

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, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-35711



CROSSAMERICA PARTNERS LP

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

645 Hamilton Street, Suite 400  
Allentown, PA

(Address of Principal Executive Offices)

45-4165414

(I.R.S. Employer  
Identification No.)

18101

(Zip Code)

(610) 625-8000

(Registrant's telephone number, including area code)

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

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

Non-accelerated filer

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 3, 2023, the registrant had outstanding 37,970,720 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
LGWS	Lehigh Gas Wholesale Services, Inc., an indirect wholly-owned subsidiary of CrossAmerica

### *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.
ASC	Accounting Standards Codification
AOCI	Accumulated other comprehensive income
ASU	Accounting Standards Update
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, and as amended and restated by the Amendment and Restatement Agreement, dated as of March 31, 2023, 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.
CSS	Community Service Stations, Inc.
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, 2022
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, dated as of July 16, 2021, 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. The Term Loan Facility was paid off and the JKM Credit Facility was terminated on March 31, 2023.
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
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Term Loan Facility	\$185 million delayed draw term loan facility provided under the JKM Credit Facility, which was paid off and terminated March 31, 2023
U.S. GAAP	U.S. Generally Accepted Accounting Principles
WTI	West Texas Intermediate crude oil

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

	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,491	\$ 16,054
Accounts receivable, net of allowances of \$723 and \$686, respectively	34,734	30,825
Accounts receivable from related parties	668	743
Inventory	51,965	47,307
Assets held for sale	1,001	983
Current portion of interest rate swap contracts	15,442	13,827
Other current assets	7,818	8,667
Total current assets	116,119	118,406
Property and equipment, net	709,099	728,379
Right-of-use assets, net	156,897	164,942
Intangible assets, net	103,450	113,919
Goodwill	99,409	99,409
Interest rate swap contracts, less current portion	4,657	3,401
Other assets	27,944	26,142
Total assets	\$ 1,217,575	\$ 1,254,598
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of debt and finance lease obligations	\$ 2,985	\$ 11,151
Current portion of operating lease obligations	35,076	35,345
Accounts payable	76,953	77,048
Accounts payable to related parties	8,872	7,798
Accrued expenses and other current liabilities	25,068	23,144
Motor fuel and sales taxes payable	21,359	20,813
Total current liabilities	170,313	175,299
Debt and finance lease obligations, less current portion	760,064	761,638
Operating lease obligations, less current portion	127,277	135,220
Deferred tax liabilities, net	11,170	10,588
Asset retirement obligations	47,083	46,431
Other long-term liabilities	46,071	46,289
Total liabilities	1,161,978	1,175,465
<b>Commitments and contingencies</b>		
Preferred membership interests	27,253	26,156
<b>Equity:</b>		
Common units— 37,952,950 and 37,937,604 units issued and outstanding at June 30, 2023 and December 31, 2022, respectively	9,217	36,508
Accumulated other comprehensive income	19,127	16,469
Total equity	28,344	52,977
Total liabilities and equity	\$ 1,217,575	\$ 1,254,598

The accompanying notes are an integral part of these 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,	
	2023	2022	2023	2022
Operating revenues <sup>(a)</sup>	\$ 1,145,396	\$ 1,475,033	\$ 2,161,555	\$ 2,568,244
Costs of sales <sup>(b)</sup>	1,047,672	1,386,088	1,981,772	2,400,469
Gross profit	97,724	88,945	179,783	167,775
<b>Operating expenses:</b>				
Operating expenses <sup>(c)</sup>	49,798	42,216	95,421	84,325
General and administrative expenses	7,475	5,680	13,214	12,163
Depreciation, amortization and accretion expense	19,298	19,919	39,118	40,194
Total operating expenses	76,571	67,815	147,753	136,682
Gain (loss) on dispositions and lease terminations, net	6,700	(58)	4,933	(302)
Operating income	27,853	21,072	36,963	30,791
Other income, net	163	102	424	232
Interest expense	(10,683)	(7,321)	(22,695)	(13,982)
Income before income taxes	17,333	13,853	14,692	17,041
Income tax expense (benefit)	2,797	(113)	1,135	(1,972)
Net income	14,536	13,966	13,557	19,013
Accretion of preferred membership interests	615	563	1,216	563
Net income available to limited partners	\$ 13,921	\$ 13,403	\$ 12,341	\$ 18,450
<b>Earnings per common unit</b>				
Basic	\$ 0.37	\$ 0.35	\$ 0.33	\$ 0.49
Diluted	\$ 0.36	\$ 0.35	\$ 0.32	\$ 0.49
<b>Weighted-average common units:</b>				
Basic	37,952,950	37,912,710	37,946,676	37,906,463
Diluted	38,150,236	37,957,434	38,143,697	37,951,466
<b>Supplemental information:</b>				
(a) includes excise taxes of:	\$ 76,191	\$ 71,601	\$ 146,075	\$ 138,460
(a) includes rent income of:	20,523	20,849	41,843	41,476
(b) excludes depreciation, amortization and accretion				
(b) includes rent expense of:	5,658	5,945	11,212	11,786
(c) includes rent expense of:	3,911	3,801	7,709	7,509

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

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

	Six Months Ended June 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income	\$ 13,557	\$ 19,013
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion expense	39,118	40,194
Amortization of deferred financing costs	2,325	1,370
Credit loss expense	37	88
Deferred income tax benefit	582	(2,836)
Equity-based employee and director compensation expense	1,123	954
(Gain) loss on dispositions and lease terminations, net	(4,933)	302
Changes in operating assets and liabilities, net of acquisitions	(4,546)	(4,426)
Net cash provided by operating activities	47,263	54,659
<b>Cash flows from investing activities:</b>		
Principal payments received on notes receivable	107	66
Proceeds from sale of assets	4,533	3,793
Capital expenditures	(11,328)	(16,403)
Cash paid in connection with acquisitions, net of cash acquired	—	(1,885)
Net cash used in investing activities	(6,688)	(14,429)
<b>Cash flows from financing activities:</b>		
Borrowings under revolving credit facilities	205,900	57,600
Repayments on revolving credit facilities	(50,546)	(61,620)
Borrowings under the Term Loan Facility	—	1,120
Repayments on the Term Loan Facility	(158,980)	(24,600)
Net proceeds from issuance of preferred membership interests	—	24,430
Payments of finance lease obligations	(1,417)	(1,337)
Payments of deferred financing costs	(7,022)	(6)
Distributions paid on distribution equivalent rights	(111)	(93)
Income tax distributions paid on preferred membership interests	(119)	—
Distributions paid on common units	(39,843)	(39,800)
Net cash used in financing activities	(52,138)	(44,306)
Net decrease in cash and cash equivalents	(11,563)	(4,076)
<b>Cash and cash equivalents at beginning of period</b>	16,054	7,648
<b>Cash and cash equivalents at end of period</b>	\$ 4,491	\$ 3,572

The accompanying notes are an integral part of these 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
<b>Balance at December 31, 2022</b>	37,937,604	\$ 36,508	\$ 16,469	\$ 52,977
Net loss	—	(979)	—	(979)
Other comprehensive income				
Unrealized gain on interest rate swap contracts	—	—	137	137
Realized gain on interest rate swap contracts reclassified from AOCI into interest expense	—	—	(3,055)	(3,055)
<b>Total other comprehensive loss</b>	—	—	(2,918)	(2,918)
Comprehensive loss	—	(979)	(2,918)	(3,897)
Issuance of units related to 2022 Bonus Plan	15,346	322	—	322
Accretion of preferred membership interests	—	(601)	—	(601)
Distributions paid	—	(19,974)	—	(19,974)
<b>Balance at March 31, 2023</b>	37,952,950	\$ 15,276	\$ 13,551	\$ 28,827
Net income	—	14,536	—	14,536
Other comprehensive income				
Unrealized gain on interest rate swap contracts	—	—	9,898	9,898
Realized gain on interest rate swap contracts reclassified from AOCI into interest expense	—	—	(4,322)	(4,322)
<b>Total other comprehensive income</b>	—	—	5,576	5,576
Comprehensive income	—	14,536	5,576	20,112
Accretion of preferred membership interests	—	(615)	—	(615)
Distributions paid	—	(19,980)	—	(19,980)
<b>Balance at June 30, 2023</b>	37,952,950	\$ 9,217	\$ 19,127	\$ 28,344
<b>Balance at December 31, 2021</b>	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
<b>Total other comprehensive income</b>	—	—	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)
<b>Balance at March 31, 2022</b>	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)
<b>Total other comprehensive income</b>	—	—	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)
<b>Balance at June 30, 2022</b>	37,912,710	\$ 32,412	\$ 13,682	\$ 46,094

The accompanying notes are an integral part of these 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 sites used in the retail distribution of motor fuels and, in turn, generating rental income from the lease or sublease of the 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, 2023 and for the three and six months ended June 30, 2023 and 2022 included in the consolidated financial statements has been derived from our unaudited financial statements. Financial information as of December 31, 2022 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, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. Our business exhibits seasonality due to our wholesale and retail sites being located in certain geographic areas that are affected by seasonal weather and temperature trends and associated changes in retail customer activity during different seasons. Historically, sales volumes have been highest in the second and third quarters (during the summer activity months) and lowest during the winter months in the first and fourth quarters.

