Our results of operations and financial condition are also impacted by our acquisition and financing activities as summarized below.

- On September 6, 2017, we sold two properties to an unaffiliated third party as a result of the FTC's required divestitures associated with the Merger for $6.7 million.
- On September 27, 2017, as approved by the independent conflicts committee of our Board, we sold 29 properties to DMR for $18.9 million. These sites were generally sites at which we did not supply fuel or represented vacant land.
- On November 28, 2017, we acquired the Jet-Pep Assets located in Alabama for approximately $75.6 million, including working capital.
- On April 25, 2018, we amended our credit facility as further discussed in "Liquidity and Capital Resources—Debt."
- In March and May 2018, we purchased the leasehold interest in three retail sites from Circle K for $0.5 million.
- In July and September 2018, respectively, we sold two sites acquired in the Jet-Pep Assets acquisition and nine Upper Midwest Sites to unaffiliated third parties as a result of FTC orders for total proceeds of $4.9 million.

Execution of Master Fuel and Lease Agreements with a Third Party Multi-Site Operator

In June 2018, we executed master fuel supply and master lease agreements with a third party multi-site operator of retail motor fuel stations, to which we transitioned 43 sites in Florida from DMS in the third quarter of 2018. The master fuel supply and master lease agreements have an initial 10-year term with four 5-year renewal options. Following the transition to the new operator, we expect to see an improvement in the performance of these sites.

During the second quarter of 2018, in connection with this transition, we accrued a $3.8 million contract termination payment, which was paid to DMS during the third quarter of 2018. This payment was approved by the independent conflicts committee of our Board. Additionally, we recorded a $2.2 million charge to write off deferred rent income related to our recapture of these sites from the master lease agreement with DMS. These charges are included in loss on dispositions and lease terminations, net in the statement of operations.

FTC-Required Divestitures

In November 2017, we and Circle K jointly acquired the Jet-Pep Assets and in December 2017, Circle K acquired Holiday. As a result of agreements entered into in connection with these acquisitions, the FTC issued orders requiring us to divest specific sites to FTC-approved third-party buyers. Accordingly, we divested two sites in July 2018 that were acquired in the Jet-Pep Assets acquisition and nine Upper Midwest Sites in September 2018 in connection with Circle K's acquisition of Holiday. Since this was a forced divestiture of assets for us, as approved by the independent conflicts committee of the Board, Circle K has agreed to compensate us with an amount representing the difference between the value of the nine Upper Midwest Sites and the proceeds of the sale to FTC approved third-party buyers, amounting to $6.3 million. We anticipate Circle K's payment to us will be made during the fourth quarter of 2018. This payment will be accounted for as a transaction between entities under common control and thus recorded as a contribution to partners' capital and will be subject to income taxes.

These sites were divested in September 2018, after the June 15, 2018 deadline specified in the FTC orders. As a result, Couche-Tard and/or the Partnership may be subject to civil penalties, up to a maximum allowed by law of $41,000 per day per violation of the FTC divestiture orders. Circle K has agreed that it would be solely responsible for any such penalties and we have not accrued any liability for such penalties.

Results of Operations

Consolidated Income Statement Analysis

Below is an analysis of our consolidated statements of operations and provides the primary reasons for significant increases and decreases in the various income statement line items from period to period. Our consolidated statements of operations are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Operating revenues	$ 670,810	$ 544,092	$ 1,898,675	$ 1,542,167
Costs of sales	627,012	502,517	1,770,954	1,421,524
Gross profit	43,798	41,575	127,721	120,643
Income from CST Fuel Supply equity interests	3,479	3,752	11,024	11,185
Operating expenses:				
Operating expenses	15,261	15,371	47,294	46,853
General and administrative expenses	4,310	5,994	13,840	23,731
Depreciation, amortization and accretion expense	13,993	14,049	51,425	42,675
Total operating expenses	33,564	35,414	112,559	113,259
(Loss) gain on dispositions and lease terminations, net	(61)	2,371	(6,678)	2,013
Operating income	13,652	12,284	19,508	20,582
Other income (expense), net	104	121	287	366
Interest expense	(8,145)	(7,102)	(24,354)	(20,599)
Income (loss) before income taxes	5,611	5,303	(4,559)	349
Income tax expense (benefit)	303	966	(2,122)	(1,686)
Net income (loss)	5,308	4,337	(2,437)	2,035
Less: net income (loss) attributable to noncontrolling interests	-	4	(5)	(1)
Net income (loss) attributable to limited partners	5,308	4,333	(2,432)	2,036
IDR distributions	(133)	(1,115)	(1,446)	(3,162)
Net income (loss) available to limited partners	$ 5,175	$ 3,218	$ (3,878)	$ (1,126)

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Consolidated Results

Operating revenues increased $126.7 million or 23% while gross profit increased $2.2 million or 5%.

<u>Operating revenues</u>

Significant items impacting these results prior to the elimination of intercompany revenues were:

- A $120.8 million or 25% increase in our Wholesale segment revenues primarily attributable to the increase in crude oil prices. The average daily spot price of WTI crude oil increased 45% to $69.69 per barrel for the third quarter of 2018, compared to $48.18 per barrel for the third quarter of 2017. The wholesale price of motor fuel is highly correlated to the price of crude oil. See “Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit.” In addition, volume increased 2%, driven primarily by the incremental volume from the November 2017 Jet-Pep Assets acquisition.
- A $53.9 million or 44% increase in our Retail segment revenues primarily attributable to an increase in volume driven by the November 2017 Jet-Pep Assets acquisition as well as an increase in crude oil prices. See “Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit.”

Intersegment revenues

We present the results of operations of our segments on a consistent basis with how our management views the business. Therefore, our segments are presented before intersegment eliminations (which consist of motor fuel sold by our Wholesale segment to our Retail segment). As a result, in order to reconcile to our consolidated change in operating revenues, a discussion of the change in intersegment revenues is included in our consolidated MD&A discussion.

Our intersegment revenues increased $48.0 million or 69% primarily attributable to the November 2017 Jet-Pep Assets acquisition and the increase in wholesale motor fuel prices discussed above.

Cost of sales

Cost of sales increased $124.5 million or 25% as a result of the increase in wholesale motor fuel prices and gallons sold of motor fuel as noted above. See “Results of Operations—Segment Results” for additional gross profit analyses.

Operating expenses

See “Results of Operations—Segment Results” for operating expenses analyses.

General and administrative expenses

General and administrative expenses decreased $1.7 million or 28% primarily attributable to a $1.8 million decrease in separation benefits. In the third quarter of 2017, we recorded a $1.7 million charge related a court ruling in favor of a former executive’s claim to benefits under the EICP change in control provisions.

