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

# FORM 10-Q

(Mark One)
☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended June 30, 2022**

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**<br>(State or Other Jurisdiction of Incorporation or Organization) | **45-4165414**<br>(I.R.S. Employer Identification No.) |
| **645 Hamilton Street, Suite 400**<br>**Allentown, PA**<br>(Address of Principal Executive Offices) | **18101**<br>(Zip Code) |
| | **(610) 625-8000**<br>(Registrant's telephone number, including area code) |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Units | CAPL | New York Stock Exchange |

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. ☐

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 August 4, 2022, the registrant had outstanding 37,928,970 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 | CrossAmerica Partners LP, the Partnership, CAPL, we, us, our |
| Holdings | CAPL JKM Holdings LLC, an indirect wholly-owned subsidiary of CrossAmerica and sole member of CAPL JKM Partners |
| CAPL JKM Partners | CAPL JKM Partners LLC, a wholly-owned subsidiary of Holdings |
| Joe's Kwik Marts | Joe's Kwik Marts LLC, a wholly-owned subsidiary of CAPL JKM Partners |

*CrossAmerica Partners LP related parties:*

| | |
|---|---|
| DMI | Dunne Manning Inc. (formerly Lehigh Gas Corporation), an entity affiliated with the Topper Group |
| General Partner | CrossAmerica GP LLC, the General Partner of CrossAmerica, a Delaware limited liability company, indirectly owned by the Topper Group. |
| Topper Group | Joseph V. Topper, Jr., collectively with his affiliates and family trusts that have ownership interests in the Partnership. Joseph V. Topper, Jr. is the founder of the Partnership and a member of the Board. The Topper Group is a related party and large holder of our common units |
| TopStar | TopStar Inc., an entity affiliated with a family member of Joseph V. Topper, Jr. TopStar is an operator of convenience stores that leases retail sites from us, and since April 14, 2020, also purchases fuel from us. |

*Other Defined Terms:*

| | |
|---|---|
| 7-Eleven | 7-Eleven, Inc. |
| AOCI | Accumulated other comprehensive income |
| Board | Board of Directors of our General Partner |
| Bonus Plan | The Performance-Based Bonus Compensation Policy is one of the key components of "at-risk" compensation. The Bonus Plan is utilized to reward short-term performance achievements and to motivate and reward employees for their contributions toward meeting financial and strategic goals. |
| CAPL Credit Facility | Credit Agreement, dated as of April 1, 2019, as amended by the First Amendment to Credit Agreement, dated as of November 19, 2019, and by the Second Amendment to Credit Agreement, dated as of July 28, 2021, among the Partnership and Lehigh Gas Wholesale Services, Inc., as borrowers, the guarantors from time to time party thereto, the lenders from time to time party thereto and Citizens Bank, N.A., as administrative agent. |
| COVID-19 Pandemic | In December 2019, a novel strain of coronavirus was reported to have surfaced. In March 2020, the World Health Organization declared the outbreak a pandemic. |
| DTW | Dealer tank wagon contracts, which are variable market-based 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 |
| EMV | Payment method based upon a technical standard for smart payment cards, also referred to as chip cards |
| Exchange Act | Securities Exchange Act of 1934, as amended |

| | |
|---|---|
| Form 10-K | CrossAmerica's Annual Report on Form 10-K for the year ended December 31, 2021 |
| Internal Revenue Code | Internal Revenue Code of 1986, as amended |
| IPO | Initial public offering of CrossAmerica Partners LP on October 30, 2012 |
| JKM Credit Facility | Credit Agreement, as amended on July 29, 2021 among CAPL JKM Partners, Holdings and Manufacturers and Traders Trust Company, as administrative agent, swingline lender and issuing bank |
| LIBOR | London Interbank Offered Rate |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| NYSE | New York Stock Exchange |
| Omnibus Agreement | The Omnibus Agreement, effective January 1, 2020, by and among the Partnership, the General Partner and DMI. The terms of the Omnibus Agreement were approved by the independent conflicts committee of the Board, which is composed of the independent directors of the Board. Pursuant to the Omnibus Agreement, DMI agrees, among other things, to provide, or cause to be provided, to the Partnership certain management services at cost without markup. |
| Partnership Agreement | Second Amended and Restated Agreement of Limited Partnership of CrossAmerica Partners LP, dated as of February 6, 2020 |
| Predecessor Entity | Wholesale distribution contracts and real property and leasehold interests contributed to the Partnership in connection with the IPO |
| Term Loan Facility | $185 million delayed draw term loan facility provided under the JKM Credit Facility |
| U.S. GAAP | U.S. Generally Accepted Accounting Principles |
| WTI | West Texas Intermediate crude oil |

**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 3,572 | $ 7,648 |
| Accounts receivable, net of allowances of $542 and $458, respectively | 48,456 | 33,331 |
| Accounts receivable from related parties | 1,194 | 1,149 |
| Inventory | 56,770 | 46,100 |
| Assets held for sale | 4,649 | 4,907 |
| Other current assets | 20,804 | 13,180 |
| Total current assets | 135,445 | 106,315 |
| Property and equipment, net | 745,594 | 755,454 |
| Right-of-use assets, net | 164,934 | 169,333 |
| Intangible assets, net | 100,232 | 114,187 |
| Goodwill | 99,409 | 100,464 |
| Other assets | 29,794 | 24,389 |
| Total assets | $ 1,275,408 | $ 1,270,142 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Current portion of debt and finance lease obligations | $ 5,575 | $ 10,939 |
| Current portion of operating lease obligations | 35,212 | 34,832 |
| Accounts payable | 87,730 | 67,173 |
| Accounts payable to related parties | 7,581 | 7,679 |
| Accrued expenses and other current liabilities | 21,121 | 20,682 |
| Motor fuel and sales taxes payable | 21,325 | 22,585 |
| Total current liabilities | 178,544 | 163,890 |
| Debt and finance lease obligations, less current portion | 788,199 | 810,635 |
| Operating lease obligations, less current portion | 135,328 | 140,149 |
| Deferred tax liabilities, net | 9,505 | 12,341 |
| Asset retirement obligations | 46,212 | 45,366 |
| Other long-term liabilities | 46,533 | 41,203 |
| Total liabilities | 1,204,321 | 1,213,584 |
| | | |
| Commitments and contingencies | | |
| | | |
| Preferred membership interests | 24,993 | — |
| | | |
| Equity: | | |
| Common units—37,912,710 and 37,896,556 units issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 32,412 | 53,528 |
| Accumulated other comprehensive income | 13,682 | 3,030 |
| Total equity | 46,094 | 56,558 |
| Total liabilities and equity | $ 1,275,408 | $ 1,270,142 |

See Condensed Notes to Consolidated Financial Statements.

**CROSSAMERICA PARTNERS LP**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Thousands of Dollars, except unit and per unit amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenues [(a)] | $ 1,475,033 | $ 859,334 | $ 2,568,244 | $ 1,516,618 |
| Cost of sales [(b)] | 1,386,088 | 794,240 | 2,400,469 | 1,396,656 |
| Gross profit | 88,945 | 65,094 | 167,775 | 119,962 |
| | | | | |
| Operating expenses: | | | | |
| Operating expenses [(c)] | 42,216 | 31,070 | 84,325 | 60,473 |
| General and administrative expenses | 5,680 | 6,876 | 12,163 | 14,526 |
| Depreciation, amortization and accretion expense | 19,919 | 19,583 | 40,194 | 37,614 |
| Total operating expenses | 67,815 | 57,529 | 136,682 | 112,613 |
| (Loss) gain on dispositions and lease terminations, net | (58) | 597 | (302) | (51) |
| Operating income | 21,072 | 8,162 | 30,791 | 7,298 |
| Other income, net | 102 | 204 | 232 | 292 |
| Interest expense | (7,321) | (3,870) | (13,982) | (7,367) |
| Income before income taxes | 13,853 | 4,496 | 17,041 | 223 |
| Income tax benefit | (113) | (293) | (1,972) | (599) |
| Net income | 13,966 | 4,789 | 19,013 | 822 |
| Accretion of preferred membership interests | 563 | — | 563 | — |
| Net income available to limited partners | $ 13,403 | $ 4,789 | $ 18,450 | $ 822 |
| | | | | |
| **Basic and diluted earnings per common unit** | $ 0.35 | $ 0.13 | $ 0.49 | $ 0.02 |
| | | | | |
| **Weighted-average limited partner units:** | | | | |
| Basic common units | 37,912,710 | 37,874,868 | 37,906,463 | 37,872,079 |
| Diluted common units | 37,957,434 | 37,905,010 | 37,951,466 | 37,902,225 |
| | | | | |
| **Supplemental information:** | | | | |
| (a) includes excise taxes of: | $ 71,601 | $ 50,047 | $ 138,460 | $ 93,753 |
| (a) includes rent income of: | 20,849 | 20,862 | 41,476 | 41,334 |
| (b) excludes depreciation, amortization and accretion | | | | |
| (b) includes rent expense of: | 5,945 | 6,031 | 11,786 | 11,944 |
| (c) includes rent expense of: | 3,801 | 3,265 | 7,509 | 6,461 |

See Condensed Notes to Consolidated Financial Statements.