***Use of Estimates***

The preparation of consolidated 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 consolidated 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.

***Recently Adopted Accounting Pronouncements – Reference Rate Reform***

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met to ease an entity's financial reporting burden as the market transitions from LIBOR and other interbank offered rates to alternative reference rates. Subsequently, the FASB issued ASU 2021-01 to clarify the scope of Topic 848 and ASU 2022-06 to defer the sunset date of Topic 848. The guidance was effective upon issuance and may be applied through December 31, 2024. This guidance applied to our hedge accounting and hedge documentation as further discussed in Note 8, but did not have a material effect on the Partnership's consolidated financial statements.

Certain other new accounting pronouncements have become effective for our financial statements during 2023, 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, 2023 and 2022, respectively, our wholesale business purchased approximately 80% and 81% of its motor fuel from four suppliers. Approximately 23% and 24% of our motor fuel gallons sold for the six months ended June 30, 2023 and 2022, respectively, were delivered by two carriers.

For the six months ended June 30, 2023 and 2022, respectively, approximately 18% and 21% of our rent income was from two multi-site operators.

For the six months ended June 30, 2023 and 2022, respectively, approximately 47% and 48% of our merchandise was purchased from one supplier.

**Note 2. ACQUISITIONS**

**Acquisition of Assets from CSS**

On November 9, 2022, we closed on the acquisition of assets from CSS for a purchase price of \$27.5 million plus working capital. The assets consisted of wholesale fuel supply contracts to 38 dealer owned locations, 35 sub-wholesaler accounts and two commission locations (1 fee based and 1 lease). We funded this acquisition through borrowings on the CAPL Credit Facility and cash on hand.

**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 other working capital, of which \$1.8 million will be paid on or prior to February 8, 2027.

**Note 3. ASSETS HELD FOR SALE**

We have classified four sites and three sites as held for sale at June 30, 2023 and December 31, 2022, respectively, which are expected to be sold within one year of such classification. Assets held for sale were as follows (in thousands):

	June 30, 2023	December 31, 2022
Land	\$ 698	\$ 758
Buildings and site improvements	723	457
Equipment	971	333
Total	2,392	1,548
Less accumulated depreciation	(1,391)	(565)
Assets held for sale	<u>\$ 1,001</u>	<u>\$ 983</u>

The Partnership has continued to focus on divesting lower performing assets. During the three and six months ended June 30, 2023, we sold six and seven properties for \$7.8 million and \$8.2 million in proceeds (both of which include \$3.8 million of proceeds held in a Section 1031 exchange escrow account), resulting in net gains of \$6.1 million and \$6.2 million, respectively. 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 net gains of \$0.5 million and \$0.9 million, respectively.

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

**CROSSAMERICA PARTNERS LP**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. INVENTORY**

Inventory consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Retail site merchandise	\$ 27,300	\$ 22,654
Motor fuel	24,665	24,653
Inventory	<u>\$ 51,965</u>	<u>\$ 47,307</u>

**Note 5. PROPERTY AND EQUIPMENT**

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

	June 30, 2023	December 31, 2022
Land	\$ 324,553	\$ 323,882
Buildings and site improvements	361,245	360,542
Leasehold improvements	16,000	15,312
Equipment	340,986	334,324
Construction in progress	2,989	6,514
Property and equipment, at cost	1,045,773	1,040,574
Accumulated depreciation and amortization	(336,674)	(312,195)
Property and equipment, net	<u>\$ 709,099</u>	<u>\$ 728,379</u>

We recorded impairment charges of \$0.4 million and \$0.5 million during the three months ended June 30, 2023 and 2022 and \$0.8 million and \$1.2 million during the six months ended June 30, 2023 and 2022, 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, 2023			December 31, 2022		
	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Wholesale fuel supply contracts/rights	\$ 232,932	\$ 130,799	\$ 102,133	\$ 232,932	\$ 120,168	\$ 112,764
Trademarks/licenses	1,850	710	1,140	2,208	1,250	958
Covenant not to compete	200	23	177	650	453	197
Total intangible assets	<u>\$ 234,982</u>	<u>\$ 131,532</u>	<u>\$ 103,450</u>	<u>\$ 235,790</u>	<u>\$ 121,871</u>	<u>\$ 113,919</u>

**Note 7. DEBT**

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

	June 30, 2023	December 31, 2022
CAPL Credit Facility	\$ 761,491	\$ 606,137
JKM Credit Facility	—	158,980
Finance lease obligations	12,537	13,954
Total debt and finance lease obligations	774,028	779,071
Current portion	2,985	11,151
Noncurrent portion	771,043	767,920
Deferred financing costs, net	10,979	6,282
Noncurrent portion, net of deferred financing costs	<u>\$ 760,064</u>	<u>\$ 761,638</u>

**CROSSAMERICA PARTNERS LP**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As of June 30, 2023, 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 2023	—	1,665	1,665
2024	—	3,396	3,396
2025	—	3,495	3,495
2026	—	3,596	3,596
2027	—	1,211	1,211
2028	761,491	—	761,491
Total future payments	761,491	13,363	774,854
Less impact of discounting	—	826	826
	761,491	12,537	774,028
Current portion	—	2,985	2,985
Long-term portion	<u>\$ 761,491</u>	<u>\$ 9,552</u>	<u>\$ 771,043</u>

On March 31, 2023, the Partnership and its subsidiary, LGWS (together with the Partnership, the “Borrowers”), amended and restated the CAPL Credit Facility. As amended, the CAPL Credit Facility provides for an increase of the senior secured revolving credit facility from \$750 million to \$925 million and extends the maturity date from April 1, 2024 to March 31, 2028. The credit facility can be increased from time to time upon the Partnership’s written request, subject to certain conditions, up to an additional \$350 million. The aggregate amount of the outstanding loans and letters of credit under the CAPL Credit Facility cannot exceed the combined revolving commitments then in effect. Certain subsidiaries of the Borrowers are guarantors (“Guarantors”) of all of the obligations under the CAPL Credit Facility. All obligations under the CAPL Credit Facility are secured by substantially all of the Partnership’s assets and substantially all of the assets of the Guarantors.

Borrowings under the credit facility bear interest, at the Partnership’s option, at (1) a rate equal to the secured overnight financing rate (“SOFR”), for interest periods of one, three or six months, plus a margin ranging from 1.75% to 2.75% per annum depending on the Partnership’s Consolidated Leverage Ratio (as defined in the CAPL Credit Facility) plus a customary credit spread adjustment or (2) (a) an alternative base rate equal to the greatest of (i) the federal funds rate plus 0.5% per annum, (ii) SOFR for one month interest periods plus 1.00% per annum or (iii) the rate of interest established by the Agent, from time to time, as its prime rate, plus (b) a margin ranging from 0.75% to 1.75% per annum depending on the Partnership’s Consolidated Leverage Ratio. In addition, the Partnership incurs a commitment fee based on the unused portion of the credit facility at a rate ranging from 0.25% to 0.45% per annum depending on the Partnership’s Consolidated Leverage Ratio. Until the Partnership delivers a compliance certificate for the fiscal quarter ending June 30, 2023, the applicable margin for SOFR and alternative base rate loans is 2.25% and 1.25%, respectively, and the commitment fee rate is 0.35%.