Gain (loss) on dispositions and lease terminations, net

During the third quarter of 2017, we recorded a $2.2 million gain on the sale of two properties as required by the FTC in connection with the Merger and a $0.5 million loss on the sale of 28 properties to DMR. We also recorded an $0.8 million gain related to the renewal of a contract by DMS with one of its customers, which triggered an earn out payment to be paid by DMS to us in connection with a contract entered into with DMS at the time of CST’s acquisition of our General Partner in October 2014.

Interest expense

Interest expense increased $1.0 million or 15% due to an increase in the average interest rate charged on our credit facility borrowings from 4.4% to 4.7% and an increase in the average balance outstanding primarily to fund the November 2017 Jet-Pep Assets acquisition.

Income tax expense

We recorded income tax expense of $0.3 million and $1.0 million for the three months ended September 30, 2018 and 2017, respectively. The decrease is primarily driven by the reduction of the federal tax rate and reduced income generated by our taxable subsidiaries.

IDR distributions

IDR distributions decreased $1.0 million or 88% as a result of the lower distribution per common unit in 2018 as compared to 2017.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Consolidated Results

Operating revenues increased $356.5 million or 23% while gross profit increased $7.1 million or 6%.

Operating revenues

Significant items impacting these results prior to the elimination of intercompany revenues were:

- A $342.0 million or 25% increase in our Wholesale segment revenues primarily attributable to the increase in crude oil prices. The average daily spot price of WTI crude oil increased 36% to $66.93 per barrel for the nine months ended September 30, 2018, compared to $49.30 per barrel for the nine months ended September 30, 2017. The wholesale price of motor fuel is highly correlated to the price of crude oil. See "Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit." In addition, volume increased 3%, driven primarily by the incremental volume from the November 2017 Jet-Pep Assets acquisition.
- A $147.3 million or 41% increase in our Retail segment revenues primarily attributable to a 37% increase in volume driven by the November 2017 Jet-Pep Assets acquisition as well as an increase in crude oil prices. See "Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit."

Intersegment revenues

We present the results of operations of our segments on a consistent basis with how our management views the business. Therefore, our segments are presented before intersegment eliminations (which consist of motor fuel sold by our Wholesale segment to our Retail segment). As a result, in order to reconcile to our consolidated change in operating revenues, a discussion of the change in intersegment revenues is included in our consolidated MD&A discussion.

Our intersegment revenues increased $132.8 million or 66% primarily attributable to the November 2017 Jet-Pep Assets acquisition and the increase in wholesale motor fuel prices discussed above.

Cost of sales

Cost of sales increased $349.4 million or 25% as a result of the increase in wholesale motor fuel prices and November 2017 Jet-Pep Assets acquisition. See "Results of Operations—Segment Results" for additional gross profit analyses.

Operating expenses

See "Results of Operations—Segment Results" for operating expenses analyses.

General and administrative expenses

General and administrative expenses decreased $9.9 million or 42% primarily attributable to a $6.2 million decrease in separation benefits primarily driven by the Merger, a $1.7 million charge in 2017 related to a court ruling in favor of a former executive's claim to benefits under the EICP change in control provisions, a $1.5 million decrease in equity compensation primarily as a result of fewer awards outstanding and a $1.3 million decrease in costs allocated by Circle K to us under the Amended Omnibus Agreement driven by personnel and salary reductions. These decreases were partially offset by a $0.3 million increase in acquisition costs.

Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense increased $8.8 million primarily due to an $8.9 million impairment charge recorded on the two sites acquired in the Jet-Pep Assets acquisition and the nine Upper Midwest Sites required to be divested per FTC orders.

Loss on dispositions and lease terminations, net

During the second quarter of 2018, in connection with the transition of 43 sites in Florida from DMS to a third party multi-site operator of retail motor fuel stations, we accrued a $3.8 million contract termination payment, which was paid to DMS during the third quarter of 2018. Additionally, we recorded a $2.2 million charge to write off deferred rent income related to our recapture of these sites from the master lease agreement with DMS.

During the nine months ended September 30, 2017, we recorded a $2.2 million gain on the sale of two properties as required by the FTC in connection with the Merger and a $0.5 million loss on the sale of 28 properties to DMR. We also recorded a $0.8 million gain related to the renewal of a contract by DMS with one of its customers, which triggered an earn out payment to be paid by DMS to us in connection with a contract entered into with DMS at the time of CST's acquisition of our General Partner in October 2014.

Interest expense

Interest expense increased $3.8 million or 18% due to an increase in the average interest rate charged on our credit facility borrowings from 4.1% to 4.7% and an increase in the average balance outstanding primarily to fund the November 2017 Jet-Pep Assets acquisition.

Income tax expense

We recorded an income tax benefit of $2.1 million and $1.7 million for the nine months ended September 30, 2018 and 2017, respectively. The benefits recorded for both periods relate primarily to losses incurred by our taxable subsidiaries.

IDR distributions

IDR distributions decreased $1.7 million or 54% as a result of the lower distribution per common unit in 2018 as compared to 2017.

Segment Results

We present the results of operations of our segments consistent with how our management views the business. Therefore, our segments are presented before intersegment eliminations (which consist of motor fuel sold by our Wholesale segment to our Retail segment). These comparisons are not necessarily indicative of future results.

Wholesale

The following table highlights the results of operations and certain operating metrics of our Wholesale segment. The narrative following these tables provides an analysis of the results of operations of that segment (thousands of dollars, except for the number of distribution sites and per gallon amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gross profit:				
Motor fuel–third party	$ 10,304	$ 8,757	$ 27,426	$ 25,659
Motor fuel–intersegment and related party	8,082	6,485	23,196	17,820
Motor fuel gross profit	18,386	15,242	50,622	43,479
Rent and other	15,408	16,074	47,324	48,740
Total gross profit	33,794	31,316	97,946	92,219
Income from CST Fuel Supply equity interests[(a)]	3,479	3,752	11,024	11,185
Operating expenses	(7,251)	(7,535)	(22,597)	(22,541)
Adjusted EBITDA[(b)]	$ 30,022	$ 27,533	$ 86,373	$ 80,863
Motor fuel distribution sites (end of period):[(c)]				
Motor fuel–third party				
Independent dealers[(d)]	369	384	369	384
Lessee dealers[(e)]	487	439	487	439
Total motor fuel distribution–third party sites	856	823	856	823
Motor fuel–intersegment and related party				
DMS (related party)[(f)]	86	146	86	146
Circle K (related party)	43	43	43	43
Commission agents (Retail segment)[(g)]	175	82	175	82
Company operated retail sites (Retail segment)[(h)]	63	70	63	70
Total motor fuel distribution–intersegment and related party sites	367	341	367	341
Motor fuel distribution sites (average during the period):				
Motor fuel-third party distribution	827	823	827	822
Motor fuel-intersegment and related party distribution	410	344	422	355
Total motor fuel distribution sites	1,237	1,167	1,249	1,177
Volume of gallons distributed (in thousands)				
Third party	168,106	169,877	487,002	491,471
Intersegment and related party	102,235	96,312	305,247	279,649
Total volume of gallons distributed	270,341	266,189	792,249	771,120
Wholesale margin per gallon	$ 0.068	$ 0.057	$ 0.064	$ 0.056

(a) Represents income from our equity interest in CST Fuel Supply.