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

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 19,013 | $ 822 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion expense | 40,194 | 37,614 |
| Amortization of deferred financing costs | 1,370 | 521 |
| Credit loss expense | 88 | 32 |
| Deferred income tax benefit | (2,836) | (921) |
| Equity-based employee and director compensation expense | 954 | 754 |
| Loss on dispositions and lease terminations, net | 302 | 51 |
| Changes in operating assets and liabilities, net of acquisitions | (4,426) | 2,141 |
| Net cash provided by operating activities | 54,659 | 41,014 |
| **Cash flows from investing activities:** | | |
| Principal payments received on notes receivable | 66 | 85 |
| Proceeds from sale of assets | 3,793 | 5,600 |
| Capital expenditures | (16,403) | (21,911) |
| Cash paid in connection with acquisitions, net of cash acquired | (1,885) | (4,166) |
| Net cash used in investing activities | (14,429) | (20,392) |
| **Cash flows from financing activities:** | | |
| Borrowings under revolving credit facilities | 57,600 | 57,000 |
| Repayments on revolving credit facilities | (61,620) | (36,399) |
| Borrowings under the Term Loan Facility | 1,120 | — |
| Repayments on the Term Loan Facility | (24,600) | — |
| Net proceeds from issuance of preferred membership interests | 24,430 | — |
| Payments of finance lease obligations | (1,337) | (1,287) |
| Payments of deferred financing costs | (6) | — |
| Distributions paid on distribution equivalent rights | (93) | (63) |
| Distributions paid on common units | (39,800) | (39,765) |
| Net cash used in financing activities | (44,306) | (20,514) |
| Net increase in cash and cash equivalents | (4,076) | 108 |
| **Cash and cash equivalents at beginning of period** | 7,648 | 513 |
| **Cash and cash equivalents at end of period** | $ 3,572 | $ 621 |

See Condensed Notes to Consolidated Financial Statements.

**CROSSAMERICA PARTNERS LP**
**CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME**
**(Thousands of Dollars, except unit amounts)**
**(Unaudited)**

| | Limited Partners' Interest | | | |
|---|---|---|---|---|
| | Common Unitholders | | AOCI | Total Equity |
| | Units | Dollars | Dollars | Dollars |
| **Balance at December 31, 2021** | 37,896,556 | $ 53,528 | $ 3,030 | $ 56,558 |
| Net income | — | 5,047 | — | 5,047 |
| Other comprehensive income | | | | |
| Unrealized gain on interest rate swap contracts | — | — | 8,113 | 8,113 |
| Realized loss on interest rate swap contracts reclassified from AOCI into interest expense | — | — | 206 | 206 |
| Total other comprehensive income | — | — | 8,319 | 8,319 |
| Comprehensive income | — | 5,047 | 8,319 | 13,366 |
| Issuance of units related to 2021 Bonus Plan | 16,154 | 327 | — | 327 |
| Distributions paid | — | (19,942) | — | (19,942) |
| **Balance at March 31, 2022** | 37,912,710 | $ 38,960 | $ 11,349 | $ 50,309 |
| | | | | |
| Net income | — | 13,966 | — | 13,966 |
| Other comprehensive income | | | | |
| Unrealized gain on interest rate swap contracts | — | — | 2,584 | 2,584 |
| Realized gain on interest rate swap contracts reclassified from AOCI into interest expense | — | — | (251) | (251) |
| Total other comprehensive income | — | — | 2,333 | 2,333 |
| Comprehensive income | — | 13,966 | 2,333 | 16,299 |
| Accretion of preferred membership interests | — | (563) | — | (563) |
| Distributions paid | — | (19,951) | — | (19,951) |
| **Balance at June 30, 2022** | 37,912,710 | $ 32,412 | $ 13,682 | $ 46,094 |
| | | | | |
| **Balance at December 31, 2020** | 37,868,046 | $ 112,124 | $ (2,456) | $ 109,668 |
| Net loss | — | (3,967) | — | (3,967) |
| Other comprehensive loss | | | | |
| Unrealized gain on interest rate swap contracts | — | — | 2,017 | 2,017 |
| Realized loss on interest rate swap contracts reclassified from AOCI into interest expense | — | — | 231 | 231 |
| Total other comprehensive income | — | — | 2,248 | 2,248 |
| Comprehensive (loss) income | — | (3,967) | 2,248 | (1,719) |
| Issuance of units related to 2020 Bonus Plan | 6,822 | 126 | — | 126 |
| Tax effect from intra-entity transfer of assets | — | (757) | — | (757) |
| Distributions paid | — | (19,912) | — | (19,912) |
| **Balance at March 31, 2021** | 37,874,868 | $ 87,614 | $ (208) | $ 87,406 |
| | | | | |
| Net income | — | 4,789 | — | 4,789 |
| Other comprehensive income | | | | |
| Unrealized loss on interest rate swap contracts | — | — | (68) | (68) |
| Realized loss on interest rate swap contracts reclassified from AOCI into interest expense | — | — | 253 | 253 |
| Total other comprehensive income | — | — | 185 | 185 |
| Comprehensive income | — | 4,789 | 185 | 4,974 |
| Tax effect from intra-entity transfer of assets | — | (325) | — | (325) |
| Distributions paid | — | (19,916) | — | (19,916) |
| **Balance at June 30, 2021** | 37,874,868 | $ 72,162 | $ (23) | $ 72,139 |

See Condensed Notes to Consolidated Financial Statements.

## Note 1. DESCRIPTION OF BUSINESS AND OTHER DISCLOSURES

Our business consists of:

- the wholesale distribution of motor fuels;
- the owning or leasing of retail sites used in the retail distribution of motor fuels and, in turn, generating rental income from the lease or sublease of the retail sites;
- the retail sale of motor fuels to end customers at retail sites operated by commission agents and ourselves; and
- the operation of retail sites, including the sale of convenience merchandise to end customers.

### *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 June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 included in the consolidated financial statements has been derived from our unaudited financial statements. Financial information as of December 31, 2021 has been derived from our audited financial statements and notes thereto as of that date.

Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. 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. The COVID-19 Pandemic has impacted our business and these seasonal trends typical in our business. See the “COVID-19 Pandemic” section below.

### *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.

### *Significant Accounting Policies*

Certain new accounting pronouncements have become effective for our financial statements during 2022, but the adoption of these pronouncements did not materially impact our financial position, results of operations or disclosures.

### *Concentration Risk*

For the six months ended June 30, 2022 and 2021, respectively, our wholesale business purchased approximately 81% and 79% of its motor fuel from four suppliers. Approximately 24% and 29% of our motor fuel gallons sold for the six months ended June 30, 2022 and 2021, respectively, were delivered by two carriers.

For the six months ended June 30, 2022 and 2021, respectively, approximately 21% and 19% of our rent income was from two multi-site operators.

For the six months ended June 30, 2022 and 2021, respectively, approximately 47% and 49% of our merchandise was purchased from one supplier.

***COVID-19 Pandemic***

During the first quarter of 2020, an outbreak of a novel strain of coronavirus spread worldwide, including to the U.S., posing public health risks that reached pandemic proportions. We experienced a sharp decrease in fuel volume in mid-to-late March 2020. Although fuel volumes largely recovered during the second half of 2020 and continued to recover in 2021 and 2022, we cannot predict the scope and severity with which COVID-19 will impact our business. Sustained decreases in fuel volume, erosion of margin and/or volatility in fuel prices could have a material adverse effect on our results of operations, cash flow, financial position and ultimately our ability to pay distributions.

**Note 2. ACQUISITION OF ASSETS FROM 7-ELEVEN**

In February 2022, we closed on the final three properties of our 106-site acquisition from 7-Eleven for a purchase price of $3.6 million (including inventory and working capital), of which $1.8 million will be paid on or prior to February 8, 2027. We recorded the purchase of these properties and adjustments to our previous purchase accounting for the first 103 properties as summarized in the table below (in thousands):

| | | |
|---|---|---|
| Inventories | $ | 271 |
| Other current assets | | 30 |
| Property and equipment | | 8,171 |
| Intangible assets | | (3,498) |
| Goodwill | | (1,027) |
| Total assets | $ | 3,947 |
| | | |
| Accrued expenses and other current liabilities | | 144 |
| Other non-current liabilities | | 1,800 |
| Asset retirement obligations | | 118 |
| Total liabilities | $ | 2,062 |
| Net assets acquired | $ | 1,885 |

The fair value of inventory was estimated at retail selling price less estimated costs to sell and a reasonable profit allowance for the selling effort.

The fair value of land was based on a market approach. The value of buildings and equipment was based on a cost approach. The buildings and equipment are being depreciated on a straight-line basis, with estimated remaining useful lives of 20 years for the buildings and five to 30 years for equipment.

The fair value of the wholesale fuel distribution rights included in intangible assets was based on an income approach. Management believes the level and timing of cash flows represent relevant market participant assumptions. The wholesale fuel distribution rights are being amortized on a straight-line basis over an estimated useful life of approximately 10 years.

The fair value of goodwill represents expected synergies from combining operations, intangible assets that do not qualify for separate recognition, and other factors. All goodwill is anticipated to be deductible for tax purposes.

We funded these transactions primarily through the JKM Credit Facility as well as undrawn capacity under the CAPL Credit Facility and cash on hand.

## Note 3. ASSETS HELD FOR SALE

We have classified 9 sites and 12 sites as held for sale at June 30, 2022 and December 31, 2021, respectively, which are expected to be sold within one year of such classification. Assets held for sale were as follows (in thousands):

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Land | $ 3,111 | $ 3,042 |
| Buildings and site improvements | 1,840 | 2,231 |
| Equipment | 837 | 939 |
| Total | 5,788 | 6,212 |
| Less accumulated depreciation | (1,139) | (1,305) |
| Assets held for sale | $ 4,649 | $ 4,907 |

The Partnership has continued to focus on divesting lower performing assets. During the three and six months ended June 30, 2022, we sold five and nine properties for $2.3 million and $3.8 million in proceeds, resulting in a net gain of $0.5 million and $0.9 million, respectively. During the three and six months ended June 30, 2021, we sold six and nine properties for $3.0 million and $3.9 million in proceeds, resulting in net gains of $1.1 million and $1.1 million, respectively.

