

SUBURBAN PROPANE PARTNERS LP  
Form 10-Q  
August 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 25, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File Number: 1-14222

SUBURBAN PROPANE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

22-3410353  
(I.R.S. Employer  
Identification No.)

240 Route 10 West  
Whippany, NJ 07981  
(973) 887-5300

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

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

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days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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

At August 1, 2016, there were 60,789,374 Common Units of Suburban Propane Partners, L.P. outstanding.

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements (“Forward-Looking Statements”) as defined in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to future business expectations and predictions and financial condition and results of operations of Suburban Propane Partners, L.P. (the “Partnership”). Some of these statements can be identified by the use of forward-looking terminology such as “prospects,” “outlook,” “believes,” “estimates,” “intends,” “may,” “will,” “should,” “anticipates,” “expects” or “plans” or the negative or other variations or similar words, or by discussion of trends and conditions, strategies or risks and uncertainties. These Forward-Looking Statements involve certain risks and uncertainties that could cause actual results to differ materially from those discussed or implied in such Forward-Looking Statements (statements contained in this Quarterly Report identifying such risks and uncertainties are referred to as “Cautionary Statements”). The risks and uncertainties and their impact on the Partnership’s results include, but are not limited to, the following risks:

- The impact of weather conditions on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;
- Volatility in the unit cost of propane, fuel oil and other refined fuels, natural gas and electricity, the impact of the Partnership’s hedging and risk management activities, and the adverse impact of price increases on volumes sold as a result of customer conservation;
- The ability of the Partnership to compete with other suppliers of propane, fuel oil and other energy sources;
- The impact on the price and supply of propane, fuel oil and other refined fuels from the political, military or economic instability of the oil producing nations, global terrorism and other general economic conditions;
- The ability of the Partnership to acquire sufficient volumes of, and the costs to the Partnership of acquiring, transporting and storing, propane, fuel oil and other refined fuels;
- The ability of the Partnership to acquire and maintain reliable transportation for its propane, fuel oil and other refined fuels;
- The ability of the Partnership to retain customers or acquire new customers;
- The impact of customer conservation, energy efficiency and technology advances on the demand for propane, fuel oil and other refined fuels, natural gas and electricity;
- The ability of management to continue to control expenses;
- The impact of changes in applicable statutes and government regulations, or their interpretations, including those relating to the environment and climate change, derivative instruments and other regulatory developments on the Partnership’s business;
- The impact of changes in tax laws that could adversely affect the tax treatment of the Partnership for income tax purposes;
- The impact of legal proceedings on the Partnership’s business;
- The impact of operating hazards that could adversely affect the Partnership’s operating results to the extent not covered by insurance;
- The Partnership’s ability to make strategic acquisitions and successfully integrate them;
- The impact of current conditions in the global capital and credit markets, and general economic pressures;
- The operating, legal and regulatory risks the Partnership may face; and
- Other risks referenced from time to time in filings with the Securities and Exchange Commission (“SEC”) and those factors listed or incorporated by reference into the Partnership’s most recent Annual Report under “Risk Factors.”

Some of these Forward-Looking Statements are discussed in more detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report. Reference is also made to the risk factors discussed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 26, 2015. On different occasions, the Partnership or its representatives have made or may make Forward-Looking Statements in other filings with the SEC, press releases or oral statements made by or with the approval of one of the Partnership’s authorized executive officers. Readers are cautioned not to place undue reliance on Forward-Looking Statements, which reflect management’s view only as of the date made. The Partnership undertakes no obligation to update any Forward-Looking Statement or Cautionary Statement, except as required by law. All subsequent written and oral

Forward-Looking Statements attributable to the Partnership or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements in this Quarterly Report and in future SEC reports.