(b) Please see the reconciliation of our segment's Adjusted EBITDA to consolidated net income (loss) under the heading "Results of Operations—Non-GAAP Financial Measures."

(c) In addition, as of September 30, 2018 and 2017, respectively, we distributed motor fuel to 13 and 14 sub-wholesalers who distributed to additional sites.

(d) The decrease in the independent dealer site count was primarily attributable to the termination or non-renewal of fuel supply contracts, a significant number of which were low margin.

(e) The increase in the lessee dealer site count was primarily attributable to converting sites operated by DMS and commission agents to lessee dealers.

(f) The decrease in the DMS site count was primarily attributable to converting DMS sites to lessee dealer sites.

(g) The increase in the commission site count was primarily attributable to the 101 commission sites acquired in the Jet-Pep Assets acquisition, partially offset by the conversion of commission sites to lessee dealer sites.

(h) The decrease in the company operated retail site count was due to divestitures mandated by FTC orders.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

The results were driven by:

Motor fuel gross profit

The $3.1 million or 21% increase in motor fuel gross profit was primarily due to a 2% increase in volume driven primarily by the November 2017 Jet-Pep Assets acquisition. In addition, we realized a higher margin per gallon primarily due to increased Terms Discounts and incentives due to the increase in motor fuel prices as a result of the increase in crude oil prices. The average daily spot price of WTI crude oil increased 45% to $69.69 per barrel for the third quarter of 2018, compared to $48.18 per barrel for the third quarter of 2017. See “Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit.”

Rent and other gross profit

Rent and other gross profit decreased $0.7 million primarily as a result of a reduction in rental income from DMS at our sites in Florida and as a result of the September 2017 divestiture of 29 sites.

Operating expenses

Operating expenses decreased $0.3 million primarily as a result of lower real estate taxes, partially offset by higher maintenance and environmental costs primarily as a result of the November 2017 Jet-Pep Assets acquisition.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

The results were driven by:

Motor fuel gross profit

The $7.1 million or 16% increase in motor fuel gross profit was primarily due to a 3% increase in volume driven primarily by the November 2017 Jet-Pep Assets acquisition. In addition, we realized a higher margin per gallon primarily due to increased Terms Discounts and incentives due to the increase in motor fuel prices as a result of the increase in crude oil prices. The average daily spot price of WTI crude oil increased 36% to $66.93 per barrel for the nine months ended September 30, 2018, compared to $49.30 per barrel for the nine months ended September 30, 2017. See “Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit.”

Rent and other gross profit

Rent and other gross profit decreased $1.4 million primarily as a result of a reduction in rental income from DMS at our sites in Florida and as a result of the September 2017 divestiture of 29 sites.

Operating expenses

Operating expenses were flat primarily as a result of lower real estate taxes, partially offset by higher maintenance and environmental costs primarily as a result of the November 2017 Jet-Pep Assets acquisition.

Retail

The following table highlights the results of operations and certain operating metrics of our Retail segment. The narrative following these tables provides an analysis of the results of operations of that segment (thousands of dollars, except for the number of retail sites and per gallon amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gross profit:				
Motor fuel	$ 2,062	$ 2,042	$ 6,759	$ 5,281
Merchandise and services	6,467	7,008	18,643	19,558
Rent and other	1,546	1,195	4,607	3,565
Total gross profit	10,075	10,245	30,009	28,404
Operating expenses	(8,010)	(7,836)	(24,697)	(24,312)
Adjusted EBITDA[(a)]	$ 2,065	$ 2,409	$ 5,312	$ 4,092
Retail sites (end of period):				
Commission agents[(b)]	175	82	175	82
Company operated retail sites[(c)]	63	71	63	71
Total system sites at the end of the period	238	153	238	153
Total system operating statistics:				
Average retail fuel sites during the period	244	153	247	162
Motor fuel sales (gallons per site per day)	2,389	2,778	2,362	2,632
Motor fuel gross profit per gallon, net of credit card fees and commissions	$ 0.038	$ 0.052	$ 0.042	$ 0.045
Commission agents statistics:				
Average retail fuel sites during the period	175	82	177	90
Motor fuel gross profit per gallon, net of credit card fees and commissions	$ 0.015	$ 0.013	$ 0.015	$ 0.011
Company operated retail site statistics:				
Average retail fuel sites during the period	69	71	70	72
Motor fuel gross profit per gallon, net of credit card fees	$ 0.086	$ 0.093	$ 0.099	$ 0.083
Merchandise and services gross profit percentage, net of credit card fees	23.9%	24.7%	24.6%	24.4%

(a) Please see the reconciliation of our segment's Adjusted EBITDA to consolidated net income under the heading "Results of Operations—Non-GAAP Financial Measures" below.

(b) The increase in the commission site count was primarily driven by the 101 sites acquired in the November 2017 Jet-Pep Assets acquisition, partially offset by the conversion of commission sites in the Retail segment to lessee dealer sites in the Wholesale segment.

(c) The decrease in the company operated retail site count was primarily due to divestitures mandated by FTC orders.

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

Gross profit decreased $0.2 million or 2% while operating expenses increased $0.2 million or 2%.

These results were impacted by:

Gross profit

- Our motor fuel gross profit was flat attributable to a 37% increase in volume driven primarily by the November 2017 Jet-Pep Assets acquisition offset by a lower margin per gallon. We realized a lower margin per gallon as our lower retail fuel margins in our commission agent business comprise a larger percentage of our overall retail fuel margins in 2018 as compared to 2017, also due to the November 2017 Jet-Pep Assets acquisition. See "Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit."
- Our merchandise and services margin decreased $0.5 million primarily as a result of converting one company operated site in the Retail segment to a lessee dealer site in the Wholesale segment and the September 2018 divestiture of the Upper Midwest sites (seven of the nine Upper Midwest Sites divested were company operated sites).
- Our rent and other gross profit increased $0.4 million primarily due to the November 2017 Jet-Pep Assets acquisition, partially offset by the conversion of commission sites in the Retail segment to lessee dealer sites in the Wholesale segment.

Operating expenses

Operating expenses increased $0.2 million as the incremental operating expenses from the Jet-Pep Assets acquisition were partially offset by the impact of converting company operated and commission sites in the Retail segment to lessee dealer sites in the Wholesale segment and the September 2018 divestiture of the seven company operated Upper Midwest sites.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Gross profit increased $1.6 million, while operating expenses increased $0.4 million.