The Partnership also has the right to borrow swingline loans under the CAPL Credit Facility in an amount up to \$35.0 million. Swingline loans bear interest at the base rate plus the applicable alternative base rate margin.

Letters of credit may be issued under the CAPL Credit Facility up to an aggregate amount of \$65.0 million. Letters of credit are subject to a 0.125% fronting fee and other customary administrative charges. Letters of credit accrue a fee at a rate based on the applicable margin of SOFR loans.

The CAPL Credit Facility also contains certain financial covenants. The Partnership is required to maintain a Consolidated Leverage Ratio (as defined in the CAPL Credit Facility) of (i) for each fiscal quarter ending March 31, 2023, June 30, 2023, September 30, 2023 and December 31, 2023, not greater than 5.25 to 1.00, (ii) for each fiscal quarter ending March 31, 2024, June 30, 2024 and September 30, 2024, not greater than 5.00 to 1.00, and (iii) for each fiscal quarter ending December 31, 2024 and thereafter, not greater than 4.75 to 1.00. For the quarter during a Specified Acquisition Period (as defined in the CAPL Credit Facility), such threshold will be increased by increasing the numerator thereof by 0.5, but such numerator may not exceed 5.25 to 1.00. Upon the occurrence of a Qualified Note Offering (as defined in the CAPL Credit Facility), the Consolidated Leverage Ratio threshold when not in a Specified Acquisition Period is increased to 5.25 to 1.00, while the Specified Acquisition Period threshold is 5.50 to 1.00. Upon the occurrence of a Qualified Note Offering, the Partnership is also required to maintain a Consolidated Senior Secured Leverage Ratio (as defined in the CAPL Credit Facility) for the most recently completed four fiscal quarter period of not greater than 3.75 to 1.00. Such threshold is increased to 4.00 to 1.00 for the quarter during a Specified Acquisition Period. The Partnership is also required to maintain a Consolidated Interest Coverage Ratio (as defined in the CAPL Credit Facility) of at least 2.50 to 1.00.

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The incremental borrowings at the closing of the amended and restated CAPL Credit Facility were used to repay outstanding borrowings under the JKM Credit Facility, which was terminated on March 31, 2023, and to pay fees and expenses in connection with the CAPL Credit Facility and the termination of the JKM Credit Facility.

The CAPL Credit Facility prohibits the Partnership from making cash distributions to its unitholders if any event of default occurs or would result from the distribution. In addition, the CAPL Credit Facility contains various covenants that may limit, among other things, the Partnership's ability to:

- grant liens;
- incur or assume other indebtedness;
- materially alter the character of the Partnership's business in any material respect;
- enter into certain mergers, liquidations and dissolutions; and
- make certain investments, acquisitions or dispositions.

If an event of default exists under the CAPL Credit Facility, the lenders will be able to accelerate the maturity of the CAPL Credit Facility and exercise other rights and remedies. Events of default include, among others, the following:

- failure to pay any principal under the CAPL Credit Facility when due or any interest, fees or other amounts under the CAPL Credit Facility when due after a grace period;
- failure of any representation or warranty to be true and correct in any material respect;
- failure to perform or otherwise comply with the covenants in the CAPL Credit Facility or in other loan documents without a waiver or amendment;
- any default in the performance of any obligation or condition beyond the applicable grace period relating to any other indebtedness of more than \$45.0 million;
- certain judgment default for monetary judgments exceeding \$45.0 million;
- bankruptcy or insolvency event involving the Partnership or any of its subsidiaries;
- certain Employee Retirement Income Security Act of 1974 (ERISA) violations;
- a Change of Control (as defined in the CAPL Credit Facility) without a waiver or amendment; and
- failure of the lenders for any reason to have a perfected first priority security interest in a material portion of the collateral granted by the Partnership or any of its subsidiaries.

Taking the interest rate swap contracts described in Note 8 into account, our effective interest rate on our CAPL Credit Facility at June 30, 2023 was 5.1% (our applicable margin was 2.25% as of June 30, 2023). See Note 8 for information regarding additional interest rate swap contracts entered into in April 2023.

Letters of credit outstanding at June 30, 2023 and December 31, 2022 totaled \$4.5 million and \$4.6 million, respectively.

As of June 30, 2023, 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, 2023, after taking into consideration debt covenant restrictions, was \$159.0 million.

In connection with amending the CAPL Credit Facility and terminating the JKM Credit Facility, the Partnership wrote off \$1.1 million of deferred financing costs in the first quarter of 2023.

**Note 8. INTEREST RATE SWAP CONTRACTS**

Through March 31, 2023, the interest payments on our CAPL Credit Facility varied 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 7. To hedge against interest rate volatility on our variable rate borrowings under the CAPL Credit Facility, on March 26, 2020, we entered into an interest rate swap contract. The interest rate swap contract has a notional amount of \$150 million, a fixed rate of 0.495% and matures on April 1, 2024. On April 15, 2020, we entered into two additional interest rate swap contracts, each with notional amounts of \$75 million, a fixed rate of 0.38% and that mature on April 1, 2024.

On April 4, 2023, in connection with amending and restating the CAPL Credit Facility and transitioning from LIBOR to SOFR, we also amended our three existing interest rate swap contracts to convert the reference rate from LIBOR to SOFR. As a result, the fixed rate was reduced from 0.495% to 0.4125% for the one contract and from 0.38% to 0.2975% for the other two contracts. All other critical terms remain the same and so we expect these cash flow hedges to continue to be highly effective. We have applied certain provisions and practical expedients of ASC 848–Reference Rate Reform related to the transition from LIBOR to SOFR achieved with amending and restating the CAPL Credit Facility and with amending our existing interest rate swap contracts.

In April 2023, we entered into four additional interest rate swap contracts as summarized below (in thousands):

Type	Notional Amount	Termination Date	Fixed Rate
Spot starting	\$ 50,000	March 30, 2028	3.287 %
Spot starting	100,000	March 31, 2028	3.287 %
Spot starting	50,000	April 8, 2028	3.282 %
Forward starting April 1, 2024	100,000	April 1, 2028	2.932 %

All of our 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 totaled \$20.1 million and \$17.2 million at June 30, 2023 and December 31, 2022, respectively. See Note 11 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 from settlements of the interest rate swap contracts of \$4.3 million and \$0.3 million for the three months ended June 30, 2023 and 2022 and \$7.4 million and an insignificant amount for the six months ended June 30, 2023 and 2022, respectively.

We currently estimate that a gain of \$15.4 million will be reclassified from accumulated other comprehensive income 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 9. RELATED-PARTY TRANSACTIONS**

Wholesale Motor Fuel Sales and Real Estate Rentals

Revenues from TopStar, an entity affiliated with the Topper Group, were \$13.2 million and \$22.7 million for the three months ended June 30, 2023 and 2022 and \$24.9 million and \$39.8 million for the six months ended June 30, 2023 and 2022, respectively. Accounts receivable from TopStar was \$0.7 million at June 30, 2023 and December 31, 2022.

CrossAmerica leases real estate from the Topper Group. Rent expense under these lease agreements was \$2.6 million for the three months ended June 30, 2023 and 2022 and \$5.2 million and \$4.8 million for the six months ended June 30, 2023 and 2022, respectively.

Omnibus Agreement

We incurred expenses under the Omnibus Agreement, including costs for store level personnel at our company operated sites, totaling \$25.5 million and \$20.5 million for the three months ended June 30, 2023 and 2022 and \$47.6 million and \$40.6 million for the six months ended June 30, 2023 and 2022, 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 \$6.8 million and \$6.1 million at June 30, 2023 and December 31, 2022, respectively.

Common Unit Distributions and Other Equity Transactions

We distributed \$7.7 million to the Topper Group related to its ownership of our common units during each of the three months ended June 30, 2023 and 2022 and \$15.3 million for each of the six months ended June 30, 2023 and 2022.

We distributed \$2.6 million to affiliates of John B. Reilly, III related to their ownership of our common units during each of the three months ended June 30, 2023 and 2022 and \$5.2 million for each of the six months ended June 30, 2023 and 2022.