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	June 25, 2016	September 26, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$67,386	\$152,338
Accounts receivable, less allowance for doubtful accounts of \$3,401 and \$3,520, respectively	62,334	59,929
Inventories	40,046	47,686
Other current assets	14,857	13,460
Total current assets	184,623	273,413
Property, plant and equipment, net	755,720	781,058
Goodwill	1,094,635	1,087,429
Other intangible assets, net	290,652	307,789
Other assets	35,755	36,041
Total assets	\$2,361,385	\$2,485,730
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current liabilities:		
Accounts payable	\$26,213	\$34,922
Accrued employment and benefit costs	20,897	29,236
Customer deposits and advances	64,161	105,147
Accrued interest	19,273	16,382
Other current liabilities	47,968	24,659
Total current liabilities	178,512	210,346
Long-term borrowings	1,238,925	1,241,107
Accrued insurance	39,386	43,653
Other liabilities	82,488	92,304
Total liabilities	1,539,311	1,587,410
Commitments and contingencies		
Partners' capital:		
Common Unitholders (60,776 and 60,531 units issued and outstanding at June 25, 2016 and September 26, 2015, respectively)		
	866,770	947,203
Accumulated other comprehensive loss	(44,696 )	(48,883 )
Total partners' capital	822,074	898,320
Total liabilities and partners' capital	\$2,361,385	\$2,485,730

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

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Three Months Ended	
	June 25, 2016	June 27, 2015
<b>Revenues</b>		
Propane	\$ 172,322	\$ 181,259
Fuel oil and refined fuels	12,459	17,043
Natural gas and electricity	10,596	11,861
All other	9,722	10,139
	205,099	220,302
<b>Costs and expenses</b>		
Cost of products sold	75,497	94,198
Operating	103,316	100,168
General and administrative	14,547	15,040
Depreciation and amortization	32,288	32,730
	225,648	242,136
Gain on sale of business	9,769	—
Operating loss	(10,780 )	(21,834 )
Interest expense, net	18,638	18,933
Loss before provision for income taxes	(29,418 )	(40,767 )
Provision for income taxes	180	185
Net loss	\$(29,598 )	\$(40,952 )
Net loss per Common Unit - basic	\$(0.49 )	\$(0.67 )
Weighted average number of Common Units outstanding - basic	61,004	60,699
Net loss per Common Unit - diluted	\$(0.49 )	\$(0.67 )
Weighted average number of Common Units outstanding - diluted	61,004	60,699

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

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit amounts)

(unaudited)

	Nine Months Ended	
	June 25, 2016	June 27, 2015
<b>Revenues</b>		
Propane	\$752,013	\$1,034,525
Fuel oil and refined fuels	61,961	116,399
Natural gas and electricity	38,232	56,109
All other	32,890	35,602
	885,096	1,242,635
<b>Costs and expenses</b>		
Cost of products sold	305,012	535,786
Operating	315,747	327,750
General and administrative	45,253	54,786
Depreciation and amortization	97,076	98,588
	763,088	1,016,910
Gain on sale of business	9,769	—
Operating income	131,777	225,725
Loss on debt extinguishment	292	15,072
Interest expense, net	56,383	58,643
Income before provision for income taxes	75,102	152,010
Provision for income taxes	423	521
Net income	\$74,679	\$151,489
Net income per Common Unit - basic	\$1.23	\$2.50
Weighted average number of Common Units outstanding - basic	60,947	60,632
Net income per Common Unit - diluted	\$1.22	\$2.49
Weighted average number of Common Units outstanding - diluted	61,127	60,876

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

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months		Nine Months Ended	
	Ended		June 25,	June 27,
	June 25,	June 27,	June 25,	June 27,
	2016	2015	2016	2015
Net (loss) income	\$(29,598)	\$(40,952)	\$74,679	\$151,489
Other comprehensive income:				
Net unrealized losses on cash flow hedges	(107 )	(128 )	(47 )	(855 )
Reclassification of realized losses on cash flow hedges				
into earnings	252	342	844	1,043
Amortization of net actuarial losses and prior service				
credits into earnings	1,130	960	3,390	2,878
Other comprehensive income	1,275	1,174	4,187	3,066
Total comprehensive (loss) income	\$(28,323)	\$(39,778)	\$78,866	\$154,555