See Note 5 for information regarding impairment charges primarily recorded upon classifying sites within assets held for sale.

## Note 4. INVENTORIES

Inventories consisted of the following (in thousands):

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Retail site merchandise | $ 22,903 | $ 22,518 |
| Motor fuel | 33,867 | 23,582 |
| Inventories | $ 56,770 | $ 46,100 |

## Note 5. PROPERTY AND EQUIPMENT

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Land | $ 324,700 | $ 321,813 |
| Buildings and site improvements | 360,743 | 358,335 |
| Leasehold improvements | 13,984 | 13,437 |
| Equipment | 327,031 | 314,393 |
| Construction in progress | 7,985 | 9,457 |
| Property and equipment, at cost | 1,034,443 | 1,017,435 |
| Accumulated depreciation and amortization | (288,849) | (261,981) |
| Property and equipment, net | $ 745,594 | $ 755,454 |

We recorded impairment charges of $0.5 million and $2.9 million during the three months ended June 30, 2022 and 2021 and $1.2 million and $5.2 million during the six months ended June 30, 2022 and 2021, respectively, included within depreciation, amortization and accretion expenses on the statements of operations. These impairment charges were primarily related to sites initially classified within assets held for sale in connection with our ongoing real estate rationalization effort.

## Note 6. INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Amount | Accumulated Amortization | Net Carrying Amount | Gross Amount | Accumulated Amortization | Net Carrying Amount |
| Wholesale fuel supply contracts/rights | $ 208,697 | $ (109,499) | $ 99,198 | $ 212,194 | $ (99,124) | $ 113,070 |
| Trademarks/licenses | 2,208 | (1,212) | 996 | 2,208 | (1,174) | 1,034 |
| Covenant not to compete | 450 | (412) | 38 | 450 | (367) | 83 |
| Total intangible assets | $ 211,355 | $ (111,123) | $ 100,232 | $ 214,852 | $ (100,665) | $ 114,187 |

See Note 2 regarding the purchase accounting for the final three sites acquired from 7-Eleven during the first quarter.

## Note 7. GOODWILL

Changes in goodwill during 2022 were as follows (in thousands):

| | Wholesale Segment | Retail Segment | Consolidated |
|---|---|---|---|
| Balance at December 31, 2021 | $ 82,328 | $ 18,136 | $ 100,464 |
| Adjustments to purchase accounting | (738) | (317) | (1,055) |
| Balance at June 30, 2022 | $ 81,590 | $ 17,819 | $ 99,409 |

See Note 2 regarding the purchase accounting for the final three sites acquired from 7-Eleven during the first quarter.

## Note 8. DEBT

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| CAPL Credit Facility | $ 626,555 | $ 630,575 |
| JKM Credit Facility | 158,980 | 182,460 |
| Finance lease obligations | 15,471 | 16,809 |
| Total debt and finance lease obligations | 801,006 | 829,844 |
| Current portion | 5,575 | 10,939 |
| Noncurrent portion | 795,431 | 818,905 |
| Deferred financing costs, net | 7,232 | 8,270 |
| Noncurrent portion, net of deferred financing costs | $ 788,199 | $ 810,635 |

See Note 13 for information regarding the issuance of preferred membership interests during the first quarter, the proceeds of which were used to pay off borrowings under the Term Loan Facility. As of June 30, 2022, future principal payments on debt and future minimum rental payments on finance lease obligations were as follows (in thousands):

| | Debt | Finance Lease Obligations | Total |
|---|---|---|---|
| Remaining in 2022 | $ — | $ 1,631 | $ 1,631 |
| 2023 | 8,261 | 3,328 | 11,589 |
| 2024 | 637,570 | 3,427 | 640,997 |
| 2025 | 11,015 | 3,527 | 14,542 |
| 2026 | 128,689 | 3,629 | 132,318 |
| 2027 | — | 1,221 | 1,221 |
| Total future payments | 785,535 | 16,763 | 802,298 |
| Less interest component | — | 1,292 | 1,292 |
| | 785,535 | 15,471 | 801,006 |
| Current portion | 2,754 | 2,821 | 5,575 |
| Long-term portion | $ 782,781 | $ 12,650 | $ 795,431 |

**CAPL Credit Facility**

Our CAPL Credit Facility is secured by substantially all of our assets, including our equity interest in Holdings, other than the assets of unrestricted subsidiaries designated as such under the CAPL Credit Facility. Holdings and its subsidiaries are unrestricted subsidiaries under the CAPL Credit Facility.

Taking the interest rate swap contracts described in Note 9 into account, our effective interest rate on our CAPL Credit Facility at June 30, 2022 was 3.2% (our applicable margin was 2.25% as of June 30, 2022).

Letters of credit outstanding at June 30, 2022 and December 31, 2021 totaled $4.0 million.

As of June 30, 2022, we were in compliance with our financial covenants under the CAPL Credit Facility. The amount of availability under the CAPL Credit Facility at June 30, 2022, after taking into consideration debt covenant restrictions, was $119.4 million.

**JKM Credit Facility**

The obligations under the JKM Credit Facility are guaranteed by Holdings and its subsidiaries (other than CAPL JKM Partners) and secured by a lien on substantially all of the assets of Holdings and its subsidiaries (including CAPL JKM Partners). The obligations under the JKM Credit Facility are nonrecourse to CrossAmerica and its subsidiaries other than Holdings, CAPL JKM Partners and their respective subsidiaries.

The JKM Credit Facility contains customary events of default and covenants, including, among other things, and subject to certain exceptions, covenants that restrict the ability of Holdings and its subsidiaries to create or incur liens on assets, make investments, incur additional indebtedness, merge or consolidate and dispose of assets.

Our borrowings under the JKM Credit Facility had a weighted-average interest rate of 3.6% as of June 30, 2022 (LIBOR plus an applicable margin, which was 2.5% as of June 30, 2022).

Letters of credit outstanding at June 30, 2022 and December 31, 2021 totaled $0.8 million.

As of June 30, 2022, we were in compliance with our financial covenants under the JKM Credit Facility. The amount of availability under the JKM Credit Facility at June 30, 2022, after taking into consideration debt covenant restrictions, was $10.0 million.

## Note 9. INTEREST RATE SWAP CONTRACTS

The interest payments on our CAPL Credit Facility vary based on monthly changes in the one-month LIBOR and changes, if any, in the applicable margin, which is based on our leverage ratio as further discussed in Note 8. To hedge against interest rate volatility on our variable rate borrowings under the CAPL Credit Facility, we entered into three interest rate swap contracts in 2020 that mature on April 1, 2024. One interest rate swap contract has a notional amount of $150 million and a fixed rate of 0.495%. The other interest rate swap contracts each have a notional amount of $75 million and a fixed rate of 0.38%. All of these interest rate swap contracts have been designated as cash flow hedges and are expected to be highly effective.

The fair value of these interest rate swap contracts, for which the current portion is included in other current assets and the noncurrent portion is included in other assets, totaled $13.7 million and $3.0 million at June 30, 2022 and December 31, 2021, respectively. See Note 12 for additional information on the fair value of the interest rate swap contracts.

We report the unrealized gains and losses on our interest rate swap contracts designated as highly effective cash flow hedges as a component of other comprehensive income and reclassify such gains and losses into earnings in the same period during which the hedged interest expense is recorded. We recognized a net realized gain (loss) from settlements of the interest rate swap contracts of $0.3 million and $(0.3) million for the three months ended June 30, 2022 and 2021 and an insignificant amount and $(0.5) million for the six months ended June 30, 2022 and 2021, respectively.

We currently estimate that a gain of $8.0 million will be reclassified from AOCI into interest expense during the next 12 months; however, the actual amount that will be reclassified will vary based on changes in interest rates.

## Note 10. RELATED-PARTY TRANSACTIONS

Wholesale Motor Fuel Sales and Real Estate Rentals

Revenues from TopStar, an entity affiliated with Joseph V. Topper, Jr., a member of the Board, were $22.7 million and $14.6 million for the three months ended June 30, 2022 and 2021 and $39.8 million and $25.8 million for the six months ended June 30, 2022 and 2021, respectively. Accounts receivable from TopStar were $1.2 million and $1.3 million at June 30, 2022 and December 31, 2021, respectively.

CrossAmerica leases real estate from the Topper Group. Rent expense under these lease agreements was $2.5 million and $2.2 million for the three months ended June 30, 2022 and 2021 and $4.8 million and $4.5 million for the six months ended June 30, 2022 and 2021, respectively.

Omnibus Agreement

We incurred expenses under the Omnibus Agreement, including costs for store level personnel at our company operated sites, totaling $20.5 million and $13.0 million for the three months ended June 30, 2022 and 2021 and $40.6 million and $25.8 million for the six months ended June 30, 2022 and 2021, respectively. Such expenses are included in operating expenses and general and administrative expenses in the statements of operations. Amounts payable to the Topper Group related to expenses incurred by the Topper Group on our behalf in accordance with the Omnibus Agreement totaled $5.1 million and $3.7 million at June 30, 2022 and December 31, 2021, respectively.

Common Unit Distributions and Other Equity Transactions

We distributed $7.7 million and $9.7 million to the Topper Group related to its ownership of our common units during the three months ended June 30, 2022 and 2021 and $15.3 million and $19.4 million for the six months ended June 30, 2022 and 2021, respectively.

We distributed $2.6 million and $0.5 million to affiliates of John B. Reilly, III related to their ownership of our common units during the three months ended June 30, 2022 and 2021 and $5.2 million and $1.0 million for the six months ended June 30, 2022 and 2021, respectively.

See Note 13 for information regarding the issuance of preferred membership interests to related parties.