We recorded accretion on the preferred membership interests issued in March 2022 to related parties of \$0.6 million for the three months ended June 30, 2023 and 2022 and \$1.2 million and \$0.6 million for the six months ended June 30, 2023 and 2022, respectively. We paid income tax distributions of \$0.1 million related to the preferred membership interests for the three and six months ended June 30, 2023.

Maintenance and Environmental Costs

Certain maintenance and environmental remediation activities are performed by an entity affiliated with the Topper Group, as approved by the independent conflicts committee of the Board. We incurred charges with this related party of \$0.6 million for each of the three months ended June 30, 2023 and 2022 and \$1.3 million and \$0.9 million for the six months ended June 30, 2023 and 2022, respectively. Accounts payable to this related party amounted to \$0.4 million and \$0.3 million at June 30, 2023 and December 31, 2022, respectively.

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 \$5.3 million and \$5.4 million for three months ended June 30, 2023 and 2022 and \$10.1 million and \$9.9 million for the six months ended June 30, 2023 and 2022, respectively. Amounts payable to this related party amounted to \$1.6 million and \$1.4 million at June 30, 2023 and December 31, 2022, respectively.

Vehicle Lease

In connection with the services rendered under the Omnibus Agreement, we lease certain vehicles from an entity affiliated with the Topper Group, as approved by the independent conflicts committee of the Board. Lease expense was an insignificant amount for the three months ended June 30, 2023 and 2022, and \$0.1 million and an insignificant amount for the six months ended June 30, 2023 and 2022, respectively.

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 for each of the three months ended June 30, 2023 and 2022 and \$0.5 million for each of the six months ended June 30, 2023 and 2022.

Public Relations and Website Consulting Services

We have engaged a company affiliated with John B. Reilly, III, 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, 2023 and 2022.

**Note 10. 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 contractual period, 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, 2023 or 2022.

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

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

Environmental liabilities recorded on the balance sheet within accrued expenses and other current liabilities and other long-term liabilities totaled \$7.2 million and \$7.5 million at June 30, 2023 and December 31, 2022, 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 \$4.9 million and \$5.2 million at June 30, 2023 and December 31, 2022, 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. As such, these environmental liabilities and indemnification assets are also not recorded on the balance sheet of the Partnership.

#### **Note 11. 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 2023 or 2022.

As further discussed in Note 8, we remeasure the fair value of interest rate swap 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 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 deemed Level 1 measurements.

The fair value of our accounts receivable, notes receivable, and accounts payable approximated their carrying values as of June 30, 2023 and December 31, 2022 due to the short-term maturity of these instruments. The fair value of borrowings under the CAPL Credit Facility approximated its carrying value as of June 30, 2023 and December 31, 2022 due to the frequency with which interest rates are reset and the consistency of the market spread.

#### **Note 12. 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 income tax expense (benefit) of \$2.8 million and \$(0.1) million for the three months ended June 30, 2023 and 2022 and \$1.1 million and \$(2.0) million for the six months ended June 30, 2023 and 2022, respectively, as a result of the income generated (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.

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**Note 13. 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.

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):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Numerator:</b>				
Distributions paid	\$ 19,925	\$ 19,904	\$ 39,843	\$ 39,800
Allocation of distributions in excess of net income	(6,004)	(6,501)	(27,502)	(21,350)
Limited partners' interest in net income - basic and diluted	<u>\$ 13,921</u>	<u>\$ 13,403</u>	<u>\$ 12,341</u>	<u>\$ 18,450</u>
<b>Denominator:</b>				
Weighted-average common units outstanding - basic	37,952,950	37,912,710	37,946,676	37,906,463
Adjustment for phantom and phantom performance units <sup>(a)</sup>	197,286	44,724	197,021	45,003
Weighted-average common units outstanding - diluted	<u>38,150,236</u>	<u>37,957,434</u>	<u>38,143,697</u>	<u>37,951,466</u>
Net income per common unit - basic	<u>\$ 0.37</u>	<u>\$ 0.35</u>	<u>\$ 0.33</u>	<u>\$ 0.49</u>
Net income per common unit - diluted	<u>\$ 0.36</u>	<u>\$ 0.35</u>	<u>\$ 0.32</u>	<u>\$ 0.49</u>
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) For the three and six months ended June 30, 2023, 1,151,099 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, 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.

**Distributions**

Distribution activity for 2023 is as follows:

<u>Quarter Ended</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Distribution (per unit)</u>	<u>Cash Distribution (in thousands)</u>
December 31, 2022	February 3, 2023	February 10, 2023	\$ 0.5250	\$ 19,918
March 31, 2023	May 3, 2023	May 10, 2023	\$ 0.5250	\$ 19,925
June 30, 2023	August 4, 2023	August 11, 2023	\$ 0.5250	\$ 19,935

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 14. 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 and independent dealers. 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.

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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, other income, interest expense and income tax expense. Total assets by segment are not presented as management does not currently assess performance or allocate resources based on that data.

During the fourth quarter of 2022, we changed our segment reporting to our chief operating decision maker to simplify the assessment of performance of our segments. Prior to the fourth quarter, the wholesale segment included the wholesale fuel gross profit on intersegment sales by our wholesale segment to our retail segment. Likewise, the wholesale segment included an allocation of operating expenses related to the operation of our sites consistent with the allocation of the overall fuel gross profit.

Starting in the fourth quarter of 2022, the wholesale segment includes only the fuel gross profit on sales to lessee dealers and independent dealers and the retail segment includes the entire fuel gross profit on sales at our company operated and commission agent sites. Likewise, operating expenses are allocated to each segment based on estimates of the level of effort expended on our 1) lessee and independent dealer business in our wholesale segment; and 2) company operated and commission agent site business in our retail segment.

This change simplifies the assessment of performance of our segments and eliminates the intersegment sales inherent in our prior segment reporting.

We have recast the results of our segments for the three and six months ended June 30, 2022 to be consistent with our new segment reporting.

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

	Wholesale	Retail	Unallocated	Consolidated
<b>Three Months Ended June 30, 2023</b>				
Revenues from fuel sales to external customers	\$ 580,935	\$ 455,315	\$ —	\$ 1,036,250
Revenues from food and merchandise sales	—	83,666	—	83,666
Rent income	17,379	3,144	—	20,523
Other revenue	1,164	3,793	—	4,957
Total revenues	<u>\$ 599,478</u>	<u>\$ 545,918</u>	<u>\$ —</u>	<u>\$ 1,145,396</u>
Operating income (loss)	\$ 21,775	\$ 26,151	\$ (20,073)	\$ 27,853
<b>Three Months Ended June 30, 2022</b>				
Revenues from fuel sales to external customers	\$ 795,924	\$ 579,325	\$ —	\$ 1,375,249
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	<u>\$ 815,570</u>	<u>\$ 659,463</u>	<u>\$ —</u>	<u>\$ 1,475,033</u>
Operating income (loss)	\$ 24,158	\$ 22,571	\$ (25,657)	\$ 21,072
<b>Six Months Ended June 30, 2023</b>				
Revenues from fuel sales to external customers	\$ 1,102,860	\$ 858,261	\$ —	\$ 1,961,121
Revenues from food and merchandise sales	—	148,932	—	148,932
Rent income	35,335	6,508	—	41,843
Other revenue	2,411	7,248	—	9,659
Total revenues	<u>\$ 1,140,606</u>	<u>\$ 1,020,949</u>	<u>\$ —</u>	<u>\$ 2,161,555</u>
Operating income (loss)	\$ 43,444	\$ 40,918	\$ (47,399)	\$ 36,963
<b>Six Months Ended June 30, 2022</b>				
Revenues from fuel sales to external customers	\$ 1,379,045	\$ 1,001,567	\$ —	\$ 2,380,612
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	<u>\$ 1,417,954</u>	<u>\$ 1,150,290</u>	<u>\$ —</u>	<u>\$ 2,568,244</u>
Operating income (loss)	\$ 45,751	\$ 37,699	\$ (52,659)	\$ 30,791

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

	June 30, 2023	December 31, 2022
Receivables from fuel and merchandise sales	\$ 32,683	\$ 28,959
Receivables for rent and other lease-related charges	2,719	2,609
Total accounts receivable	<u>\$ 35,402</u>	<u>\$ 31,568</u>

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 revenue from such shortfalls 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 \$10.8 million and \$10.9 million at June 30, 2023 and December 31, 2022, respectively. Amortization of such costs is recorded against operating revenues and amounted to \$0.5 million and \$0.4 million for the three months ended June 30, 2023 and 2022 and \$0.9 million for each of the six months ended June 30, 2023 and 2022, respectively.