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

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	June 25, 2016	June 27, 2015
Cash flows from operating activities:		
Net income	\$ 74,679	\$ 151,489
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	97,076	98,588
Gain on sale of business	(9,769 )	—
Loss on debt extinguishment	292	15,072
Other, net	7,269	7,343
Changes in assets and liabilities:		
Accounts receivable	(2,274 )	13,380
Inventories	7,721	43,271
Other current and noncurrent assets	(1,502 )	(1,915 )
Accounts payable	(7,699 )	(20,808 )
Accrued employment and benefit costs	(8,339 )	6,249
Customer deposits and advances	(40,831 )	(53,518 )
Other current and noncurrent liabilities	12,037	(9 )
Net cash provided by operating activities	128,660	259,142
Cash flows from investing activities:		
Capital expenditures	(32,261 )	(31,001 )
Acquisition of businesses	(42,945 )	(6,500 )
Proceeds from sale of business	21,181	—
Proceeds from sale of property, plant and equipment	4,663	7,546
Net cash (used in) investing activities	(49,362 )	(29,955 )
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	100,000	—
Repayment of borrowings under revolving credit facility	(100,000)	—
Proceeds from long-term borrowings	—	250,000
Repayment of long-term borrowings (includes premium and fees)	—	(260,852)
Issuance costs associated with long-term borrowings	(2,678 )	(4,568 )
Partnership distributions	(161,572)	(159,397)
Net cash (used in) financing activities	(164,250)	(174,817)
Net (decrease) increase in cash and cash equivalents	(84,952 )	54,370
Cash and cash equivalents at beginning of period	152,338	92,639
Cash and cash equivalents at end of period	\$ 67,386	\$ 147,009

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

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## SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

(in thousands)

(unaudited)

	Number of Common Units	Common Unitholders	Accumulated Other Comprehensive (Loss)	Total Partners' Capital
Balance at September 26, 2015	60,531	\$ 947,203	\$ (48,883 )	\$ 898,320
Net income		74,679		74,679
Other comprehensive income			4,187	4,187
Partnership distributions		(161,572 )		(161,572)
Common Units issued under Restricted Unit Plans	245			
Compensation cost recognized under Restricted Unit Plans, net of				
forfeitures		6,460		6,460
Balance at June 25, 2016	60,776	\$ 866,770	\$ (44,696 )	\$ 822,074



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

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SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except unit and per unit amounts)

(unaudited)

1. Partnership Organization and Formation

Suburban Propane Partners, L.P. (the “Partnership”) is a publicly traded Delaware limited partnership principally engaged, through its operating partnership and subsidiaries, in the retail marketing and distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In addition, to complement its core marketing and distribution businesses, the Partnership services a wide variety of home comfort equipment, particularly for heating and ventilation. The publicly traded limited partner interests in the Partnership are evidenced by common units traded on the New York Stock Exchange (“Common Units”), with 60,776,271 Common Units outstanding at June 25, 2016. The holders of Common Units are entitled to participate in distributions and exercise the rights and privileges available to limited partners under the Third Amended and Restated Agreement of Limited Partnership, as amended (the “Partnership Agreement”). Rights and privileges under the Partnership Agreement include, among other things, the election of all members of the Board of Supervisors and voting on the removal of the general partner.

Suburban Propane, L.P. (the “Operating Partnership”), a Delaware limited partnership, is the Partnership’s operating subsidiary formed to operate the propane business and assets. In addition, Suburban Sales & Service, Inc. (the “Service Company”), a subsidiary of the Operating Partnership, was formed to operate the service work and appliance and parts businesses of the Partnership. The Operating Partnership, together with its direct and indirect subsidiaries, accounts for substantially all of the Partnership’s assets, revenues and earnings. The Partnership, the Operating Partnership and the Service Company commenced operations in March 1996 in connection with the Partnership’s initial public offering.

The general partner of both the Partnership and the Operating Partnership is Suburban Energy Services Group LLC (the “General Partner”), a Delaware limited liability company, the sole member of which is the Partnership’s Chief Executive Officer. Other than as a holder of 784 Common Units that will remain in the General Partner, the General Partner does not have any economic interest in the Partnership or the Operating Partnership.

The Partnership’s fuel oil and refined fuels, natural gas and electricity and services businesses are structured as either limited liability companies that are treated as corporations or corporate entities (collectively referred to as the “Corporate Entities”) and, as such, are subject to corporate level income tax.

Suburban Energy Finance Corp., a direct 100%-owned subsidiary of the Partnership, was formed on November 26, 2003 to serve as co-issuer, jointly and severally with the Partnership, of the Partnership’s senior notes.