These results were impacted by:

Gross profit

- Our motor fuel gross profit increased $1.5 million or 28% attributable to a 37% increase in volume driven primarily by the November 2017 Jet-Pep Assets acquisition, partially offset by a lower margin per gallon. We realized a lower margin per gallon as the increase in our retail fuel margins at our company operated sites driven by the movement in crude oil prices throughout the two periods was more than offset by the lower retail fuel margins in our commission agent business comprising a larger percentage of our overall retail fuel margins in 2018 as compared to 2017, also due to the November 2017 Jet-Pep Assets acquisition. See "Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit."
- Our merchandise and services margin decreased $0.9 million primarily as a result of converting one company operated site in the Retail segment to a lessee dealer site in the Wholesale segment and the September 2018 divestiture of the seven company operated Upper Midwest sites.
- Our rent and other gross profit increased $1.0 million primarily due to the November 2017 Jet-Pep Assets acquisition, partially offset by the conversion of commission sites in the Retail segment to lessee dealer sites in the Wholesale segment.

Operating expenses

Operating expenses increased $0.4 million as the incremental operating expenses from the Jet-Pep Assets acquisition were partially offset by the impact of converting company operated and commission sites in the Retail segment to lessee dealer sites in the Wholesale segment and the September 2018 divestiture of the seven company operated Upper Midwest sites.

Non-GAAP Financial Measures

We use non-GAAP financial measures EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio. EBITDA represents net income available to us before deducting interest expense, income taxes and depreciation, amortization and accretion expense. Adjusted EBITDA represents EBITDA as further adjusted to exclude equity funded expenses related to incentive compensation and the Amended Omnibus Agreement, gains or losses on dispositions and lease terminations, certain acquisition related costs, such as legal and other professional fees and severance expenses associated with recently acquired companies, and certain other non-cash items arising from purchase accounting. Distributable Cash Flow represents Adjusted EBITDA less cash interest expense, sustaining capital expenditures and current income tax expense. Distribution Coverage Ratio is computed by dividing Distributable Cash Flow by the weighted average diluted common units and then dividing that result by the distributions paid per limited partner unit.

EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio are used as supplemental financial measures by management and by external users of our financial statements, such as investors and lenders. EBITDA and Adjusted EBITDA are used to assess our financial performance without regard to financing methods, capital structure or income taxes and our ability to incur and service debt and to fund capital expenditures. In addition, Adjusted EBITDA is used to assess the operating performance of our business on a consistent basis by excluding the impact of items which do not result directly from the wholesale distribution of motor fuel, the leasing of real property, or the day to day operations of our retail site activities. EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio are also used to assess our ability to generate cash sufficient to make distributions to our unitholders.

We believe the presentation of EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio provides useful information to investors in assessing our financial condition and results of operations. EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio should not be considered alternatives to net income or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio have important limitations as analytical tools because they exclude some but not all items that affect net income. Additionally, because EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio may be defined differently by other companies in our industry, our definitions may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following table presents reconciliations of EBITDA, Adjusted EBITDA, and Distributable Cash Flow to net income, the most directly comparable U.S. GAAP financial measure, for each of the periods indicated (in thousands, except for per unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) available to limited partners	$ 5,175	$ 3,218	$ (3,878)	$ (1,126)
Interest expense	8,145	7,102	24,354	20,599
Income tax expense (benefit)	303	966	(2,122)	(1,686)
Depreciation, amortization and accretion expense	13,993	14,049	51,425	42,675
EBITDA	27,616	25,335	69,779	60,462
Equity funded expenses related to incentive compensation and the Amended Omnibus Agreement (a)	167	3,479	3,640	11,789
Loss (gain) on dispositions and lease terminations, net (b)	61	(2,371)	6,678	(2,013)
Acquisition-related costs (c)	735	2,570	2,709	10,279
Adjusted EBITDA	28,579	29,013	82,806	80,517
Cash interest expense	(7,839)	(6,674)	(23,127)	(19,319)
Sustaining capital expenditures (d)	(646)	(565)	(2,073)	(1,287)
Current income tax expense	(118)	(267)	(1,004)	(387)
Distributable Cash Flow	$ 19,976	$ 21,507	$ 56,602	$ 59,524
Weighted average diluted common units	34,439	33,938	34,312	33,792
Distributions paid per limited partner unit (e)	$ 0.5250	$ 0.6225	$ 1.6775	$ 1.8525
Distribution Coverage Ratio (f)	**1.10x**	**1.02x**	**0.98x**	**0.95x**

(a) As approved by the independent conflicts committee of the Board, the Partnership and Circle K mutually agreed to settle certain amounts due under the terms of the Amended Omnibus Agreement in limited partner units of the Partnership. All charges allocated to us by Circle K under the Amended Omnibus Agreement since the first quarter of 2018 have been paid by us in cash.

(b) In June 2018, we executed master fuel supply and master lease agreements with a third party multi-site operator of retail motor fuel stations, to which we transitioned 43 sites in Florida from DMS in the third quarter of 2018. The master fuel supply and master lease agreements have an initial 10-year term with four 5-year renewal options. During the second quarter of 2018, in connection with this transition, we accrued a $3.8 million contract termination payment, which was paid to DMS during the third quarter of 2018. Additionally, we recorded a $2.2 million charge to write off deferred rent income related to our recapture of these sites from the master lease agreement with DMS.

(c) Relates to certain acquisition related costs, such as legal and other professional fees, severance expenses and purchase accounting adjustments associated with recently acquired businesses. Acquisition-related costs for the three and nine months ended September 30, 2017 include severance and benefit expense and retention bonuses paid to certain EICP participants associated with the Merger. Acquisition-related costs for the three and nine months ended September 30, 2017 also includes a $1.7 million charge related to a court ruling in favor of a former executive's claim to benefits under the EICP in connection with CST's acquisition of our General Partner.

(d) Under the Partnership Agreement, sustaining capital expenditures are capital expenditures made to maintain our long-term operating income or operating capacity. Examples of sustaining capital expenditures are those made to maintain existing contract volumes, including payments to renew existing distribution contracts, or to maintain our sites in conditions suitable to lease, such as parking lot or roof replacement/renovation, or to replace equipment required to operate the existing business.

(e) On October 24, 2018, the Board approved a quarterly distribution of $0.5250 per unit attributable to the third quarter of 2018. The distribution is payable on November 13, 2018 to all unitholders of record on November 5, 2018.

(f) The distribution coverage ratio is computed by dividing Distributable Cash Flow by the weighted average diluted common units and then dividing that result by the distributions paid per limited partner unit.