**CROSSAMERICA PARTNERS LP**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**Note 15. 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,	
	2023	2022
<b>(Increase) decrease:</b>		
Accounts receivable	\$ (3,554)	\$ (15,125)
Accounts receivable from related parties	75	(45)
Inventories	(4,658)	(10,403)
Other current assets	(1,103)	963
Other assets	(2)	(868)
<b>Increase (decrease):</b>		
Accounts payable	(350)	20,178
Accounts payable to related parties	975	(30)
Accrued expenses and other current liabilities	1,790	(112)
Motor fuel and sales taxes payable	546	(1,260)
Other long-term liabilities	1,735	2,276
<b>Changes in operating assets and liabilities, net of acquisitions</b>	<b>\$ (4,546)</b>	<b>\$ (4,426)</b>

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,	
	2023	2022
Cash paid for interest	\$ 19,920	\$ 12,491
Cash paid (refunded) for income taxes, net	1,619	(2)

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

	Six Months Ended June 30,	
	2023	2022
Accrued capital expenditures	\$ 1,485	\$ 1,226
Lease liabilities arising from obtaining right-of-use assets	5,790	9,182
Accretion of preferred membership interests	1,216	563

## 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; and
- the effect of general economic and other conditions on our business.

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 fuel resources;
- motor fuel price volatility, including as a result of the conflict in Ukraine;
- a reduction in demand for motor fuels;
- competition in the industries and geographical areas in which we operate;
- the consummation of financing, acquisition or disposition transactions and the effect thereof on our business;
- environmental compliance and remediation costs;
- our existing or future indebtedness and the related interest expense and our ability to comply with debt covenants;
- our liquidity, results of operations and financial condition;
- failure to comply with applicable tax and other regulations or governmental policies;
- future legislation and changes in regulations, governmental policies, immigration laws and restrictions or changes in enforcement or interpretations thereof;
- future regulations and actions that could expand the non-exempt status of employees under the Fair Labor Standards Act;
- future income tax legislation;
- changes in energy policy;

- 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, 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, 2023 and 2022 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 and Estimates**—This section describes the accounting policies and estimates that we consider most important for our business and that require significant judgment.

## Recent Developments

### *Amendment and Restatement of CAPL Credit Facility*

On March 31, 2023, the Partnership and its subsidiary, LGWS (together with the Partnership, the "Borrowers"), amended and restated the CAPL Credit Facility. As amended, the CAPL Credit Facility provides for an increase of the senior secured revolving credit facility from \$750 million to \$925 million and extends the maturity date from April 1, 2024 to March 31, 2028. The credit facility can be increased from time to time upon the Partnership's written request, subject to certain conditions, up to an additional \$350 million. The aggregate amount of the outstanding loans and letters of credit under the CAPL Credit Facility cannot exceed the combined revolving commitments then in effect. Certain subsidiaries of the Borrowers are guarantors ("Guarantors") of all of the obligations under the CAPL Credit Facility. All obligations under the CAPL Credit Facility are secured by substantially all of the Partnership's assets and substantially all of the assets of the Guarantors.

Borrowings under the credit facility bear interest, at the Partnership's option, at (1) a rate equal to the secured overnight financing rate ("SOFR"), for interest periods of one, three or six months, plus a margin ranging from 1.75% to 2.75% per annum depending on the Partnership's Consolidated Leverage Ratio (as defined in the CAPL Credit Facility) plus a customary credit spread adjustment or (2) (a) an alternative base rate equal to the greatest of (i) the federal funds rate plus 0.5% per annum, (ii) SOFR for one month interest periods plus 1.00% per annum or (iii) the rate of interest established by the Agent, from time to time, as its prime rate, plus (b) a margin ranging from 0.75% to 1.75% per annum depending on the Partnership's Consolidated Leverage Ratio. In addition, the Partnership incurs a commitment fee based on the unused portion of the credit facility at a rate ranging from 0.25% to 0.45% per annum depending on the Partnership's Consolidated Leverage Ratio. Until the Partnership delivers a compliance certificate for the fiscal quarter ending June 30, 2023, the applicable margin for SOFR and alternative base rate loans is 2.25% and 1.25%, respectively, and the commitment fee rate is 0.35%.

The Partnership also has the right to borrow swingline loans under the CAPL Credit Facility in an amount up to \$35.0 million. Swingline loans bear interest at the base rate plus the applicable alternative base rate margin.

Letters of credit may be issued under the CAPL Credit Facility up to an aggregate amount of \$65.0 million. Letters of credit are subject to a 0.125% fronting fee and other customary administrative charges. Letters of credit accrue a fee at a rate based on the applicable margin of SOFR loans.

The CAPL Credit Facility also contains certain financial covenants. The Partnership is required to maintain a Consolidated Leverage Ratio (as defined in the CAPL Credit Facility) of (i) for each fiscal quarter ending March 31, 2023, June 30, 2023, September 30, 2023 and December 31, 2023, not greater than 5.25 to 1.00, (ii) for each fiscal quarter ending March 31, 2024, June 30, 2024 and September 30, 2024, not greater than 5.00 to 1.00, and (iii) for each fiscal quarter ending December 31, 2024 and thereafter, not greater than 4.75 to 1.00. For the quarter during a Specified Acquisition Period (as defined in the CAPL Credit Facility), such threshold will be increased by increasing the numerator thereof by 0.5, but such numerator may not exceed 5.25 to 1.00. Upon the occurrence of a Qualified Note Offering (as defined in the CAPL Credit Facility), the Consolidated Leverage Ratio threshold when not in a Specified Acquisition Period is increased to 5.25 to 1.00, while the Specified Acquisition Period threshold is 5.50 to 1.00. Upon the occurrence of a Qualified Note Offering, the Partnership is also required to maintain a Consolidated Senior Secured Leverage Ratio (as defined in the CAPL Credit Facility) for the most recently completed four fiscal quarter period of not greater than 3.75 to 1.00. Such threshold is increased to 4.00 to 1.00 for the quarter during a Specified Acquisition Period. The Partnership is also required to maintain a Consolidated Interest Coverage Ratio (as defined in the CAPL Credit Facility) of at least 2.50 to 1.00.

The incremental borrowings at the closing of the amended and restated CAPL Credit Facility were used to repay outstanding borrowings under the JKM Credit Facility, which was terminated on March 31, 2023, and to pay fees and expenses in connection with the CAPL Credit Facility and the termination of the JKM Credit Facility.

The CAPL Credit Facility prohibits the Partnership from making cash distributions to its unitholders if any event of default occurs or would result from the distribution. In addition, the CAPL Credit Facility contains various covenants that may limit, among other things, the Partnership's ability to:

- grant liens;
- incur or assume other indebtedness;
- materially alter the character of the Partnership's business in any material respect;
- enter into certain mergers, liquidations and dissolutions; and



- make certain investments, acquisitions or dispositions.

If an event of default exists under the CAPL Credit Facility, the lenders will be able to accelerate the maturity of the CAPL Credit Facility and exercise other rights and remedies. Events of default include, among others, the following:

- failure to pay any principal under the CAPL Credit Facility when due or any interest, fees or other amounts under the CAPL Credit Facility when due after a grace period;
- failure of any representation or warranty to be true and correct in any material respect;
- failure to perform or otherwise comply with the covenants in the CAPL Credit Facility or in other loan documents without a waiver or amendment;
- any default in the performance of any obligation or condition beyond the applicable grace period relating to any other indebtedness of more than \$45.0 million;
- certain judgment default for monetary judgments exceeding \$45.0 million;
- bankruptcy or insolvency event involving the Partnership or any of its subsidiaries;
- certain Employee Retirement Income Security Act of 1974 (ERISA) violations;
- a Change of Control (as defined in the CAPL Credit Facility) without a waiver or amendment; and
- failure of the lenders for any reason to have a perfected first priority security interest in a material portion of the collateral granted by the Partnership or any of its subsidiaries.