Maintenance and Environmental Costs

Certain maintenance and environmental 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 $0.6 million and $0.4 million for the three months ended June 30, 2022 and 2021 and $0.9 million for the six months ended June 30, 2022 and 2021, respectively. Accounts payable to this related party amounted to $0.3 million at June 30, 2022.

Convenience Store Products

We purchase certain convenience store products from an affiliate of John B. Reilly, III and Joseph V. Topper, Jr., members of the Board, as approved by the independent conflicts committee of the Board. Merchandise costs amounted to $5.4 million and $5.0 million for three months ended June 30, 2022 and 2021 and $9.9 million and $9.2 million for the six months ended June 30, 2022 and 2021, respectively. Amounts payable to this related party amounted to $2.2 million and $1.5 million at June 30, 2022 and December 31, 2021, respectively.

Vehicle Lease

In connection with the services rendered under the Omnibus Agreement, we lease certain vehicles from an entity affiliated with Joseph V. Topper, Jr., a member of the Board, as approved by the independent conflicts committee of the Board. Lease expense was an insignificant amount for the three and six months ended June 30, 2022 and 2021.

Principal Executive Offices

Our principal executive offices are in Allentown, Pennsylvania. We lease office space from an affiliate of John B. Reilly, III and Joseph V. Topper, Jr., members of our Board, as approved by the independent conflicts committee of the Board. Rent expense amounted to $0.2 million and $0.4 million for the three months ended June 30, 2022 and 2021 and $0.5 million and $0.7 million for the six months ended June 30, 2022 and 2021, respectively.

Public Relations and Website Consulting Services

We have engaged a company affiliated with a member of the Board for public relations and website consulting services. The cost of these services was insignificant for the three and six months ended June 30, 2022 and 2021.

## Note 11. 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 during the six months ended June 30, 2022 or 2021.

### *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 an accrual 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. We believe that it is not reasonably possible that these proceedings, separately or in the aggregate, will 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.

***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 acquisitions. 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 $8.5 million and $5.4 million at June 30, 2022 and December 31, 2021, respectively. 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 $6.6 million and $3.2 million at June 30, 2022 and December 31, 2021, respectively. State funds represent probable state reimbursement amounts. Reimbursement will depend upon the continued maintenance and solvency of the state. 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. The Predecessor Entity indemnified us for any costs or expenses that we incur 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 not recorded on the balance sheet of the Partnership.

Similarly, we have generally been indemnified with respect to known contamination at sites acquired from third parties, including our acquisition of certain assets from 7-Eleven. As such, these environmental liabilities and indemnification assets are also not recorded on the balance sheet of the Partnership.

## Note 12. FAIR VALUE MEASUREMENTS

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.

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 2022 or 2021.

As further discussed in Note 9, we entered into interest rate swap contracts during 2020 and remeasure the fair value of such contracts on a recurring basis each balance sheet date. We used an income approach to measure the fair value of these contracts, utilizing a forward LIBOR yield curve for the same period as the future interest rate swap settlements. These fair value measurements are classified as Level 2 measurements.

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. These fair value measurements are classified as Level 1 measurements.

The fair value of our accounts receivable, notes receivable, and accounts payable approximated their carrying values as of June 30, 2022 and December 31, 2021 due to the short-term maturity of these instruments. The fair values of borrowings under the CAPL Credit Facility and JKM Credit Facility approximated their carrying values as of June 30, 2022 and December 31, 2021 due to the frequency with which interest rates are reset and the consistency of the market spread.

## Note 13. PREFERRED MEMBERSHIP INTERESTS

On March 29, 2022, Holdings issued and sold 12,500 newly created Series A Preferred Interests (“Series A Preferred Interests”) to each of (i) Dunne Manning JKM LLC (the “DM Investor”), an entity affiliated with Joseph V. Topper, Jr., and (ii) John B. Reilly, III and a trust affiliated with Mr. Reilly ("the JBR Trust" and together with Mr. Reilly, the “JBR Investor;” and the JBR Investor, together with the DM Investor, the "Investors" and, each, an “Investor”) at a price of $1,000 per Series A Preferred Interest, for an aggregate purchase price of $25 million in cash (the “Preferred Issuance”), in reliance upon an exemption from the registration requirements provided by Section 4(a)(2) of the Securities Act of 1933, as amended. The Preferred Issuance was consummated pursuant to an Investment Agreement, entered into as of March 29, 2022 (the “Investment Agreement”), by and among Holdings and each Investor. Following the Preferred Issuance, the Partnership indirectly retains 100% of the common interests of Holdings, and Holdings remains a consolidated subsidiary of the Partnership.

In light of the relationships between the Investors and the Partnership, the Preferred Issuance was reviewed by, and received the approval and recommendation of, the conflicts committee of the Board prior to execution of the Investment Agreement and consummation of the Preferred Issuance.

In connection with the Preferred Issuance, on March 29, 2022, LGP Operations LLC, a wholly owned subsidiary of the Partnership, each Investor and the Partnership entered into an amended and restated limited liability company agreement of Holdings to, among other things, set forth the rights, preferences, entitlements, restrictions and limitations of the Series A Preferred Interests. The Series A Preferred Interests have an initial liquidation preference of $1,000 per Series A Preferred Interest and are entitled to a preferred return at a rate of 9% per annum on the liquidation preference, compounded quarterly (the “preferred return”). Prior to October 16, 2026, the Series A Preferred Interests will not be entitled to receive distributions, but the preferred return instead will accumulate solely by way of an increase in the liquidation preference of the Series A Preferred Interests. From and after October 16, 2026, the preferred return will be payable in cash, on a quarterly basis. The Series A Preferred Interests are subject to exchange (i) upon a liquidation or deemed liquidation event of Holdings, (ii) upon a change of control of the Partnership, (iii) from and after March 1, 2024, at the option of the Partnership and Holdings, and (iv) on March 31, 2029, if any Series A Preferred Interests remain outstanding on such date (each of (i) through (iv), an “exchange”). Upon an exchange of any Series A Preferred Interests, the holders thereof will surrender each such Series A Preferred Interest in exchange for an amount equal to the then-current liquidation preference of such Series A Preferred Interest plus any preferred return accrued and unpaid with respect to the period from and after October 16, 2026 (the “Exchange Price”). The Exchange Price will be payable in common units of the Partnership or, if any holder of Series A Preferred Interests so elects, in cash. Any common units of the Partnership issued upon any exchange in payment of the Exchange Price will be valued at an amount equal to $23.74 per common unit, which is equal to 115% of the volume weighted average price of a Partnership common unit on the NYSE over the twenty trading-day period ending on March 28, 2022, the trading day immediately prior to the date of the Preferred Issuance.

The net proceeds received by Holdings in its sale of the Series A Preferred Interests were contributed to CAPL JKM Partners, which in turn used such net proceeds to prepay a portion of the outstanding indebtedness under the Term Loan Facility. As a result of this prepayment, CAPL JKM Partners does not need to make a principal payment on the Term Loan Facility until April 1, 2023. See Note 12 for additional information on the Term Loan Facility.

The preferred membership interests are presented in mezzanine equity on the balance sheet and the carrying amount will be accreted to the Exchange Price over time. We recorded accretion of the preferred membership interests of $0.6 million for the three and six months ended June 30, 2022.

## Note 14. 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 (including any dividend income from our corporate subsidiaries), which may differ significantly from income for financial statement purposes, is assessed at the individual limited partner unitholder level. We are subject to a statutory requirement that non-qualifying income, as defined by the Internal Revenue Code, cannot exceed 10% of total gross income for the calendar year. If non-qualifying income exceeds this statutory limit, we would be taxed as a corporation. The non-qualifying income did not exceed the statutory limit in any annual period.

Certain activities that generate non-qualifying income are conducted through our wholly owned taxable corporate subsidiaries. Current and deferred income taxes are recognized on the earnings of these subsidiaries. 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 an income tax benefit of $0.1 million and $0.3 million for the three months ended June 30, 2022 and 2021 and an income tax benefit of $2.0 million and $0.6 million for the six months ended June 30, 2022 and 2021, respectively, as a result of the losses incurred by our corporate subsidiaries. The effective tax rate differs from the combined federal and state statutory rate primarily because only LGWS and Joe's Kwik Marts are subject to income tax.

## Note 15. NET INCOME PER LIMITED PARTNER UNIT

We 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 by the weighted-average number of outstanding common units.

We applied the if-converted method to the preferred membership interests in accordance with Accounting Standards Update No. 2020-06 for purposes of computing diluted earnings per unit; however, the preferred membership interests are antidilutive.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Numerator:** | | | | |
| Distributions paid | $ 19,904 | $ 19,884 | $ 39,800 | $ 39,765 |
| Allocation of distributions in excess of net income | (6,501) | (15,095) | (21,350) | (38,943) |
| Limited partners' interest in net income - basic and diluted | $ 13,403 | $ 4,789 | $ 18,450 | $ 822 |
| **Denominator:** | | | | |
| Weighted-average common units outstanding - basic | 37,912,710 | 37,874,868 | 37,906,463 | 37,872,079 |
| Adjustment for phantom and phantom performance units [(a)] | 44,724 | 30,142 | 45,003 | 30,146 |
| Weighted-average common units outstanding - diluted | 37,957,434 | 37,905,010 | 37,951,466 | 37,902,225 |
| Net income per common unit - basic and diluted | $ 0.35 | $ 0.13 | $ 0.49 | $ 0.02 |
| | | | | |
| Distributions paid per common unit | $ 0.5250 | $ 0.5250 | $ 1.0500 | $ 1.0500 |
| Distributions declared (with respect to each respective period) per common unit | $ 0.5250 | $ 0.5250 | $ 1.0500 | $ 1.0500 |

(a) 1,076,769 and 553,257 potentially dilutive units related to the preferred membership interests were excluded from the calculation of diluted earnings per unit because including them would have been antidilutive for the three and six months ended June 30, 2022, respectively.