The following table reconciles our segment Adjusted EBITDA to Consolidated Adjusted EBITDA presented in the table above (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted EBITDA - Wholesale segment	$ 30,022	$ 27,533	$ 86,373	$ 80,863
Adjusted EBITDA - Retail segment	2,065	2,409	5,312	4,092
Adjusted EBITDA - Total segment	$ 32,087	$ 29,942	$ 91,685	$ 84,955
Reconciling items:				
Elimination of intersegment profit in ending inventory balance	(71)	14	(234)	20
General and administrative expenses	(4,310)	(5,994)	(13,840)	(23,731)
Other income (expense), net	104	121	287	366
Equity funded expenses related to incentive compensation and the Amended Omnibus Agreement	167	3,479	3,640	11,789
Acquisition-related costs	735	2,570	2,709	10,279
Net (loss) income attributable to noncontrolling interests	-	(4)	5	1
IDR distributions	(133)	(1,115)	(1,446)	(3,162)
Consolidated Adjusted EBITDA	$ 28,579	$ 29,013	$ 82,806	$ 80,517

Liquidity and Capital Resources

Liquidity

Our principal liquidity requirements are to finance our operations, fund acquisitions, service our debt and pay distributions to our unitholders and IDR distributions. We expect our ongoing sources of liquidity to include cash generated by our operations and borrowings under the revolving credit facility and, if available to us on acceptable terms, issuances of equity and debt securities. We regularly evaluate alternate sources of capital, including sale-leaseback financing of real property with third parties, to support our liquidity requirements.

Our ability to meet our debt service obligations and other capital requirements, including capital expenditures, acquisitions, and partnership distributions, 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.

We believe that we will have sufficient cash flow from operations, borrowing capacity under the revolving credit facility and access to capital markets and alternate sources of funding to meet our financial commitments, debt service obligations, contingencies, anticipated capital expenditures and partnership distributions. However, we are subject to business and operational risks that could adversely affect our cash flow. A material decrease in our cash flows would likely produce an adverse effect on our borrowing capacity as well as our ability to issue additional equity and/or debt securities and/or maintain or increase distributions to unitholders.

Cash Flows

The following table summarizes cash flow activity (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	$ 57,270	$ 66,438
Net cash (used in) provided by investing activities	(4,941)	11,291
Net cash used in financing activities	(52,435)	(77,513)

Operating Activities

Net cash provided by operating activities decreased $9.2 million for the nine months ended September 30, 2018 compared to the same period in 2017, as the decrease in the change in operating assets and liabilities exceeded the incremental cash flow from the Jet-Pep Assets acquisition. Year over year operating cash flow was impacted, in part, by, higher net collections of receivables in the prior year period as a result of the timing of credit card settlements and pricing trends discussed elsewhere in this report. Additionally, we settled $3.3 million of omnibus charges in common units for the nine months ended September 30, 2018, whereas we settled $9.9 million of omnibus charges in common units for the same period in 2017.

As is typical in our industry, our current liabilities exceed our current assets as a result of the longer settlement of real estate and motor fuel taxes as compared to the shorter settlement of receivables for fuel, rent and merchandise.

Investing Activities

For the nine months ended September 30, 2018, we received $5.0 million of proceeds on sales, largely driven by the FTC-mandated divestiture of 11 properties in the third quarter of 2018. We also incurred $10.2 million in capital expenditures. For the nine months ended September 30, 2017, we received $23.9 million of proceeds on sales, largely driven by the sale of 28 properties to DMR and two properties sold as a result of the FTC's requirements associated with Circle K's acquisition of CST. We also incurred $10.2 million in capital expenditures and paid a $2.8 million deposit on the Jet-Pep Assets acquisition.

Financing Activities

For the nine months ended September 30, 2018, we paid $59.0 million in distributions and made net borrowings on our credit facility of $10.5 million. For the nine months ended September 30, 2017, we paid $65.7 million in distributions and made net repayments on our credit facility of $10.0 million.

Distributions

Distribution activity for 2018 was as follows:

Quarter Ended	Record Date	Payment Date	Cash Distribution (per unit)	Cash Distribution (in thousands)
December 31, 2017	February 5, 2018	February 12, 2018	$ 0.6275	$ 21,415
March 31, 2018	May 18, 2018	May 25, 2018	0.5250	18,002
June 30, 2018	August 6, 2018	August 13, 2018	0.5250	18,084
September 30, 2018	November 5, 2018	November 13, 2018	0.5250	18,098

The amount of any distribution is subject to the discretion of the Board, which may modify or revoke our cash distribution policy at any time. Our Partnership Agreement does not require us to pay any distributions. As such, there can be no assurance we will continue to pay distributions in the future.

In 2015, following the acquisition of our former General Partner in 2014, we began funding expenses related to the Amended Omnibus Agreement with issuance of common units, which in 2017 alone totaled 550,516 units. While this practice allowed the Partnership to maximize distributable cash flow and increase the equity position of its General Partner, the continued weakness in the MLP market and resulting elevated yield of our common units, has made this a very expensive source of funding for its management fees. All charges allocated to us by Circle K under the Amended Omnibus Agreement since the first quarter of 2018 have been paid by us in cash.

IDRs

During the nine months ended September 30, 2018, we distributed $1.4 million to Circle K with respect to the IDRs.

Debt

As of September 30, 2018, our consolidated debt and capital lease obligations consisted of the following (in thousands):

$650 million revolving credit facility	$	516,500
Capital lease obligations		25,474
Total debt and capital lease obligations		541,974
Current portion		2,254
Noncurrent portion		539,720
Deferred financing costs, net		1,645
Noncurrent portion, net of deferred financing costs	$	538,075

On April 25, 2018, the credit facility was amended to:

- Extend the maturity date from March 4, 2019 to April 25, 2020;
- Increase the capacity from $550 million to $650 million;
- Extend the period during which the permitted leverage ratio (as defined in the revolving credit facility) is increased from 4.50 : 1.00 to 5.00 : 1.00 after the closing of a material acquisition (as defined in the revolving credit facility) from three quarters to four quarters; and
- Decrease the applicable margin and commitment fee (each as defined in the revolving credit facility), which vary based on our total leverage ratio, such that the applicable margin ranges from 1.50% to 2.75% for LIBOR rate loans (as defined in the revolving credit facility) and 0.50% to 1.75% for alternate base rate loans (as defined in the revolving credit facility), and the commitment fee ranges from 0.20% to 0.45%. In general, the applicable margin for LIBOR and alternate base rate loans was reduced by 0.5%.