2. Basis of Presentation

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Partnership, the Operating Partnership and all of its direct and indirect subsidiaries. All significant intercompany transactions and account balances have been eliminated. The Partnership consolidates the results of operations, financial condition and cash flows of the Operating Partnership as a result of the Partnership’s 100% limited partner interest in the Operating Partnership.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). They include all adjustments that the Partnership considers necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed. These financial statements should be read in conjunction with the financial statements included in the Partnership’s Annual Report on Form 10-K for the fiscal year ended September 26, 2015. Due to the seasonal nature of the Partnership’s operations, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Fiscal Period. The Partnership uses a 52/53 week fiscal year which ends on the last Saturday in September. The Partnership’s fiscal quarters are generally thirteen weeks in duration. When the Partnership’s fiscal year is 53 weeks long, the corresponding fourth quarter is fourteen weeks in duration.

**Revenue Recognition.** Sales of propane, fuel oil and refined fuels are recognized at the time product is delivered to the customer. Revenue from the sale of appliances and equipment is recognized at the time of sale or when installation is complete, as applicable. Revenue from repairs, maintenance and other service activities is recognized upon completion of the service. Revenue from service contracts is recognized ratably over the service period. Revenue from the natural gas and electricity business is recognized based on customer usage as determined by meter readings for amounts delivered, some of which may be unbilled at the end of each accounting period. Revenue from annually billed tank fees is deferred at the time of billings and recognized on a straight-line basis over one year.

**Fair Value Measurements.** The Partnership measures certain of its assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants – in either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability.

The common framework for measuring fair value utilizes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

**Business Combinations.** The Partnership accounts for business combinations using the acquisition method and accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the Partnership, and the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. Identifiable intangible assets with finite lives are amortized over their useful lives. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date. The Partnership expenses all acquisition-related costs as incurred.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates have been made by management in the areas of self-insurance and litigation reserves, pension and other postretirement benefit liabilities and costs, valuation of derivative instruments, depreciation and amortization of long-lived assets, asset impairment assessments, tax valuation allowances, allowances for doubtful accounts, and purchase price allocation for acquired businesses. In October 2014 and October 2015, the Society of Actuaries (“SOA”) issued new mortality tables and a new mortality improvement scale. The Partnership uses SOA and other actuarial life expectancy information when developing the annual mortality assumptions for the pension and postretirement benefit plans, which are used to measure net periodic benefit costs and the obligation under these plans. Actual results could differ from those estimates, making it reasonably possible that a material change in these estimates could occur in the near term.

**Recently Issued Accounting Pronouncements.** In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-13, “Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). This update requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The measurement of expected credit losses is based upon historical experience, current conditions and reasonable and supportable estimates that affect the collectability of the reported amount. ASU 2016-13 is effective for the first interim period within annual reporting periods beginning after December 15, 2019, which will be the

Partnership's first quarter of fiscal year 2021. The Partnership is currently evaluating the impact that the standard will have on the Partnership's results of operations, financial position and cash flows.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). This update is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, which will be the Partnership's first quarter of fiscal year 2018. Early adoption of ASU 2016-09 is permitted. The Partnership is currently evaluating the impact that the standard will have on the Partnership's results of operations, financial position and cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases" ("ASU 2016-02"). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted

changes to lessor accounting. ASU 2016-02 is effective for the first interim period within annual reporting periods beginning after December 15, 2018, which will be the Partnership's first quarter of fiscal year 2020. Early adoption of ASU 2016-02 is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Partnership is currently evaluating the impact of adopting ASU 2016-02 on the Partnership's results of operations, financial position and cash flows.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of original issue debt discounts. ASU 2015-03 is effective for the first interim period within annual reporting periods beginning after December 15, 2015, which will be the Partnership's first quarter of fiscal year 2017. In August 2015, the FASB issued ASU No. 2015-15, which provides additional guidance related to the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. An entity may present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings. Other than the reclassification of existing unamortized debt issuance costs on the balance sheet, the adoption of ASU 2015-03 and ASU 2015-15 will have no impact on the Partnership's results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB finalized a one-year deferral of the effective date of ASU 2014-09. The revenue standard is therefore effective for the first interim period within annual reporting periods beginning after December 15, 2017, which will be the Partnership's first quarter of fiscal year 2019. Early adoption as of the original effective date is permitted. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. While the Partnership is still in the process of evaluating the potential impact of ASU 2014-09, it does not expect the adoption of ASU 2014-09 will have a material impact on the Partnership's results of operations, financial position or cash flows.