***Distributions***

Distribution activity for 2022 is as follows:

| Quarter Ended | Record Date | Payment Date | Cash Distribution (per unit) | Cash Distribution (in thousands) |
|---|---|---|---|---|
| December 31, 2021 | February 3, 2022 | February 10, 2022 | 0.5250 | 19,896 |
| March 31, 2022 | May 3, 2022 | May 11, 2022 | 0.5250 | 19,904 |
| June 30, 2022 | August 3, 2022 | August 10, 2022 | 0.5250 | 19,913 |

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 16. 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 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. The retail segment includes the retail sale of motor fuel at retail sites operated by commission agents and the sale of convenience merchandise items and the retail sale of motor fuel at company operated sites. A commission agent site is a retail site where we retain title to the motor fuel inventory and sell it directly to our end user customers. At commission agent retail 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.

Unallocated items consist primarily of general and administrative expenses, depreciation, amortization and accretion expense, gains on dispositions and lease terminations, 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 June 30, 2022** | | | | |
| Revenues from fuel sales to external customers | $ 795,924 | $ 579,325 | $ — | $ 1,375,249 |
| Intersegment revenues from fuel sales | 493,423 | — | (493,423) | — |
| Revenues from food and merchandise sales | — | 73,934 | — | 73,934 |
| Rent income | 17,839 | 3,010 | — | 20,849 |
| Other revenue | 1,807 | 3,194 | — | 5,001 |
| Total revenues | $ 1,308,993 | $ 659,463 | $ (493,423) | $ 1,475,033 |
| Operating income (loss) | $ 44,264 | $ 3,420 | $ (26,612) | $ 21,072 |
| **Three Months Ended June 30, 2021** | | | | |
| Revenues from fuel sales to external customers | $ 530,099 | $ 260,125 | $ — | $ 790,224 |
| Intersegment revenues from fuel sales | 198,878 | — | (198,878) | — |
| Revenues from food and merchandise sales | — | 45,208 | — | 45,208 |
| Rent income | 18,209 | 2,653 | — | 20,862 |
| Other revenue | 729 | 2,311 | — | 3,040 |
| Total revenues | $ 747,915 | $ 310,297 | $ (198,878) | $ 859,334 |
| Operating income (loss) | $ 33,244 | $ 953 | $ (26,035) | $ 8,162 |
| **Six Months Ended June 30, 2022** | | | | |
| Revenues from fuel sales to external customers | $ 1,379,045 | $ 1,001,567 | $ — | $ 2,380,612 |
| Intersegment revenues from fuel sales | 837,424 | — | (837,424) | — |
| Revenues from food and merchandise sales | — | 136,281 | — | 136,281 |
| Rent income | 35,316 | 6,160 | — | 41,476 |
| Other revenue | 3,593 | 6,282 | — | 9,875 |
| Total revenues | $ 2,255,378 | $ 1,150,290 | $ (837,424) | $ 2,568,244 |
| Operating income (loss) | $ 81,121 | $ 4,096 | $ (54,426) | $ 30,791 |
| **Six Months Ended June 30, 2021** | | | | |
| Revenues from fuel sales to external customers | $ 928,592 | $ 457,612 | $ — | $ 1,386,204 |
| Intersegment revenues from fuel sales | 343,330 | — | (343,330) | — |
| Revenues from food and merchandise sales | — | 83,047 | — | 83,047 |
| Rent income | 35,909 | 5,425 | — | 41,334 |
| Other revenue | 1,863 | 4,170 | — | 6,033 |
| Total revenues | $ 1,309,694 | $ 550,254 | $ (343,330) | $ 1,516,618 |
| Operating income (loss) | $ 58,149 | $ 1,246 | $ (52,097) | $ 7,298 |

Receivables relating to the revenue streams above are as follows (in thousands):

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Receivables from fuel and merchandise sales | $ 46,277 | $ 27,932 |
| Receivables for rent and other lease-related charges | 3,373 | 6,548 |
| Total accounts receivable | $ 49,650 | $ 34,480 |

Performance obligations are satisfied as fuel is delivered to the customer and as merchandise is sold to the consumer. Many of our fuel contracts with our customers include minimum purchase volumes measured on a monthly basis, although such revenue is not material. Receivables from fuel are recognized on a per-gallon rate and are generally collected within 10 days of delivery.

The balance of unamortized costs incurred to obtain certain contracts with customers was $11.2 million and $11.0 million at June 30, 2022 and December 31, 2021, respectively. Amortization of such costs is recorded against operating revenues and amounted to $0.4 million for the three months ended June 30, 2022 and 2021 and $0.9 million and $0.7 million for the six months ended June 30, 2022 and 2021, respectively.

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

## Note 17. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Decrease (increase): | | |
| Accounts receivable | $ (15,125) | $ (6,741) |
| Accounts receivable from related parties | (45) | (216) |
| Inventories | (10,403) | (1,121) |
| Other current assets | 963 | (2,682) |
| Other assets | (868) | (1,379) |
| Increase (decrease): | | |
| Accounts payable | 20,178 | 6,940 |
| Accounts payable to related parties | (30) | 939 |
| Motor fuel and sales taxes payable | (1,260) | 2,585 |
| Accrued expenses and other current liabilities | (112) | 1,541 |
| Other long-term liabilities | 2,276 | 2,275 |
| Changes in operating assets and liabilities, net of acquisitions | $ (4,426) | $ 2,141 |

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):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Cash paid for interest | $ 12,491 | $ 6,709 |
| Cash paid for taxes, net of refunds received | (2) | 1,570 |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Accrued capital expenditures | $ 1,226 | $ 996 |
| Lease liabilities arising from obtaining right-of-use assets | 9,182 | 9,156 |

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. 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;
- expectations regarding environmental, tax and other regulatory initiatives;
- the effect of general economic and other conditions on our business; and
- the anticipated results from the assets recently acquired from 7-Eleven.

In general, we based the forward-looking statements included in this report on our current expectations, estimates and projections 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. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. 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:

- the Topper Group's business strategy and operations and the Topper Group'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, including as a result of the conflict in Ukraine, or a reduction in demand for motor fuels, including as a result of the COVID-19 Pandemic;
- 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;
- 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 risks and uncertainties described above and elsewhere in this report as well as those set forth in the section entitled "Risk Factors" 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. We undertake no obligation to publicly release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events after the date of this report, except as required by law.

## 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:

- **Recent Developments**—This section describes significant recent developments.
- **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 six months ended June 30, 2022 and 2021 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.

## Recent Developments

### *Acquisition of Assets from 7-Eleven*

In February 2022, we closed on the final three properties of our 106-site acquisition from 7-Eleven for a purchase price of $3.6 million (including inventory and working capital), of which $1.8 million will be paid on or prior to February 8, 2027.

We funded these transactions primarily through the JKM Credit Facility, undrawn capacity under our CAPL Credit Facility and cash on hand.

See Note 2 to the financial statements for additional information regarding this acquisition.

### *Issuance of Preferred Membership Interests*

On March 29, 2022, Holdings issued and sold 12,500 newly created Series A Preferred Interests to each of (i) Dunne Manning JKM LLC (the “DM Investor”), an entity affiliated with Joseph V. Topper, Jr., and (ii) John B. Reilly, III and a trust affiliated with Mr. Reilly ("the JBR Trust" and together with Mr. Reilly, the “JBR Investor;” and the JBR Investor, together with the DM Investor, the "Investors" and, each, an “Investor”) at a price of $1,000 per Series A Preferred Interest, for an aggregate purchase price of $25 million in cash (the “Preferred Issuance”), in reliance upon an exemption from the registration requirements provided by Section 4(a)(2) of the Securities Act of 1933, as amended. The Preferred Issuance was consummated pursuant to an Investment Agreement, entered into as of March 29, 2022 (the “Investment Agreement”), by and among Holdings and each Investor. Following the Preferred Issuance, the Partnership indirectly retains 100% of the common interests of Holdings, and Holdings remains a consolidated subsidiary of the Partnership.

In light of the relationships between the Investors and the Partnership, the Preferred Issuance was reviewed by, and received the approval and recommendation of, the conflicts committee of the Board prior to execution of the Investment Agreement and consummation of the Preferred Issuance.

In connection with the Preferred Issuance, on March 29, 2022, LGP Operations LLC, a wholly owned subsidiary of the Partnership, each Investor and the Partnership entered into an amended and restated limited liability company agreement of Holdings to, among other things, set forth the rights, preferences, entitlements, restrictions and limitations of the Series A Preferred Interests. The Series A Preferred Interests have an initial liquidation preference of $1,000 per Series A Preferred Interest and are entitled to a preferred return at a rate of 9% per annum on the liquidation preference, compounded quarterly (the “preferred return”). Prior to October 16, 2026, the Series A Preferred Interests will not be entitled to receive distributions, but the preferred return instead will accumulate solely by way of an increase in the liquidation preference of the Series A Preferred Interests. From and after October 16, 2026, the preferred return will be payable in cash, on a quarterly basis. The Series A Preferred Interests are subject to exchange (i) upon a liquidation or deemed liquidation event of Holdings, (ii) upon a change of control of the Partnership, (iii) from and after March 1, 2024, at the option of the Partnership and Holdings, and (iv) on March 31, 2029, if any Series A Preferred Interests remain outstanding on such date (each of (i) through (iv), an “exchange”). Upon an exchange of any Series A Preferred Interests, the holders thereof will surrender each such Series A Preferred Interest in exchange for an amount equal to the then-current liquidation preference of such Series A Preferred Interest plus any preferred return accrued and unpaid with respect to the period from and after October 16, 2026 (the “Exchange Price”). The Exchange Price will be payable in common units of the Partnership or, if any holder of Series A Preferred Interests so elects, in cash. Any common units of the Partnership issued upon any exchange in payment of the Exchange Price will be valued at an amount equal to $23.74 per common unit, which is equal to 115% of the volume weighted average price of a Partnership common unit on the NYSE over the twenty trading-day period ending on March 28, 2022, the trading day immediately prior to the date of the Preferred Issuance.