Our revolving credit facility is secured by substantially all of our assets. Our borrowings under the revolving credit facility had a weighted-average interest rate of 4.66% as of September 30, 2018 (LIBOR plus an applicable margin, which was 2.50% as of September 30, 2018). Letters of credit outstanding at September 30, 2018 totaled $5.3 million. The amount of availability under the revolving credit facility at November 1, 2018, after taking into consideration debt covenant restrictions, was $49.2 million. In connection with future acquisitions, the revolving credit facility requires, among other things, that we have, after giving effect to such acquisitions, at least $20 million in the aggregate of borrowing availability under the revolving credit facility and unrestricted cash on the balance sheet on the date of such acquisition. We are required to maintain a total leverage ratio (as defined in the revolving credit facility) for the most recently completed four fiscal quarters of less than or equal to 4.50 : 1.00, except for the first four full fiscal quarters following a material acquisition, generally defined as an acquisition with a purchase price of at least $30.0 million, during which period the permitted total leverage ratio is increased to 5.00 : 1.00, and a consolidated interest coverage ratio (as defined in the revolving credit facility) of greater than or equal to 2.75 : 1.00. Since the November 2017 Jet-Pep Assets acquisition qualified as a material acquisition, the maximum leverage ratio applicable to the quarter ended September 30, 2018 was 5.00 : 1.00. The computation of our total leverage ratio allows for a pro forma application of the consolidated EBITDA (as defined in the revolving credit facility) of acquired entities. As of September 30, 2018, we were in compliance with these financial covenant ratios.

Capital Expenditures

We make investments to expand, upgrade and enhance existing assets. We categorize our capital requirements as either sustaining capital expenditures, growth capital expenditures or acquisition capital expenditures. Sustaining capital expenditures are those capital expenditures required to maintain our long-term operating income or operating capacity. Acquisition and growth capital expenditures are those capital expenditures that we expect will increase our operating income or operating capacity over the long term. We have the ability to fund our capital expenditures by additional borrowings under our revolving credit facility or, if available to us on acceptable terms, issuing additional equity, debt securities or other options, such as the sale of assets. With the significant decline in energy prices since 2014, access to the capital markets has tightened for the energy and MLP industries as a whole, which has impacted our cost of capital and our ability to raise equity and debt financing at favorable terms. Our ability to access the capital markets may have an impact on our ability to fund acquisitions. We may not be able to complete any offering of securities or other options on terms acceptable to us, if at all.

The following table outlines our consolidated capital expenditures and acquisitions for the nine months ended September 30, 2018 and 2017 (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Sustaining capital	$ 2,073	$ 1,287
Growth	8,144	8,888
Acquisitions	485	2,779
Total capital expenditures and acquisitions	$ 10,702	$ 12,954

Other Matters Impacting Liquidity and Capital Resources

Concentration of Customers

For the nine months ended September 30, 2018, we distributed approximately 12% of our total wholesale distribution volumes to DMS and DMS accounted for approximately 17% of our rental income. For the nine months ended September 30, 2018, we distributed 7% of our total wholesale distribution volume to Circle K retail sites that are not supplied by CST Fuel Supply and received 20% of our rental income from Circle K. For more information regarding transactions with DMS and Circle K, see Note 7 of the consolidated financial statements.

Outlook

As noted previously, the prices paid to our motor fuel suppliers for wholesale motor fuel (which affects our costs of sales) are highly correlated to the price of crude oil. The crude oil commodity markets are highly volatile, and the market prices of crude oil, and, correspondingly, the market prices of wholesale motor fuel, experience significant and rapid fluctuations, which affect our motor fuel gross profit. See “Significant Factors Affecting our Profitability—The Significance of Crude Oil and Wholesale Motor Fuel Prices on Our Revenues, Cost of Sales and Gross Profit” for additional information.

We expect our interest expense to increase in 2018 based on incremental borrowings to fund the November 2017 Jet-Pep Assets acquisition and the increase in interest rates throughout 2017 and 2018. This impact is partially offset by the reduction in interest rates effective with the April 25, 2018 amendment of the credit facility.

We will continue to evaluate acquisitions on an opportunistic basis. Additionally, we will pursue acquisition targets that fit into our strategy. Whether we will be able to execute acquisitions will depend on market conditions, availability of suitable acquisition targets at attractive terms, acquisition related compliance with customary regulatory requirements, and our ability to finance such acquisitions on favorable terms and in compliance with our debt covenant restrictions.

As part of our business strategy with Circle K, we intend, when favorable market conditions exist and pending approval by the Board’s independent conflicts committee, our Board and the Couche-Tard Board, as applicable, to purchase assets from Circle K, which could include retail convenience sites of Circle K with the intent to convert them to lessee dealer sites.

New Accounting Policies

See Note 1 of the financial statements.

Critical Accounting Policies Involving Critical Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates.

There have been no material changes to the critical accounting policies described in our Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We purchase gasoline and diesel fuel from several suppliers at costs that are subject to market volatility. These purchases are generally made pursuant to contracts or at market prices established with the supplier. We do not currently engage in hedging activities for these purchases due to our pricing structure that allows us to generally pass on price changes to our customers and related parties.

Interest Rate Risk

As of September 30, 2018, we had $516.5 million outstanding on our revolving credit facility. Our outstanding borrowings bear interest at LIBOR plus an applicable margin, which was 2.50% at September 30, 2018. Our borrowings had a weighted-average interest rate at September 30, 2018 of 4.66%. A one percentage point change in our average rate would impact annual interest expense by approximately $5.2 million.

Commodity Price Risk

We have not historically hedged or managed our price risk with respect to our commodity inventories (gasoline and diesel fuel), as the time period between the purchases of our motor fuel inventory and the sales to our customers is very short.

CrossAmerica purchases motor fuel for our Jet-Pep Assets from Circle K at Circle K’s cost plus terminal and administration fees of $0.015 per gallon. Circle K’s cost to supply these sites includes price fluctuations associated with index-based motor fuel pricing for pipeline delivery and the generation and sale of RINs. Circle K has implemented a motor fuel price hedging program to mitigate the price risk during delivery; however, we are exposed to more price risk with these motor fuel purchases from Circle K as compared to our other motor fuel purchases.

Effective November 1, 2018, we amended our contract with Circle K such that our cost is based on a rack-based price, which reduces our exposure to price fluctuations inherent in the previous pricing methodology. We will be rebranding substantially all these sites to a major fuel supplier and anticipate a positive impact on volume and fuel margin.

Regarding our supplier relationships, a majority of our total gallons purchased are subject to Terms Discounts. We have not historically hedged or managed our price risk with respect to these Terms Discounts. Based on our current volumes, we estimate a $10 per barrel change in the price of crude oil would impact our annual wholesale motor fuel gross profit by approximately $2 million related to these Terms Discounts.