### 3. Acquisition and Disposition of Businesses

On April 22, 2016, the Operating Partnership sold certain assets and operations in a non-strategic market of its propane segment for \$26,000, including \$5,000 representing non-compete consideration that will be received over a five-year period, resulting in a gain of \$9,769 that was recognized during the third quarter of fiscal 2016. The corresponding net assets and results of operations were not material to the Partnership's results of operations, financial position and cash flows.

On December 15, 2015, the Operating Partnership acquired the assets of Propane USA Distribution, LLC ("Propane USA"), a propane marketer headquartered in Margate, Florida, and its affiliate companies, for \$45,000, including \$3,000 for non-compete consideration, plus working capital acquired. As of June 25, 2016, \$42,945 was paid, of which \$41,250 was paid at closing, and the remainder of the purchase price will be funded in accordance with the terms of the non-compete agreements. The acquisition of Propane USA was consummated pursuant to the Partnership's strategic growth initiatives and was funded entirely from cash on hand. The purchase price allocation



and results of operations of Propane USA were not material to the Partnership's consolidated financial position and statement of operations.

#### 4. Financial Instruments and Risk Management

**Cash and Cash Equivalents.** The Partnership considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short-term maturity of these instruments.

#### **Derivative Instruments and Hedging Activities.**

**Commodity Price Risk.** Given the retail nature of its operations, the Partnership maintains a certain level of priced physical inventory to help ensure its field operations have adequate supply commensurate with the time of year. The Partnership's strategy is to keep its physical inventory priced relatively close to market for its field operations. The Partnership enters into a combination of exchange-traded futures and option contracts and, in certain instances, over-the-counter options and swap contracts (collectively, "derivative instruments") to hedge price risk associated with propane and fuel oil physical inventories, as well as future purchases of propane or fuel oil used in its operations and to help ensure adequate supply during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Under this risk management strategy, realized gains or

losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold or delivered as it pertains to fixed price contracts. All of the Partnership's derivative instruments are reported on the condensed consolidated balance sheet at their fair values. In addition, in the course of normal operations, the Partnership routinely enters into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from the fair value accounting requirements and are accounted for at the time product is purchased or sold under the related contract. The Partnership does not use derivative instruments for speculative trading purposes. Market risks associated with futures, options, forward and swap contracts are monitored daily for compliance with the Partnership's Hedging and Risk Management Policy which includes volume limits for open positions. Priced on-hand inventory is also reviewed and managed daily as to exposures to changing market prices.

On the date that derivative instruments are entered into, other than those designated as normal purchases or normal sales, the Partnership makes a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or other comprehensive income ("OCI"), depending on whether the derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, the Partnership formally assesses, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are recognized in earnings immediately. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded within earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

**Interest Rate Risk.** A portion of the Partnership's borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1% or the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total leverage (the ratio of total debt to consolidated income before deducting interest expense, income taxes, depreciation and amortization ("EBITDA")). Therefore, the Partnership is subject to interest rate risk on the variable component of the interest rate. The Partnership manages part of its variable interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as, and are accounted for as, cash flow hedges. The fair value of the interest rate swaps are determined using an income approach, whereby future settlements under the swaps are converted into a single present value, with fair value being based on the value of current market expectations about those future amounts. Changes in the fair value are recognized in OCI until the hedged item is recognized in earnings. However, due to changes in the underlying interest rate environment, the corresponding value in OCI is subject to change prior to its impact on earnings.

**Valuation of Derivative Instruments.** The Partnership measures the fair value of its exchange-traded options and futures contracts using quoted market prices found on the New York Mercantile Exchange (the "NYMEX") (Level 1 inputs); the fair value of its swap contracts using quoted forward prices, and the fair value of its interest rate swaps using model-derived valuations driven by observable projected movements of the 3-month LIBOR (Level 2 inputs); and the fair value of its over-the-counter options contracts using Level 3 inputs. The Partnership's over-the-counter options contracts are valued based on an internal option model. The inputs utilized in the model are based on publicly available information as well as broker quotes. The significant unobservable inputs used in the fair value measurements of the Partnership's over-the-counter options contracts are interest rate and market volatility.