The net proceeds received by Holdings in its sale of the Series A Preferred Interests were contributed to CAPL JKM Partners, which in turn used such proceeds to prepay a portion of the outstanding indebtedness under the Term Loan Facility. As a result of this prepayment, CAPL JKM Partners does not need to make a principal payment on the Term Loan Facility until April 1, 2023.

See Note 13 to the financial statements for additional information on the preferred membership interests.

### *COVID-19 Pandemic*

During the first quarter of 2020, an outbreak of a novel strain of coronavirus spread worldwide, including to the U.S., posing public health risks that reached pandemic proportions. We experienced a sharp decrease in fuel volume in mid-to-late March 2020. Although fuel volumes largely recovered during the second half of 2020 and continued to recover in 2021 and 2022, we cannot predict the scope and severity with which COVID-19 will impact our business. Sustained decreases in fuel volume, erosion of margin and/or volatility in fuel prices could have a material adverse effect on our results of operations, cash flow, financial position and ultimately our ability to pay distributions.

## 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. For approximately 61% of gallons sold to our customers, we receive a per gallon rate equal to the posted rack price, less any applicable discounts, plus transportation costs, taxes and a fixed rate per gallon of motor fuel. The remaining gallons are primarily DTW priced contracts, including intersegment sales to the retail segment. These contracts provide for variable, market-based pricing.

Regarding our supplier relationships, a majority of our total gallons purchased are subject to terms discounts. The dollar value of these discounts varies with changes in 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 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. 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.

### *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 components of cost of goods sold, such as fuel, merchandise, and credit card fees. Inflation also affects certain operating expenses, such as labor costs, certain leases, and general and administrative expenses. While our wholesale segment benefits from higher terms discounts as a result of higher fuel costs, inflation could and recently has negatively impacted our cost of goods sold and operating expenses. 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.

- From late June 2021 through December 31, 2021, we closed on the purchase of 103 sites of our 106-site acquisition from 7-Eleven, and in July 2021, we entered into a new credit agreement and amended our existing credit facility as further described in Notes 3 and 12 to the financial statements. In February 2022, we closed on the final three properties.
- In March 2022, Holdings issued $25 million in preferred membership interests as further described in Note 13 to the financial statements.

## 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenues | $ 1,475,033 | $ 859,334 | $ 2,568,244 | $ 1,516,618 |
| Costs of sales | 1,386,088 | 794,240 | 2,400,469 | 1,396,656 |
| Gross profit | 88,945 | 65,094 | 167,775 | 119,962 |
| | | | | |
| Operating expenses: | | | | |
| Operating expenses | 42,216 | 31,070 | 84,325 | 60,473 |
| General and administrative expenses | 5,680 | 6,876 | 12,163 | 14,526 |
| Depreciation, amortization and accretion expense | 19,919 | 19,583 | 40,194 | 37,614 |
| Total operating expenses | 67,815 | 57,529 | 136,682 | 112,613 |
| (Loss) gain on dispositions and lease terminations, net | (58) | 597 | (302) | (51) |
| Operating income | 21,072 | 8,162 | 30,791 | 7,298 |
| Other income, net | 102 | 204 | 232 | 292 |
| Interest expense | (7,321) | (3,870) | (13,982) | (7,367) |
| Income before income taxes | 13,853 | 4,496 | 17,041 | 223 |
| Income tax benefit | (113) | (293) | (1,972) | (599) |
| Net income | 13,966 | 4,789 | 19,013 | 822 |
| Accretion of preferred membership interests | 563 | — | 563 | — |
| Net income available to limited partners | $ 13,403 | $ 4,789 | $ 18,450 | $ 822 |

**Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021**

**Consolidated Results**

Operating revenues increased $616 million (72%) and gross profit increased $24 million (37%).

Operating revenues

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

- A $561 million (75%) increase in our wholesale segment revenues primarily attributable to a 64% increase in the average daily spot price of WTI crude oil to $108.83 per barrel for the second quarter of 2022, compared to $66.19 per barrel for the second quarter of 2021. 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% primarily as a result of volume generated by the acquisition of assets from 7-Eleven, partially offset by lower volume in our base business (i.e., results excluding the results from the assets acquired from 7-Eleven).

- A $349 million (113%) increase in our retail segment revenues primarily attributable to a 55% increase in the average retail fuel price from the second quarter of 2021 to the second quarter of 2022 primarily due to the increase in wholesale motor fuel prices as noted above. Volume also increased 43% for the second quarter of 2022 compared to the second quarter of 2021 as a result of the acquisition of assets from 7-Eleven. Lastly, merchandise revenues increased $29 million (64%) driven by the acquisition of assets from 7-Eleven.

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 $295 million (148%), primarily attributable to the increase in wholesale fuel prices and the incremental intersegment revenues generated by the company operated sites acquired in the acquisition of assets from 7-Eleven.

Cost of sales

Cost of sales increased $592 million (75%), which was a result of the increase in wholesale motor fuel prices and the acquisition of assets from 7-Eleven discussed above.

Gross profit

Gross profit increased $24 million (37%), which was primarily driven by increases in motor fuel, merchandise and other gross profit due to the acquisition of assets from 7-Eleven along with realizing a higher margin per gallon. See “Results of Operations—Segment Results” for additional gross profit analyses.

Operating expenses

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

General and administrative expenses

General and administrative expenses decreased $1.2 million (17%) primarily due to a $2.0 million decrease in acquisition-related costs driven by a reduction in legal fees incurred in connection with the acquisition of assets from 7-Eleven as compared to the second quarter of 2021, partially offset by higher software and information technology consulting costs, recruiting costs and management fees.

Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense increased $0.3 million (2%) primarily from incremental depreciation, amortization and accretion expense from the property and equipment and intangible assets acquired in the acquisition of assets from 7-Eleven. This increase was partially offset by a $2.4 million decrease in impairment charges as compared to the same period of 2021 related to our ongoing real estate rationalization effort and the resulting reclassification of these sites to assets held for sale.

Gain on dispositions and lease terminations, net

During the three months ended June 30, 2022, we recorded net losses on lease terminations and asset disposals, partially offset by a $0.5 million net gain in connection with our ongoing real estate rationalization effort.

During the three months ended June 30, 2021, we recorded a $1.1 million net gain in connection with our ongoing real estate rationalization effort, partially offset by net losses on lease terminations and asset disposals.

Interest expense

Interest expense increased $3.5 million (89%), primarily driven by $1.4 million in interest expense incurred on the JKM Credit Facility along with a $0.4 million increase in amortization of deferred financing costs as a result of entering into the JKM Credit Facility and the amendment to the CAPL Credit Facility. In addition, we incurred $1.6 million more in interest expense on the CAPL Credit Facility (net of the impact of the interest rate swaps) due both to an increase in the LIBOR rate and the higher outstanding balance driven by the borrowings to fund a portion of the purchase price of the acquisition of assets from 7-Eleven.

Income tax benefit

We recorded income tax benefits of $0.1 million and $0.3 million for the three months ended June 30, 2022 and 2021, respectively, driven by losses incurred by our taxable subsidiaries.

**Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021**

**Consolidated Results**

Operating revenues increased $1.1 billion (69%) and gross profit increased $48 million (40%).

Operating revenues

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

- A $946 million (72%) increase in our wholesale segment revenues primarily attributable to a 64% increase in the average daily spot price of WTI crude oil to $102.01 per barrel for the six months ended June 30, 2022 compared to $62.21 per barrel for the six months ended June 30, 2021. 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 6% primarily as a result of volume generated by the acquisition of assets from 7-Eleven, partially offset by lower volume in our base business (i.e., results excluding the results from the assets acquired from 7-Eleven).
- A $600 million (109%) increase in our retail segment revenues primarily attributable to a 50% increase in the average retail fuel price for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 primarily due to the increase in wholesale motor fuel prices as noted above. Volume also increased 46% for the six months ended June 30, 2022 compared to the same period of 2021 as a result of the acquisition of assets from 7-Eleven. Lastly, merchandise revenues increased $53 million (64%) driven by the acquisition of assets from 7-Eleven.

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 $494 million (144%), primarily attributable to the increase in wholesale fuel prices and the incremental intersegment revenues generated by the company operated sites acquired in the acquisition of assets from 7-Eleven.

Cost of sales

Cost of sales increased $1.0 billion (72%), which was a result of the increase in wholesale motor fuel prices and the acquisition of assets from 7-Eleven discussed above.

Gross profit

Gross profit increased $48 million (40%), which was primarily driven by increases in motor fuel, merchandise and other gross profit due to the acquisition of assets from 7-Eleven along with realizing a higher margin per gallon. See “Results of Operations—Segment Results” for additional gross profit analyses.

Operating expenses

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

General and administrative expenses

General and administrative expenses decreased $2.4 million (16%) primarily due to a $3.5 million decrease in acquisition-related costs driven by a reduction in legal fees incurred in connection with the acquisition of assets from 7-Eleven as compared to the six months ended June 30, 2021, partially offset by higher software and information technology consulting costs, recruiting costs and management fees.

Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense increased $2.6 million (7%) primarily from incremental depreciation, amortization and accretion expense from the property and equipment and intangible assets acquired in the acquisition of assets from 7-Eleven. This increase was partially offset by a $4.0 million decrease in impairment charges as compared to the same period of 2021 related to our ongoing real estate rationalization effort and the resulting reclassification of these sites to assets held for sale.