Foreign Currency Risk

Our operations are located in the U.S., and therefore we are not subject to foreign currency risk.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, and based on their evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2018.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We hereby incorporate by reference into this Item our disclosures made in Part I, Item 1 of this quarterly report included in Note 8 of the consolidated financial statements.

ITEM 1A. RISK FACTORS

There were no material changes in risk factors for the company in the period covered by this report. See the risk factors disclosed in the section entitled "Risk Factors" in our Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

Management Fee Issuance

As discussed in Note 7 to Item 1 in Part I above, on May 21, 2018, CrossAmerica issued 155,236 common units to a subsidiary of Circle K as partial payment for the amounts incurred for the first quarter of 2018, under the terms of the Amended Omnibus Agreement. This issuance of common units was made in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 6. EXHIBITS.

Exhibit No.	Description
10.1	Sixth Amendment to the Third Amended and Restated Credit Agreement dated July 27, 2018 (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2018
10.2 *	Form of Lehigh Gas Partners 2012 Incentive Award Plan Award Agreement for Phantom Performance Units for Executive Officers and Employees
31.1 *	Certification of Principal Executive Officer of CrossAmerica GP LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2 *	Certification of Principal Financial Officer of CrossAmerica GP LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1*†	Certification of Principal Executive Officer of CrossAmerica GP LLC pursuant to 18 U.S.C. §1350
32.2*†	Certification of Principal Financial Officer of CrossAmerica GP LLC pursuant to 18 U.S.C. §1350
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

† Not considered to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

CROSSAMERICA PARTNERS LP

By: CROSSAMERICA GP LLC, its General Partner

By: /s/ Evan W. Smith
Evan W. Smith
Vice President—Finance and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Date: November 6, 2018

Exhibit 10.2

Lehigh Gas Partners LP 2012 Incentive Award Plan
Award Agreement for Phantom Performance Units
For Executive Officers and Employees

Grantee:	/$ParticipantName$/
Grant Date:	August 9, 2018
Number of Phantom Performance Units:	/$AwardsGranted$/

1. **Grant of Phantom Performance Units**. CrossAmerica GP LLC, a Delaware limited liability company, the general partner ("General Partner") of CrossAmerica Partners LP, a Delaware limited partnership (formerly known as Lehigh Gas Partners LP) (the "Partnership"), hereby grants to you an award ("Award") of Phantom Performance Units, which shall constitute Performance Awards in accordance with Section 9 of the Lehigh Gas Partners LP 2012 Incentive Award Plan, as the same may be amended from time to time (the "Plan"), which are subject to the terms and conditions set forth herein and in the Plan, which is incorporated herein by reference as a part of this Award Agreement (the "Agreement"). A Phantom Performance Unit represents a notional Unit granted under the Plan which upon vesting entitles you to receive a Unit, an amount of cash equal to the Fair Market Value of a Unit, or a combination of cash and Units, as determined by the Committee (as defined in the Plan) in its sole discretion. Phantom Performance Units are not actual Units, no Units shall be issued at the time the Award is made, and the Award shall not convey any of the rights or privileges or voting rights of a unitholder or limited partner of the Partnership with respect to any Phantom Performance Units. This Award includes tandem Distribution Equivalent Rights ("DERs"), which entitle the Participant to receive, with respect to each Phantom Performance Unit, so long as the underlying Phantom Performance Unit has not either vested or been forfeited. DERs are calculated upon vesting as the amount in cash equal to the distributions per Unit made by the Partnership on its outstanding Units while the Award was unvested. In the event of any conflict between the terms of this Agreement and the Plan, the Plan shall control. Capitalized terms used in this Agreement but not defined herein shall have the meanings ascribed to such terms in the Plan, unless the context requires otherwise. References to "Section" herein, unless otherwise specified, refer to the Sections of this Agreement.

2. **Vesting of Phantom Performance Units**.

The Phantom Performance Units shall be unvested at issuance, and subject to Section 4 below, shall become vested and non-forfeitable as follows, provided you have remained in Continuous Service from the Grant Date through the vesting date:

- 35% of the Award (the "Service Portion") shall not be subject to the attainment of performance objectives and shall vest on the third anniversary of the Grant Date (the "Vesting Period"), subject to Early Vesting as provide in Section 4 below;

- 65% of the Award (the "Performance Portion") shall be subject to the attainment of the following performance objectives (the "Performance Objectives") over a three-year period and shall vest on the third anniversary of the Grant Date, subject to Section 4(b)(ii) below:
  - Forty percent (40%) of the performance objectives will be attributable to fuel volume variation better by 3% or more over the weighted average industry performance (EIA) over the three-year period (using financial statements in the Form 10-Q (2) 2018 to Form 10-Q (2) 2021)
  - Forty percent (40%) of the performance objectives will be attributable to an increase in trailing 12-month Adjusted EBITDA of 5% or more over the three-year period (using financial statements in the Form 10-Q (2) 2018 to Form 10-Q (2) 2021)
  - Twenty percent (20%) of the performance objectives will be attributable to meeting a result that is equal to or higher than 4.05 for the May 2021 myVOICE survey's Accountability Index (i.e. the results for the three questions for respondents with tenure of more than 12 months as of the date of the survey):
    a. I received feedback on the previous myVOICE survey
    b. My team participated in an effective action planning session following last year's myVOICE survey
    c. My team has made progress on the goals set during our action planning sessions after the last myVOICE survey

If on an applicable vesting date, the application of the above vesting schedule results in a fractional Phantom Performance Unit being vested, the number of Phantom Performance Units vesting on such date shall be rounded up to the next whole number of Phantom Performance Units.

3. **Administration**. The Committee (as defined in the Plan) shall have the sole and complete discretion to administer, interpret and construe the Plan and this Agreement with respect to a Participant, and to determine any and all questions and issues arising with respect to the Plan and this Agreement. Any decision of the Committee concerning the Plan or this Agreement shall be final and binding on you.

4. **Events Occurring Prior to Early Vesting**.

(a) Death. If your Continuous Service terminates as a result of your death, the unvested Phantom Performance Units then remaining automatically will become fully vested upon such termination of Continuous Service.

(b) Disability or Retirement. If your Continuous Service terminates as a result of Disability or your retirement (when participant attains the age of 65) ("Disability Date" or "Retirement Date", respectively):

(i) The unvested Service Portion of the Phantom Performance Units then remaining will become vested as follows:

- such percentage of the Service Portion of the Award will become vested on Retirement Date as determined by dividing the number of days from the Grant Date to the date of Disability or the Retirement Date, as applicable, by the full number of days in the Vesting Period; and
- the remaining percentage of the Service Portion will be forfeited.