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The following summarizes the fair value of the Partnership's derivative instruments and their location in the condensed consolidated balance sheets as of June 25, 2016 and September 26, 2015, respectively:

	As of June 25, 2016		As of September 26, 2015	
	Location	Fair Value	Location	Fair Value
<b>Asset Derivatives</b>				
<b>Derivatives not designated as hedging instruments:</b>				
Commodity-related derivatives	Other current assets	\$2,223	Other current assets	\$7,013
	Other assets	1,533	Other assets	485
		\$3,756		\$7,498
<b>Liability Derivatives</b>				
<b>Derivatives designated as hedging instruments:</b>				
Interest rate swap	Other current liabilities	\$514	Other current liabilities	\$1,112
	Other liabilities	—	Other liabilities	200
		\$514		\$1,312
<b>Derivatives not designated as hedging instruments:</b>				
Commodity-related derivatives	Other current liabilities	\$2,042	Other current liabilities	\$—
	Other liabilities	480	Other liabilities	2,567
		\$2,522		\$2,567

The following summarizes the reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	Fair Value Measurement Using Significant			
	Unobservable Inputs (Level 3)			
	Nine Months Ended June 25, 2016		Nine Months Ended June 27, 2015	
	Assets	Liabilities	Assets	Liabilities
Beginning balance of over-the-counter options	\$2,781	\$ 347	\$1,512	\$ —
Beginning balance realized during the period	(2,546)	(275 )	(1,325)	—
Contracts purchased during the period	762	—	1,499	265
Change in the fair value of outstanding contracts	(234 )	(72 )	1,741	—
Ending balance of over-the-counter options	\$763	\$ —	\$3,427	\$ 265

As of June 25, 2016 and September 26, 2015, the Partnership's outstanding commodity-related derivatives had a weighted average maturity of approximately seven months, respectively.

The effect of the Partnership's derivative instruments on the condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income, as applicable, for the three and nine months ended June 25, 2016 and June 27, 2015 are as follows:

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	Three Months Ended June 25, 2016		Three Months Ended June 27, 2015	
	Gains (Losses) Reclassified		Gains (Losses) Reclassified	
	from Accumulated OCI		from Accumulated OCI	
	into		into	
	Income		Income	
	Gains		Gains	
	(Losses)		(Losses)	
Derivatives in Cash Flow	Recognized in OCI		Recognized in OCI	
	(Effective		(Effective	
Hedging Relationships	Portion)	Location	Portion)	Location
		Amount		Amount
Interest rate swap	\$(107)	Interest expense	\$(128)	Interest expense
		\$ (252 )		\$ (342 )
Derivatives Not Designated	Unrealized Gains (Losses)		Unrealized Gains (Losses)	
as Hedging Instruments	Recognized in Income		Recognized in Income	
	Location	Amount	Location	Amount
Commodity-related	Cost of		Cost of	
derivatives	products sold	\$ (56 )	products sold	\$ (37 )



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Bank Debt and Senior Notes. The fair value of the borrowings under the Revolving Credit Facility (defined below in Note 8) approximates the carrying value since the interest rates are periodically adjusted to reflect market conditions. Based upon quoted market prices (a Level 1 input), the fair value of the Senior Notes (defined below in Note 8) of the Partnership are as follows:

	As of	
	June 25, 2016	September 26, 2015
7.375% senior notes due August 1, 2021	\$360,460	\$363,922
5.5% senior notes due June 1, 2024	521,063	498,750
5.75% senior notes due March 1, 2025	248,750	241,250
	\$1,130,273	\$1,103,922

5. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a weighted average method for propane, fuel oil and refined fuels and natural gas, and a standard cost basis for appliances, which approximates average cost. Inventories consist of the following:

	As of	
	June 25, 2016	September 26, 2015
Propane, fuel oil and refined fuels and natural gas	\$38,350	\$45,918
Appliances	1,696	1,768
	\$40,046	\$47,686

## 6. Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is subject to an impairment review at a reporting unit level, on an annual basis as of the end of fiscal July of each year, or when an event occurs or circumstances change that would indicate potential impairment.