Gain (loss) on dispositions and lease terminations, net

During the six months ended June 30, 2022, we recorded net losses on lease terminations and asset disposals, partially offset by a $0.9 million gain in connection with our ongoing real estate rationalization effort.

During the six months ended June 30, 2021, we recorded net losses on lease terminations and asset disposals, partially offset by a $1.1 million gain in connection with our ongoing real estate rationalization effort.

Interest expense

Interest expense increased $6.6 million (90%), primarily driven by $2.6 million in interest expense incurred on the JKM Credit Facility along with a $0.8 million increase in amortization of deferred financing costs as a result of entering into the JKM Credit Facility and the amendment to the CAPL Credit Facility. In addition, we incurred $3.2 million more in interest expense on the CAPL Credit Facility (net of the impact of the interest rate swaps) due both to an increase in the LIBOR rate and the higher outstanding balance driven by the borrowings to fund a portion of the purchase price of the acquisition of assets from 7-Eleven.

Income tax benefit

We recorded income tax benefits of $2.0 million and $0.6 million for the six months ended June 30, 2022 and 2021, respectively, driven by losses incurred by our taxable subsidiaries.

**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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Gross profit:** | | | | |
| Motor fuel–third party | $ 19,034 | $ 18,529 | $ 35,219 | $ 34,052 |
| Motor fuel–intersegment and related party | 21,467 | 11,961 | 38,086 | 17,690 |
| Motor fuel gross profit | 40,501 | 30,490 | 73,305 | 51,742 |
| Rent gross profit | 12,646 | 12,973 | 24,985 | 25,466 |
| Other revenues | 1,807 | 729 | 3,593 | 1,863 |
| Total gross profit | 54,954 | 44,192 | 101,883 | 79,071 |
| Operating expenses | (10,690) | (10,948) | (20,762) | (20,922) |
| **Operating income** | $ 44,264 | $ 33,244 | $ 81,121 | $ 58,149 |
| **Motor fuel distribution sites (end of period):** [(a)] | | | | |
| Motor fuel–third party | | | | |
| Independent dealers [(b)] | 637 | 675 | 637 | 675 |
| Lessee dealers [(c)] | 645 | 651 | 645 | 651 |
| Total motor fuel distribution–third party sites | 1,282 | 1,326 | 1,282 | 1,326 |
| Motor fuel–intersegment and related party | | | | |
| Commission agents (Retail segment) [(c)] | 199 | 202 | 199 | 202 |
| Company operated retail sites (Retail segment) [(d)] | 253 | 152 | 253 | 152 |
| Total motor fuel distribution–intersegment and related party sites | 452 | 354 | 452 | 354 |
| **Motor fuel distribution sites (average during the period):** | | | | |
| Motor fuel-third party distribution | 1,289 | 1,328 | 1,295 | 1,333 |
| Motor fuel-intersegment and related party distribution | 454 | 353 | 454 | 355 |
| Total motor fuel distribution sites | 1,743 | 1,681 | 1,749 | 1,688 |
| **Volume of gallons distributed (in thousands)** | | | | |
| Third party | 214,413 | 242,392 | 418,328 | 456,100 |
| Intersegment and related party | 128,425 | 89,233 | 244,754 | 167,305 |
| Total volume of gallons distributed | 342,838 | 331,625 | 663,082 | 623,405 |
| | | | | |
| **Wholesale margin per gallon** | $ 0.118 | $ 0.092 | $ 0.111 | $ 0.083 |

(a) In addition, as of June 30, 2022 and 2021, respectively, we distributed motor fuel to 15 and 14 sub-wholesalers who distributed to additional sites.
(b) The decrease in the independent dealer site count was primarily attributable to loss of contracts, most of which were lower margin, partially offset by the increase in independent dealer sites as a result of the real estate rationalization effort and the resulting reclassification of the site from a lessee dealer or commission site to an independent dealer site when we continue to supply the site after divestiture.
(c) The decreases in the lessee dealer and commission agent site counts were primarily attributable to our real estate rationalization effort.
(d) The increase in the company operated site count was primarily attributable to the 106 company operated sites acquired from 7-Eleven.

**Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021**

Gross profit increased $10.8 million (24%) and operating income increased $11.0 million (33%). These results were impacted by:

Motor fuel gross profit

The $10.0 million (33%) increase in motor fuel gross profit was primarily driven by a 28% increase in our average margin per gallon compared to the second quarter of 2021. Our DTW margins were higher for the second quarter of 2022 as compared to the second quarter of 2021 due to greater volatility in the price of crude oil in the second quarter of 2022 as compared to the second quarter of 2021. In addition, we benefited from higher terms discounts as a result of higher crude prices. The average spot price of WTI crude oil increased 64% from $66.19 per barrel for the second quarter of 2021 to $108.83 per barrel for the second quarter of 2022. 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% primarily as a result of volume generated by the acquisition of assets from 7-Eleven, partially offset by lower volume in our base business (i.e., results excluding the results from the assets acquired from 7-Eleven).

Other revenues

Other revenues increased $1.1 million (148%) due primarily to higher take-or-pay income related to minimum purchase quantities on our dealer contracts.

Operating expenses

Operating expenses decreased $0.3 million (2%), primarily as a result of a decrease in maintenance and environmental costs, partially offset by an increase in management fees relating to an increase in headcount.

**Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021**

Gross profit increased $22.8 million (29%) and operating income increased $23.0 million (40%). The results were driven by:

Motor fuel gross profit

The $21.6 million (42%) increase in motor fuel gross profit was primarily driven by a 33% increase in our average margin per gallon compared to the six months ended June 30, 2021. Our DTW margins were higher for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 due to greater volatility in the price of crude oil in the first half of 2022 as compared to the first half of 2021. In addition, we benefited from higher terms discounts as a result of higher crude prices. The average spot price of WTI crude oil increased 64% from $62.21 per barrel for the six months ended June 30, 2021 to $102.01 per barrel for the six months ended June 30, 2022. 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 6% primarily as a result of volume generated by the acquisition of assets from 7-Eleven, partially offset by lower volume in our base business (i.e., results excluding the results from the assets acquired from 7-Eleven).

Other revenues

Other revenues increased $1.7 million (93%) due primarily to higher take-or-pay income related to minimum purchase quantities on our dealer contracts.

Operating expenses

Operating expenses decreased $0.2 million (1%), primarily as a result of a decrease in maintenance and environmental costs, partially offset by an increase in management fees relating to an increase in headcount.

***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 (in thousands, except for the number of retail sites):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Gross profit:** | | | | |
| Motor fuel | $ 9,329 | $ 4,937 | $ 19,825 | $ 10,370 |
| Merchandise | 20,165 | 11,969 | 36,847 | 22,333 |
| Rent | 2,258 | 1,858 | 4,705 | 3,924 |
| Other revenue | 3,194 | 2,311 | 6,282 | 4,170 |
| Total gross profit | 34,946 | 21,075 | 67,659 | 40,797 |
| Operating expenses | (31,526) | (20,122) | (63,563) | (39,551) |
| **Operating income** | $ 3,420 | $ 953 | $ 4,096 | $ 1,246 |
| | | | | |
| **Retail sites (end of period):** | | | | |
| Commission agents [a] | 199 | 202 | 199 | 202 |
| Company operated retail sites[b] | 253 | 152 | 253 | 152 |
| Total system sites at the end of the period | 452 | 354 | 452 | 354 |
| | | | | |
| **Total system operating statistics:** | | | | |
| Average retail fuel sites during the period | 454 | 353 | 454 | 355 |
| Volume of gallons sold | 128,815 | 89,806 | 244,855 | 168,041 |
| | | | | |
| **Commission agents statistics:** | | | | |
| Average retail fuel sites during the period | 200 | 203 | 200 | 204 |
| | | | | |
| **Company operated retail site statistics:** | | | | |
| Average retail fuel sites during the period | 254 | 150 | 254 | 151 |
| Merchandise gross profit percentage | 27.3 % | 26.5 % | 27.0 % | 26.9 % |

(a) The decrease in the commission site count was primarily attributable to our real estate rationalization effort.

(b) The increase in the company operated site count was primarily attributable to the 106 company operated sites acquired from 7-Eleven.

**Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021**

Gross profit increased $13.9 million (66%) and operating income increased $2.5 million (259%). These results were impacted by:

Gross profit

- Our motor fuel gross profit increased $4.4 million (89%) attributable to a 43% increase in volume stemming from the sites acquired from 7-Eleven. In addition, we realized a higher margin per gallon for the three months ended June 30, 2022 as compared to the same period in 2021 as company operated sites comprised a greater percentage of the overall retail segment. Our company operated sites typically have a higher retail fuel margin than commission agent sites.
- Our merchandise gross profit and other revenues increased $8.2 million (68%) and $0.9 million (38%), respectively, driven by the sites acquired from 7-Eleven.

Operating expenses

Operating expenses increased $11.4 million (57%) primarily due to an $11.3 million increase driven by the sites acquired from 7-Eleven.

**Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021**

Gross profit increased $26.9 million (66%) and operating income increased $2.9 million (229%). These results were driven by:

Gross profit

- Our motor fuel gross profit increased $9.5 million (91%) attributable to a 46% increase in volume stemming from the sites acquired from 7-Eleven. In addition, we realized a higher margin per gallon for the six months ended June 30, 2022 as compared to the same period in 2021 as company operated sites comprised a greater percentage of the overall retail segment. Our company operated sites typically have a higher retail fuel margin than commission agent sites.
- Our merchandise gross profit and other revenues increased $14.5 million (65%) and $2.1 million (51%), respectively, driven by the sites acquired from 7-Eleven.