(ii) The unvested Performance Portion of the Phantom Performance Units then remaining will become vested as follows:

- such percentage of the Performance Portion of the Award will continue with the original vesting schedule and payout will occur after the third anniversary of the Grant Date subject to availability of the financial information necessary to calculate attainment of Performance Objectives and will be determined by dividing the number of days from the Grant Date to the date of Disability or the Retirement Date, as applicable, by the full number of days in the Vesting Period; and
- the remaining percentage of the Performance Portion will be forfeited.

(c) Change in Control. If a Change in Control (as defined below) occurs, the Phantom Performance Units then remaining automatically will become fully vested up such Change in Control. For purposes of this Agreement, the definition of "Change of Control" adds paragraph (iv) to the definition of "Change of Control" contained in the Plan under Section 2(f).

"Change in Control" means, with respect to the Partnership or the General Partner:

(i) a Third Party becoming the beneficial owner, by way of merger, consolidation, recapitalization, reorganization or otherwise, of more than 50% of the voting power of the voting securities of either the Partnership or the General Partner;

(ii) the sale or other disposition, including by way of liquidation, by either the Partnership or the General Partner of all or substantially all of its assets, whether in a single or series of related transactions, to one or more Third Parties;

(iii) the General Partner or an Affiliate of the General Partner or the Partnership ceases to be the general partner of the Partnership; or

(iv) during any period of two (2) consecutive years (not including any period prior to June 28, 2017), a majority of the members of

the Board are replaced by members whose appointment or election was not been recommended by Alimentation Couche Tard, Inc. or its Affiliates.

Notwithstanding the foregoing, with respect to an Award that is subject to Section 409A of the Internal Revenue Code of 1986, as amended, “Change of Control” shall mean a “change of control event” as defined in the regulations and guidance issued under Section 409A.

(d) Other Terminations. If your Continuous Service terminates for any reason other than as provided in Section 4(a), unless otherwise determined by the Committee or its delegate, the Phantom Performance Units then remaining automatically shall be forfeited without payment upon such termination of Continuous Service.

5. **Payments**. (a) Subject to Section 8, as soon as reasonably practical and not later than 30 days following the applicable vesting date, the Partnership shall pay you, with respect to each vested Phantom Performance Unit, one Unit, unless the Committee, in its discretion, elects to pay you an amount of cash equal to the Fair Market Value of a Unit determined on such vesting date. If more than one Phantom Performance Unit vests at the same time, the Partnership may pay such vested Phantom Performance Units in any combination of Units and cash as the Committee, in its discretion, elects. (b) Payment of DERs. The Participant is entitled to receive from the General Partner, with respect to each Phantom Performance Unit that has not either vested or been forfeited, cash payments equal to the distributions per Unit made by the Partnership on its outstanding Units, in each case promptly following (and in no event more than 30 days after) each such distribution made by the Partnership. Upon the forfeiture or vesting of the underlying Phantom Performance Unit, the associated DER will automatically expire and no further payments shall be made with respect to such DER, except with respect to amounts not yet paid with respect to distributions on Units made prior to the date of such forfeiture or vesting.

6. **Limitations upon Transfer**. All rights under this Agreement shall belong to you alone and may not be transferred, assigned, pledged, or hypothecated by you in any way (whether by operation of law or otherwise), other than by will or the laws of descent and distribution and shall not be subject to execution, attachment, or similar process. Upon any attempt by you to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Agreement or the Plan, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.

7. **Restrictions**. By accepting this Award, you agree that any Units that you may receive upon vesting of this Award will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (i) the certificates representing the Units acquired under this Award may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) the Partnership may refuse to register the

transfer of the Units acquired under this Award on the transfer records of the Partnership if such proposed transfer would in the opinion of counsel satisfactory to the General Partner constitute a violation of any applicable securities law, and (iii) the Partnership may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Units to be received under this Agreement.

8. **Withholding of Taxes**. If the grant, vesting or payment of a Phantom Performance Unit or DERs results in the receipt of compensation by you with respect to which the General Partner or an Affiliate has a tax withholding obligation pursuant to applicable law, the General Partner or an Affiliate shall withhold (or net) such cash and number of unrestricted Units otherwise payable to you as the General Partner or an Affiliate requires to meet its tax minimum statutory withholding obligations under such applicable laws.

9. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Partnership and upon any person lawfully claiming under you.

10. **Amendment**. The General Partner may amend or terminate the Plan and any instrument hereunder (including this Agreement) at any time, in whole or in part, and for any reason; provided, however, that except as to the extent necessary to comply with applicable laws and regulations (including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any SEC rule) and to conform the provisions of this Agreement to any changes thereto, no such amendment or termination shall adversely affect the rights of a Participant with respect to Awards granted to the Participant prior to the effective date of such amendment or termination.

11. **Nature of Payments**. The Phantom Performance Units, and payments made pursuant to the Phantom Performance Units are not a part of salary or compensation paid or payable by the General Partner or its Affiliates for purposes of any other benefit or compensation plan or otherwise.

12. **Severability**. If a particular provision of the Plan or this Agreement shall be found by final judgment of a court or administrative tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such illegal, invalid or unenforceable provisions shall not affect any other provision of the Plan or this Agreement and the other provisions of the Plan or this Agreement shall remain in full force and effect.

13. **Entire Agreement**. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Phantom Performance Units granted hereby. Without limiting the scope of the preceding sentence, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect.

14. **Governing Law**. This grant shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS AWARD AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF PHANTOM PERFORMANCE UNITS AND DERS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS AWARD AGREEMENT AND THE PLAN.

Grantee

Signature: ______________________
Name:
Dated: _________________________

CrossAmerica GP LLC

/s/Gerardo Valencia

Gerardo Valencia
President and Chief Executive Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gerardo Valencia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CrossAmerica Partners 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 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.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2018

/s/ Gerardo Valencia

Gerardo Valencia
President and Chief Executive Officer
CrossAmerica GP LLC
(as General Partner of CrossAmerica Partners LP)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Evan W. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CrossAmerica Partners 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 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.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2018

/s/ Evan W. Smith

Evan W. Smith
Vice President Finance and Chief Financial Officer
CrossAmerica GP LLC
(as General Partner of CrossAmerica Partners LP)

Exhibit 32.1

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 CrossAmerica Partners LP (the “Partnership”) for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerardo Valencia, President and Chief Executive Officer of CrossAmerica 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, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 6, 2018

/s/ Gerardo Valencia

Gerardo Valencia
President and Chief Executive Officer
CrossAmerica GP LLC
(as General Partner of CrossAmerica Partners LP)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1964, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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 CrossAmerica Partners LP (the “Partnership”) for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Evan W. Smith, Vice President Finance and Chief Financial Officer of CrossAmerica 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, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 6, 2018

/s/ Evan W. Smith

Evan W. Smith
Vice President Finance and Chief Financial Officer
CrossAmerica GP LLC
(as General Partner of CrossAmerica Partners LP)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1964, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.