The Partnership has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Partnership determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Partnership concludes otherwise, then it is required to perform the first step of the two-step impairment test.

Under the two-step impairment test, the Partnership assesses the carrying value of goodwill at a reporting unit level based on an estimate of the fair value of the respective reporting unit. Fair value of the reporting unit is estimated using discounted cash flow analyses taking into consideration estimated cash flows in a ten-year projection period and a terminal value calculation at the end of the projection period. If the fair value of the reporting unit exceeds its carrying value, the goodwill associated with the reporting unit is not considered to be impaired. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized to the extent that the carrying amount of the associated goodwill, if any, exceeds the implied fair value of the goodwill.

The carrying values of goodwill assigned to the Partnership's operating segments are as follows:

	Propane	Fuel oil and refined fuels	Natural gas and electricity	Total
<b>Balance as of September 26, 2015</b>				
Goodwill	\$1,075,091	\$10,900	\$7,900	\$1,093,891
Accumulated adjustments	—	(6,462)	—	(6,462)
	\$1,075,091	\$4,438	\$7,900	\$1,087,429
<b>Fiscal 2016 Activity</b>				
Goodwill acquired (1)	\$14,710	\$—	\$—	\$14,710
Goodwill disposed (2)	(7,504)	—	—	(7,504)
<b>Balance as of June 25, 2016</b>				
Goodwill	\$1,082,297	\$10,900	\$7,900	\$1,101,097
Accumulated adjustments	—	(6,462)	—	(6,462)
	\$1,082,297	\$4,438	\$7,900	\$1,094,635

Other intangible assets consist of the following:

	As of June 25, 2016	September 26, 2015
Customer relationships (1) (2)	\$492,656	\$471,829
Non-compete agreements (1)	31,040	27,815

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Tradenames	3,482	3,482
Other	1,967	1,967
	529,145	505,093
Less: accumulated amortization		
Customer relationships	(212,165)	(173,823)
Non-compete agreements	(21,744 )	(19,337 )
Tradenames	(3,441 )	(3,069 )
Other	(1,143 )	(1,075 )
	(238,493)	(197,304)
	\$290,652	\$307,789

(1) Reflects the impact from the Propane USA acquisition (Note 3).

(2) Reflects the impact from the disposition of certain assets and operations in a non-strategic market of the propane segment (Note 3).



### 7. Net Income Per Common Unit

Computations of basic income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units, and vested (and unissued) restricted units granted under the Partnership's Restricted Unit Plans, as defined below, to retirement-eligible grantees. Computations of diluted income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and unissued restricted units granted under the Restricted Unit Plans. In computing diluted net income per Common Unit, weighted average units outstanding used to compute basic net income per Common Unit were increased by 179,864 and 244,689 units for the nine months ended June 25, 2016 and June 27, 2015, respectively, to reflect the potential dilutive effect of the unvested restricted units outstanding using the treasury stock method. Diluted loss per unit for the three months ended June 25, 2016 and June 27, 2015 does not include unvested Restricted Units as their effect would be anti-dilutive.

### 8. Long-Term Borrowings

Long-term borrowings consist of the following:

	As of	
	June 25, 2016	September 26, 2015
7.375% senior notes, due August 1, 2021, including		
unamortized premium of \$17,745 and \$19,927, respectively	\$363,925	\$366,107
5.5% senior notes, due June 1, 2024	525,000	525,000
5.75% senior notes, due March 1, 2025	250,000	250,000
Revolving Credit Facility, due March 3, 2021	100,000	—
Revolving Credit Facility, due January 5, 2017	—	100,000
	\$1,238,925	\$1,241,107

Senior Notes.

#### 2018 Senior Notes and 2021 Senior Notes

On August 1, 2012, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., issued \$496,557 in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the "2018 Senior Notes") and \$503,443 in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the "2021 Senior Notes") in a private placement in connection with the acquisition of the retail propane assets and operations of Inergy, L.P. ("Inergy Propane"). Based on market rates for similar issues, the 2018 Senior Notes and 2021 Senior Notes were valued at 106.875% and 108.125%, respectively, of the principal amount, on the acquisition date as they were issued in exchange for Inergy L.P.'s outstanding notes, not for cash. The 2021 Senior Notes require semi-annual interest payments in February and August. On December 19, 2012, the Partnership completed an offer to exchange its

then-outstanding unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021, respectively, that have been registered under the Securities Act of 1933, as amended.