In connection with amending the CAPL Credit Facility and terminating the JKM Credit Facility, the Partnership wrote off \$1.1 million of deferred financing costs in the first quarter of 2023.

See Note 7 to the financial statements for additional information regarding the CAPL Credit Facility and the termination of the JKM Credit Facility.

#### ***Additional Interest Rate Swap Contracts***

In April 2023, we entered into four additional interest rate swap contracts. Three of the interest rate swap contracts are spot-start contracts with a total notional amount of \$200 million and hedge variable interest rate payments for the five-year term of the CAPL Credit Facility. One of the interest rate swap contracts has a notional amount of \$100 million and is a forward-starting interest rate swap contract that hedges variable interest rate payments from the date the existing interest rate swap contracts terminate through the remaining four years of the CAPL Credit Facility. All of these interest rate swap contracts have been designated as cash flow hedges and are expected to be highly effective.

See Note 8 to the financial statements for additional information regarding these additional interest rate swap contracts.

#### ***Acquisition of Assets from CSS***

On November 9, 2022, we closed on the acquisition of assets from CSS for a purchase price of \$27.5 million plus working capital. The assets consisted of wholesale fuel supply contracts to 38 dealer owned locations, 35 sub-wholesaler accounts and two commission locations (1 fee based and 1 lease). We funded this acquisition through borrowings on the CAPL Credit Facility and cash on hand.

### **Significant Factors Affecting our Profitability**

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

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 60% of gallons sold, 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 either retail sales or wholesale DTW contracts that provide for variable, market-based pricing.

Regarding our supplier relationships, a material amount 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).

In our retail business, 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.

### ***Impact of Interest Rates***

Recent increases in interest rates have increased our interest expense as further described below. See "Recent Developments—Additional Interest Rate Swap Contracts" for information regarding additional interest rate swap contracts we entered into in April 2023.

### ***Acquisition and Financing Activity***

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

- In February 2022, we closed on the final three properties of our 106-site acquisition from 7-Eleven.
- In March 2022, Holdings issued \$25 million in preferred membership interests.
- On November 9, 2022, we closed on the acquisition of assets from CSS.
- On March 31, 2023, we amended and restated the CAPL Credit Facility and terminated the JKM Credit Facility. See Note 7 to the financial statements for additional information.

## 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,	
	2023	2022	2023	2022
Operating revenues	\$ 1,145,396	\$ 1,475,033	\$ 2,161,555	\$ 2,568,244
Costs of sales	1,047,672	1,386,088	1,981,772	2,400,469
Gross profit	97,724	88,945	179,783	167,775
Operating expenses:				
Operating expenses	49,798	42,216	95,421	84,325
General and administrative expenses	7,475	5,680	13,214	12,163
Depreciation, amortization and accretion expense	19,298	19,919	39,118	40,194
Total operating expenses	76,571	67,815	147,753	136,682
Gain (loss) on dispositions and lease terminations, net	6,700	(58)	4,933	(302)
Operating income	27,853	21,072	36,963	30,791
Other income, net	163	102	424	232
Interest expense	(10,683)	(7,321)	(22,695)	(13,982)
Income before income taxes	17,333	13,853	14,692	17,041
Income tax expense (benefit)	2,797	(113)	1,135	(1,972)
Net income	14,536	13,966	13,557	19,013
Accretion of preferred membership interests	615	563	1,216	563
Net income available to limited partners	<u>\$ 13,921</u>	<u>\$ 13,403</u>	<u>\$ 12,341</u>	<u>\$ 18,450</u>

### Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Operating revenues decreased \$330 million (22%) and gross profit increased \$8.8 million (10%). Significant items impacting these results were:

#### Operating revenues

- A \$216 million (26%) decrease in our wholesale segment revenues primarily attributable to a 32% decrease in the average daily spot price of WTI crude oil to \$73.54 per barrel for the second quarter of 2023, compared to \$108.83 per barrel for the second quarter of 2022. 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.” Volume increased 2% primarily due to the volume generated by the acquisition of assets from CSS, partially offset by the net loss of independent dealer contracts and the conversion of lessee dealer sites to company operated sites.
- A \$114 million (17%) decrease in our retail segment revenues primarily attributable to a 23% decrease in the average retail fuel price from the second quarter of 2022 to the second quarter of 2023 due to the decrease in wholesale motor fuel prices as noted above. Volume increased 2% due primarily to an increase in site count due to the conversion of lessee dealer sites to company operated sites. Lastly, merchandise revenues increased \$9.7 million (13%) driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites and stronger performance in the base business.

#### Cost of sales

Cost of sales decreased \$338 million (24%), which was a result of the decrease in wholesale motor fuel prices, partially offset by the increase in merchandise cost of sales driven by the conversion of lessee dealer and commission agent sites to company operated sites discussed above.

### Gross profit

Gross profit increased \$8.8 million (10%), which was primarily driven by increases in motor fuel and merchandise gross profit within our retail segment. 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 increased \$1.8 million (32%) primarily driven by a \$1.0 million increase in acquisition-related costs largely related to the conversion of lessee dealer and commission agent sites to company operated sites, as well as higher equity compensation expense and legal fees.

### Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense decreased \$0.6 million (3%) primarily due to assets becoming fully depreciated.

### Gain (loss) on dispositions and lease terminations, net

During the three months ended June 30, 2023, we recorded a \$6.1 million net gain in connection with our ongoing real estate rationalization effort and a \$0.6 million net gain on lease terminations and asset disposals.

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.

### Interest expense

Interest expense increased \$3.4 million (46%), primarily due to a \$3.7 million increase in interest expense (net of the impact of the interest rate swaps) driven by the increase in interest rates.

### Income tax expense (benefit)

We recorded income tax expense (benefit) of \$2.8 million and \$(0.1) million for the three months ended June 30, 2023 and 2022, respectively, driven by income generated (losses incurred) by our taxable subsidiaries.

## **Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022**

Operating revenues decreased \$407 million (16%) and gross profit increased \$12.0 million (7%). Significant items impacting these results were:

### Operating revenues

- A \$277 million (20%) decrease in our wholesale segment revenues primarily attributable to a 36% decrease in the average daily spot price of WTI crude oil to \$74.73 per barrel for the six months ended June 30, 2023 compared to \$102.01 per barrel for the six months ended June 30, 2022. 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.” Volume increased slightly due to the volume generated by the acquisition of assets from CSS, partially offset by the net loss of independent dealer contracts and the conversion of lessee dealer sites to company operated sites.
- A \$129 million (11%) decrease in our retail segment revenues primarily attributable to a 16% decrease in the average retail fuel price for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to the decrease in wholesale motor fuel prices as noted above. Volume increased 2% due primarily to an increase in site count due to the conversion of lessee dealer sites to company operated sites. Lastly, merchandise revenues increased \$12.7 million (9%) driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites and stronger performance in the base business.

### Cost of sales

Cost of sales decreased \$419 million (17%), which was a result of the decrease in wholesale motor fuel prices, partially offset by the increase in merchandise cost of sales driven by the conversion of lessee dealer and commission agent sites to company operated sites discussed above.

### Gross profit

Gross profit increased \$12.0 million (7%), which was primarily driven by increases in motor fuel and merchandise gross profit within our retail segment. 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 increased \$1.1 million (9%) primarily driven by a \$0.4 million increase in acquisition-related costs largely related to the conversion of lessee dealer and commission agent sites to company operated sites, as well as higher legal fees.

### Depreciation, amortization and accretion expense

Depreciation, amortization and accretion expense decreased \$1.1 million (3%) primarily driven by lower impairment charges during the six months ended June 30, 2023 as compared to the same period of 2022 as well as assets becoming fully depreciated.

### Gain (loss) on dispositions and lease terminations, net

During the six months ended June 30, 2023, we recorded a \$6.2 million net gain in connection with our ongoing real estate rationalization effort and a \$1.3 million net loss on lease terminations and asset disposals.