Operating expenses

Operating expenses increased $24.0 million (61%) primarily due to a $23.3 million increase driven by the sites acquired from 7-Eleven.

**Non-GAAP Financial Measures**

We use the non-GAAP financial measures EBITDA, Adjusted EBITDA, Distributable Cash Flow and Distribution Coverage Ratio. EBITDA represents net income before deducting interest expense, income taxes and depreciation, amortization and accretion (which includes certain impairment charges). Adjusted EBITDA represents EBITDA as further adjusted to exclude equity-based compensation expense, gains or losses on dispositions and lease terminations, net and certain discrete acquisition related costs, such as legal and other professional fees, separation benefit costs and certain other discrete 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. The Distribution Coverage Ratio is computed by dividing Distributable Cash Flow by distributions paid.

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 the 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 the 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 the 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Net income** [(a)] | $ 13,966 | $ 4,789 | $ 19,013 | $ 822 |
| Interest expense | 7,321 | 3,870 | 13,982 | 7,367 |
| Income tax benefit | (113) | (293) | (1,972) | (599) |
| Depreciation, amortization and accretion expense | 19,919 | 19,583 | 40,194 | 37,614 |
| **EBITDA** | 41,093 | 27,949 | 71,217 | 45,204 |
| Equity-based employee and director compensation expense | 222 | 386 | 954 | 754 |
| (Gain) loss on dispositions and lease terminations, net | 58 | (597) | 302 | 51 |
| Acquisition-related costs [(b)] | 10 | 1,967 | 878 | 4,361 |
| **Adjusted EBITDA** | 41,383 | 29,705 | 73,351 | 50,370 |
| Cash interest expense | (6,631) | (3,610) | (12,612) | (6,846) |
| Sustaining capital expenditures [(c)] | (1,663) | (1,040) | (3,217) | (2,432) |
| Current income tax expense | (678) | (50) | (863) | (334) |
| **Distributable Cash Flow** | $ 32,411 | $ 25,005 | $ 56,659 | $ 40,758 |
| Distributions paid | 19,904 | 19,884 | 39,800 | 39,765 |
| **Distribution Coverage Ratio** [(d)] | **1.63x** | **1.26x** | **1.42x** | **1.02x** |

(a) Beginning in the second quarter of 2022, we reconcile Adjusted EBITDA to Net Income rather than to Net income available to limited partners. The difference between Net income and Net income available to limited partners is that, beginning in the second quarter of 2022, the accretion of preferred membership interests issued in late March 2022 is a deduction from Net income in computing Net income available to limited partners. Because Adjusted EBITDA is used to assess our financial performance, without regard to capital structure, we believe Adjusted EBITDA should be reconciled with Net Income, so that the calculation isn’t impacted by the accretion of preferred membership interests. This approach is comparable to our reconciliation of Adjusted EBIDTA to Net income available to limited partners in past periods, as we have not recorded accretion of preferred membership interests in past periods.

(b) Relates to certain discrete acquisition related costs, such as legal and other professional fees, separation benefit costs and certain purchase accounting adjustments associated with recently acquired businesses.

(c) 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.

(d) In 2022, we updated our calculation of our Distribution Coverage Ratio to divide Distributable Cash Flow by distributions paid, whereas in prior periods, our Distribution Coverage Ratio was calculated as Distributable Cash Flow divided by the weighted-average diluted common units and then divided that result by distributions paid per limited partner unit.

## 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. We expect our ongoing sources of liquidity to include cash generated by operations, proceeds from sales of sites in connection with our real estate rationalization efforts, borrowings under the CAPL Credit Facility and JKM Credit Facility, and if available to us on acceptable terms, issuances of equity and debt securities. We regularly evaluate alternate sources of capital 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 CAPL Credit Facility and JKM Credit Facility, 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.

See “Recent Developments—COVID-19 Pandemic” for a discussion of the impacts and potential impacts on our liquidity from the COVID-19 Pandemic.

**Cash Flows**

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Net cash provided by operating activities | $ 54,659 | $ 41,014 |
| Net cash used in investing activities | (14,429) | (20,392) |
| Net cash used in financing activities | (44,306) | (20,514) |

Operating Activities

Net cash provided by operating activities increased $13.6 million for the six months ended June 30, 2022 compared to the same period in 2021, primarily attributable to the incremental cash flow generated by the sites acquired from 7-Eleven and the strong DTW margins in the first half of 2022.

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 well as operating lease obligations as compared to the shorter settlement of receivables for fuel and rent.

Investing Activities

We incurred capital expenditures of $16.4 million and $21.9 million for the six months ended June 30, 2022 and 2021, respectively. The decrease was largely driven by reductions in EMV upgrades and rebranding of certain sites, including the sites acquired from 7-Eleven. We paid $1.9 million and $4.2 million during the six months ended June 30, 2022 and 2021, respectively, in connection with the closing of sites acquired from 7-Eleven. We received $3.8 million and $5.6 million in proceeds primarily from the sale of sites in connection with our real estate rationalization effort for the six months ended June 30, 2022 and 2021, respectively.

Financing Activities

We paid $39.9 million and $39.8 million in distributions for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, respectively, we made total net repayments and net borrowings on our credit facilities of $27.5 million and $20.6 million. We received $24.4 million in net proceeds from the issuance of preferred membership interests during the six months ended June 30, 2022.

***Distributions***

Distribution activity for 2022 was as follows:

| Quarter Ended | Record Date | Payment Date | Cash Distribution (per unit) | Cash Distribution (in thousands) |
|---|---|---|---|---|
| December 31, 2021 | February 3, 2022 | February 10, 2022 | 0.5250 | 19,896 |
| March 31, 2022 | May 3, 2022 | May 11, 2022 | 0.5250 | 19,904 |
| June 30, 2022 | August 3, 2022 | August 10, 2022 | 0.5250 | 19,913 |

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.

**Debt**

As of June 30, 2022, our debt and finance lease obligations consisted of the following (in thousands):

| | |
|---|---|
| CAPL Credit Facility | $ 626,555 |
| JKM Credit Facility | 158,980 |
| Finance lease obligations | 15,471 |
| Total debt and finance lease obligations | 801,006 |
| Current portion | 5,575 |
| Noncurrent portion | 795,431 |
| Deferred financing costs, net | 7,232 |
| Noncurrent portion, net of deferred financing costs | $ 788,199 |

Taking the interest rate swap contracts into account, our effective interest rate on our CAPL Credit Facility at June 30, 2022 was 3.2% (our applicable margin was 2.25% as of June 30, 2022). Letters of credit outstanding under our CAPL Credit Facility at June 30, 2022 totaled $4.0 million.

Our effective interest rate on our JKM Credit Facility at June 30, 2022 was 3.6% (our applicable margin was 2.5% as of June 30, 2022). Letters of credit outstanding under our JKM Credit Facility at June 30, 2022 totaled $0.8 million.

The amount of availability under our CAPL Credit Facility at August 4, 2022, after taking into consideration debt covenant restrictions, was $135.5 million.

The amount of availability under the JKM Credit Facility at August 4, 2022, after taking into consideration debt covenant restrictions, was $10.0 million.

**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 CAPL Credit Facility, JKM Credit Facility, or, if available to us on acceptable terms, accessing the capital markets and issuing additional equity, debt securities or other options, such as the sale of assets. 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 capital expenditures (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2022 | 2021 |
| Sustaining capital | $ 3,217 | $ 2,432 |
| Growth | 13,186 | 19,479 |
| Acquisitions | 1,885 | 4,166 |
| Total capital expenditures and acquisitions | $ 18,288 | $ 26,077 |

Growth capital expenditures decreased during 2022 as compared with 2021, primarily due to decreases in EMV upgrades and rebranding of certain sites, including the sites acquired from 7-Eleven.

**Concentration of Customers**

For the six months ended June 30, 2022 and 2021, respectively, approximately 21% and 19% of our rent income was from two multi-site operators.

**Outlook**

As noted previously, 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, 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.

Our results for 2022 relative to 2021 are anticipated to be impacted by the acquisition of assets from 7-Eleven, which is anticipated to increase gross profit both within the wholesale and retail segments and operating expenses within the retail segment. Given increases in LIBOR, we also anticipate higher interest expense in 2022 as compared to 2021.

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.

## New Accounting Policies

There is no new accounting guidance effective or pending adoption that has had or is anticipated to have a material impact on our financial statements.

## Critical Accounting Policies Involving Critical Accounting 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

No significant changes to our market risk have occurred since December 31, 2021. For a discussion of market risks affecting us, refer to Part II, Item 7A —"Quantitative and Qualitative Disclosures About Market Risk” included in our Form 10-K.

## 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. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022.

*(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 June 30, 2022, 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 report included in Note 11 of the financial statements.

## ITEM 1A. RISK FACTORS

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

## ITEM 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 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* | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 104* | Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101 |

* 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 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/ Maura Topper
Maura Topper
Chief Financial Officer
*(Duly Authorized Officer and Principal Financial Officer)*

Date: August 8, 2022

**Exhibit 31.1**

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

I, Charles M. Nifong, Jr, 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 8, 2022

/s/ Charles M. Nifong, Jr.

Charles M. Nifong, Jr.
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, Maura Topper, 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 8, 2022

/s/ Maura Topper

Maura Topper
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 June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles M. Nifong, Jr., 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: August 8, 2022

/s/ Charles M. Nifong, Jr.

Charles M. Nifong, Jr.
President and Chief Executive Officer
CrossAmerica GP LLC
*(as General Partner of CrossAmerica Partners LP)*

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 June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Maura Topper, 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: August 8, 2022

/s/ Maura Topper

Maura Topper
Chief Financial Officer
CrossAmerica GP LLC
*(as General Partner of CrossAmerica Partners LP)*