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.

### Interest expense

Interest expense increased \$8.7 million (62%), primarily due to a \$7.9 million increase in interest expense (net of the impact of the interest rate swaps) driven by the increase in interest rates. In addition, we wrote off \$1.1 million in deferred financing costs in the first quarter of 2023 as a result of the amendment and restatement of the CAPL Credit Facility and termination of the JKM Credit Facility.

### Income tax benefit

We recorded income tax expense (benefit) of \$1.1 million and \$(2.0) million for the six months ended June 30, 2023 and 2022, respectively, driven by income generated (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.

See Note 14 to the financial statements for information regarding a change in our segment reporting. We have recast the results of our segments for the three and six months ended June 30, 2022 to be consistent with our new segment reporting.

## 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 (in thousands of dollars, except for the number of distribution sites and per gallon amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Gross profit:</b>				
Motor fuel gross profit	\$ 17,933	\$ 19,034	\$ 34,641	\$ 35,218
Rent gross profit	12,602	12,646	25,857	24,985
Other revenues	1,164	1,807	2,411	3,593
Total gross profit	31,699	33,487	62,909	63,796
Operating expenses	(9,924)	(9,329)	(19,465)	(18,045)
<b>Operating income</b>	<b>\$ 21,775</b>	<b>\$ 24,158</b>	<b>\$ 43,444</b>	<b>\$ 45,751</b>
<b>Motor fuel distribution sites (end of period):</b> <sup>(a)</sup>				
Independent dealers <sup>(b)</sup>	641	637	641	637
Lessee dealers <sup>(c)</sup>	586	645	586	645
Total motor fuel distribution sites	1,227	1,282	1,227	1,282
<b>Average motor fuel distribution sites</b>	<b>1,236</b>	<b>1,289</b>	<b>1,253</b>	<b>1,295</b>
<b>Volume of gallons distributed</b>	<b>218,131</b>	<b>214,413</b>	<b>419,992</b>	<b>418,328</b>
<b>Margin per gallon</b>	<b>\$ 0.082</b>	<b>\$ 0.089</b>	<b>\$ 0.082</b>	<b>\$ 0.084</b>

(a) In addition, we distributed motor fuel to sub-wholesalers who distributed to additional sites.

(b) The increase in the independent dealer site count was primarily attributable to the acquisition of assets from CSS and the ongoing real estate rationalization effort, partially offset by the net loss of contracts.

(c) The decrease in the lessee dealer site count was primarily attributable to the conversion of certain lessee dealer sites to company operated sites and our real estate rationalization effort.

### Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Gross profit decreased \$1.8 million (5%) and operating income decreased \$2.4 million (10%). These results were impacted by:

#### Motor fuel gross profit

The \$1.1 million decrease (6%) in motor fuel gross profit was primarily driven by a 7% decrease in our average fuel margin per gallon as compared to the same period of 2022 driven by lower terms discounts due to lower crude oil prices, partially offset by better sourcing costs as a result of brand consolidation and other initiatives. The average spot price of WTI crude oil decreased 32% from \$108.83 per barrel for the second quarter of 2022 to \$73.54 per barrel for the second quarter of 2023. 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.”

Volume increased 2% primarily due to the volume generated by the acquisition of assets from CSS, partially offset by the net loss of independent dealer contracts and the conversion of lessee dealer sites to company operated sites.

#### Rent gross profit

Rent gross profit was flat for the second quarter of 2023 compared to the same period of 2022 primarily due to \$0.6 million of rent increases from our customers as well as the reopening of closed sites, offset by a \$0.6 million decrease in rent gross profit due to the conversion of lessee dealer sites to company operated sites.

#### Other revenues

Other revenues decreased \$0.6 million (36%) due primarily to lower dealer contract termination fees.

### Operating expenses

Operating expenses increased \$0.6 million (6%), primarily as a result of higher maintenance costs and management fees.

### **Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022**

Gross profit decreased \$0.9 million (1%) and operating income decreased \$2.3 million (5%). These results were impacted by:

#### Motor fuel gross profit

The \$0.6 million (2%) decrease in motor fuel gross profit was primarily driven by a 2% decrease in our average fuel margin per gallon as compared to the same period of 2022 driven by lower terms discounts due to lower crude oil prices, partially offset by better sourcing costs as a result of brand consolidation and other initiatives. The average spot price of WTI crude oil decreased 36% from \$102.01 per barrel for the six months ended June 30, 2022 to \$74.73 per barrel for the six months ended June 30, 2023. 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.”

Volume increased slightly due to the volume generated by the acquisition of assets from CSS, partially offset by the net loss of independent dealer contracts and the conversion of lessee dealer sites to company operated sites.

#### Rent gross profit

The \$0.9 million (3%) increase in rent gross profit was primarily driven by \$1.6 million of rent increases from our customers as well as the reopening of closed sites, partially offset by a \$0.7 million decrease in rent gross profit due to the conversion of lessee dealer sites to company operated sites.

#### Other revenues

Other revenues decreased \$1.2 million (33%) due primarily to lower dealer contract termination fees.

#### Operating expenses

Operating expenses increased \$1.4 million (8%), primarily as a result of higher maintenance costs and management fees.

## 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 and per gallon amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Gross profit:</b>				
Motor fuel	\$ 35,737	\$ 29,841	\$ 62,497	\$ 56,145
Merchandise	24,232	20,165	42,355	36,847
Rent	2,263	2,258	4,774	4,705
Other revenue	3,793	3,194	7,248	6,282
Total gross profit	66,025	55,458	116,874	103,979
Operating expenses	(39,874)	(32,887)	(75,956)	(66,280)
<b>Operating income</b>	<b>\$ 26,151</b>	<b>\$ 22,571</b>	<b>\$ 40,918</b>	<b>\$ 37,699</b>
<b>Retail sites (end of period):</b>				
Company operated retail sites <sup>(a)</sup>	292	253	292	253
Commission agents <sup>(b)</sup>	190	199	190	199
Total retail segment sites	482	452	482	452
<b>Total retail segment statistics:</b>				
Volume of gallons sold	130,804	128,815	249,889	244,855
Average retail fuel sites	477	454	468	454
Margin per gallon, before deducting credit card fees and commissions	0.370	0.340	0.345	0.330
<b>Company operated site statistics:</b>				
Average retail fuel sites	286	254	273	254
Margin per gallon, before deducting credit card fees	\$ 0.394	\$ 0.350	\$ 0.369	\$ 0.339
Merchandise gross profit percentage	29.0%	27.3%	28.4%	27.0%
<b>Commission site statistics:</b>				
Average retail fuel sites	191	200	195	200
Margin per gallon, before deducting credit card fees and commissions	\$ 0.320	\$ 0.320	\$ 0.297	\$ 0.312

- (a) The increase in the company operated site count was primarily attributable to the conversion of certain lessee dealer and commission agent sites to company operated sites, largely during the second quarter of 2023.
- (b) The decrease in the commission agent site count was primarily attributable to the conversion of certain commission agent sites to company operated sites.

### Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Gross profit increased \$10.6 million (19%) and operating income increased \$3.6 million (16%). These results were impacted by:

#### Gross profit

- Our motor fuel gross profit increased \$5.9 million (20%) attributable to an 18% increase in margin per gallon for the three months ended June 30, 2023, as compared to the same period in 2022. Volume increased 2% due primarily to an increase in site count due to the conversion of lessee dealer sites to company operated sites.
- Our merchandise gross profit and other revenues increased \$4.1 million (20%) and \$0.6 million (19%), respectively, driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites as well as an increase in sales and margin percentage in our base business.



### Operating expenses

Operating expenses increased \$7.0 million (21%) driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites. In addition, store labor increased, in part due to expanding hours of operation at many of our company operated sites. Lastly, many other cost categories increased due primarily to inflation.

### **Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022**

Gross profit increased \$12.9 million (12%) and operating income increased \$3.2 million (9%). These results were impacted by:

### Gross profit

- Our motor fuel gross profit increased \$6.4 million (11%) attributable to a 9% increase in margin per gallon for the six months ended June 30, 2023 as compared to the same period of 2022. Volume increased 2% due primarily to an increase in site count due to the conversion of lessee dealer sites to company operated sites.
- Our merchandise gross profit and other revenues increased \$5.5 million (15%) and \$1.0 million (15%), respectively, driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites as well as an increase in sales and margin percentage in our base business.

### Operating expenses

Operating expenses increased \$9.7 million (15%) driven by an increase in the company operated site count due to the conversion of lessee dealer and commission agent sites to company operated sites. In addition, store labor increased, in part due to expanding hours of operation at many of our company operated sites. Lastly, many other cost categories increased due primarily to inflation.

### **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,	
	2023	2022	2023	2022
<b>Net income</b> <sup>(a)</sup>	\$ 14,536	\$ 13,966	\$ 13,557	\$ 19,013
Interest expense	10,683	7,321	22,695	13,982
Income tax expense (benefit)	2,797	(113)	1,135	(1,972)
Depreciation, amortization and accretion expense	19,298	19,919	39,118	40,194
<b>EBITDA</b>	<b>47,314</b>	<b>41,093</b>	<b>76,505</b>	<b>71,217</b>
Equity-based employee and director compensation expense	562	222	1,123	954
(Gain) loss on dispositions and lease terminations, net	(6,700)	58	(4,933)	302
Acquisition-related costs <sup>(b)</sup>	1,022	10	1,241	878
<b>Adjusted EBITDA</b>	<b>42,198</b>	<b>41,383</b>	<b>73,936</b>	<b>73,351</b>
Cash interest expense	(10,207)	(6,631)	(20,370)	(12,612)
Sustaining capital expenditures <sup>(c)</sup>	(1,436)	(1,663)	(3,485)	(3,217)
Current income tax expense	(160)	(678)	(554)	(863)
<b>Distributable Cash Flow</b>	<b>\$ 30,395</b>	<b>\$ 32,411</b>	<b>\$ 49,527</b>	<b>\$ 56,659</b>
Distributions paid	19,925	19,904	39,843	39,800
<b>Distribution Coverage Ratio</b> <sup>(a)</sup>	<b>1.53x</b>	<b>1.63x</b>	<b>1.24x</b>	<b>1.42x</b>

- (a) Beginning in 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 EBITDA 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.

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

## Cash Flows

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

	Six Months Ended June 30,	
	2023	2022
Net cash provided by operating activities	\$ 47,263	\$ 54,659
Net cash used in investing activities	(6,688)	(14,429)
Net cash used in financing activities	(52,138)	(44,306)

### Operating Activities

Net cash provided by operating activities decreased \$7.4 million for the six months ended June 30, 2023 compared to the same period in 2022, primarily attributable to an increase in interest expense driven by higher interest rates.

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 \$11.3 million and \$16.4 million for the six months ended June 30, 2023 and 2022, respectively. The decrease was largely driven by the reduction of rebranding of sites including the sites acquired from 7-Eleven. We paid \$1.9 million during the six months ended June 30, 2022 in connection with the closing of the final three sites acquired from 7-Eleven. We received \$4.5 million and \$3.8 million in proceeds primarily from the sale of sites in connection with our real estate rationalization effort for the six months ended June 30, 2023 and 2022, respectively.

### Financing Activities

We paid \$40.1 million and \$39.9 million in distributions for the six months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023 and 2022, respectively, we made total net repayments on our credit facilities of \$3.6 million and \$27.5 million. We received \$24.4 million in net proceeds from the issuance of preferred membership interests during the six months ended June 30, 2022. We paid \$7.0 million of deferred financing costs in connection with amending and restating the CAPL Credit Facility and terminating the JKM Credit Facility in the first quarter of 2023.

## Distributions

Distribution activity for 2023 was as follows:

<u>Quarter Ended</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Distribution (per unit)</u>	<u>Cash Distribution (in thousands)</u>
December 31, 2022	February 3, 2023	February 10, 2023	\$ 0.5250	\$ 19,918
March 31, 2023	May 3, 2023	May 10, 2023	0.5250	19,925
June 30, 2023	August 4, 2023	August 11, 2023	0.5250	19,935

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, 2023, our debt and finance lease obligations consisted of the following (in thousands):

CAPL Credit Facility	\$	761,491
Finance lease obligations		12,537
<b>Total debt and finance lease obligations</b>		<b>774,028</b>
Current portion		2,985
Noncurrent portion		771,043
Deferred financing costs, net		10,979
Noncurrent portion, net of deferred financing costs	\$	<u>760,064</u>

See Note 7 to the financial statements for information regarding the amendment and restatement of the CAPL Credit Facility and the termination of the JKM Credit Facility.

Taking the interest rate swap contracts into account, our effective interest rate on our CAPL Credit Facility at June 30, 2023 was 5.1% (our applicable margin was 2.25% as of June 30, 2023). Letters of credit outstanding at June 30, 2023 totaled \$4.5 million.

The amount of availability under our CAPL Credit Facility at August 3, 2023, after taking into consideration debt covenant restrictions, was \$166 million.

See Note 8 for information regarding the amendment of the three existing interest rate swap contracts and the entry into four new interest rate swap contracts.

## 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, 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,	
	2023	2022
Sustaining capital	\$ 3,485	\$ 3,217
Growth	7,843	13,186
Acquisitions	—	1,885
Total capital expenditures and acquisitions	<u>\$ 11,328</u>	<u>\$ 18,288</u>

Growth capital expenditures decreased primarily due the decrease of rebranding of certain sites, including the sites acquired from 7-Eleven.

A significant portion of our growth capital expenditures are discretionary and we regularly review our capital plans in light of anticipated proceeds from sales of sites.

## Concentration of Customers

For the six months ended June 30, 2023 and 2022, respectively, approximately 18% and 21% 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 2023 relative to 2022 are anticipated to be impacted by the acquisition of assets from CSS, which is anticipated to increase gross profit within the wholesale segment. In addition, we anticipate that we will continue to realize reductions in our fuel costs as a result of new or amended fuel purchase contracts. We continue to consider the highest and best use class of trade for each of our properties, which may result in the conversion of sites from one class of trade to another and ultimately increases or decreases in the gross profit for the Wholesale and Retail segments. Lastly, given increases in interest rates, we also anticipate higher interest expense in 2023 as compared to 2022.

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 and 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

Other than interest rate risk, no significant changes to our market risk have occurred since December 31, 2022. 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.

### Interest Rate Risk

As of June 30, 2023, we had \$761.5 million outstanding on our CAPL Credit Facility. Our outstanding borrowings bear interest at SOFR plus an applicable margin, which was 2.25% at June 30, 2023.

See Note 8 to the financial statements for information regarding the amendment of our three existing interest rate swap contracts and the entry into four additional interest rate swap contracts.

Taking all of these interest rate swap contracts into account, our effective interest rate on our CAPL Credit Facility at June 30, 2023 was 5.1%. A one percentage point change in SOFR would impact annual interest expense by approximately \$2.6 million.

## 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, 2023.

### (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, 2023, 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 10 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

<u>Exhibit No.</u>	<u>Description</u>
31.1 *	<a href="#">Certification of Principal Executive Officer of CrossAmerica GP LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
31.2 *	<a href="#">Certification of Principal Financial Officer of CrossAmerica GP LLC as required by Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
32.1*†	<a href="#">Certification of Principal Executive Officer of CrossAmerica GP LLC pursuant to 18 U.S.C. §1350</a>
32.2*†	<a href="#">Certification of Principal Financial Officer of CrossAmerica GP LLC pursuant to 18 U.S.C. §1350</a>
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 7, 2023





**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 7, 2023

/s/ Charles M. Nifong, Jr.

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Charles M. Nifong, Jr.

President and Chief Executive Officer

CrossAmerica GP LLC

(as General Partner of CrossAmerica Partners LP)

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**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 7, 2023

/s/ Maura Topper

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Maura Topper

Chief Financial Officer

CrossAmerica GP LLC

(as General Partner of CrossAmerica Partners LP)

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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, 2023, 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 7, 2023

/s/ Charles M. Nifong, Jr.

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



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

In connection with this Quarterly Report on Form 10-Q of CrossAmerica Partners LP (the “Partnership”) for the quarter ended June 30, 2023, 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 7, 2023

/s/ Maura Topper

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

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