On August 2, 2013, the Partnership repurchased, pursuant to an optional redemption, \$133,400 of its 2021 Senior Notes using net proceeds from the May 2013 public offering of Common Units and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, the Partnership repurchased \$23,863 of 2021 Senior Notes in a private transaction using cash on hand.

On May 27, 2014, the Partnership repurchased and satisfied and discharged all of its 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes, as defined below, and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, the Partnership recognized a loss on the extinguishment of debt of \$11,589 consisting of \$31,633 for the redemption premium and related fees, as well as the write-off of \$5,230 and (\$25,274) in unamortized debt origination costs and unamortized premium, respectively.

#### 2020 Senior Notes

On March 23, 2010, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$250,000 in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the "2020 Senior Notes"). The 2020 Senior Notes were issued at 99.136% of the principal amount and required semi-annual interest payments in March and September.

On February 25, 2015, the Partnership repurchased and satisfied and discharged all of its previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes, as defined below, and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, the Partnership recognized a loss on the extinguishment of debt of \$15,072 consisting of \$11,124 for the redemption premium and related fees, as well as the write-off of \$2,855 and \$1,093 in unamortized debt origination costs and unamortized discount, respectively.

#### 2024 Senior Notes

On May 27, 2014, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$525,000 in aggregate principal amount of 5.5% senior notes due June 1, 2024 (the "2024 Senior Notes"). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2018 Senior Notes.

#### 2025 Senior Notes

On February 25, 2015, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of \$250,000 in aggregate principal amount of 5.75% senior notes due March 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in March and September. The net proceeds from the issuance of the 2025 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2020 Senior Notes.

The Partnership's obligations under the 2021 Senior Notes, 2024 Senior Notes and 2025 Senior Notes (collectively, the "Senior Notes") are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Partnership is permitted to redeem some or all of the Senior Notes at redemption prices and times as specified in the indentures governing the Senior Notes. The Senior Notes each have a change of control provision that would require the Partnership to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the respective indentures, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the change of control.

Credit Agreement. On March 3, 2016 the Partnership and the Operating Partnership entered into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") that provides for a five-year \$500,000 revolving credit facility (the "Revolving Credit Facility"), of which \$100,000 was outstanding as of June 25, 2016. As of September 26, 2015, \$100,000 was outstanding under the Operating Partnership's revolving credit facility of the previous credit agreement, which was rolled into the Revolving Credit Facility of the Amended Credit Agreement. The Amended Credit Agreement amends and restates the previous credit agreement to, among other things, extend the maturity date from January 5, 2017 to March 3, 2021, reduce the borrowing rate, amend certain affirmative and negative covenants and increase the revolving credit commitments from \$400,000 to \$500,000. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. The Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity. In connection with the Amended Credit Agreement, the Partnership recognized a non-cash charge of \$292 to write-off a portion of unamortized debt origination costs of the previous credit agreement.

The Amended Credit Agreement contains certain restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, as well as certain financial covenants, including (a) requiring the Partnership's consolidated interest coverage ratio, as defined in the Amended Credit Agreement, to be not less than 2.5 to 1.0 as of

the end of any fiscal quarter and (b) prohibiting the total consolidated leverage ratio, as defined in the Amended Credit Agreement, of the Partnership from being greater than 5.5 to 1.0 as of the end of any fiscal quarter.

The Partnership acts as a guarantor with respect to the obligations of the Operating Partnership under the Amended Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the Amended Credit Agreement are secured by liens on substantially all of the personal property of the Partnership, the Operating Partnership and their subsidiaries, as well as mortgages on certain real property.

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus  $\frac{1}{2}$  of 1%, the agent bank's prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon the Partnership's ratio of total debt to EBITDA on a consolidated basis, as defined in the Revolving Credit

Facility. As of June 25, 2016, the interest rate for the Revolving Credit Facility was approximately 3.1%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the previous credit agreement, the Operating Partnership entered into an interest rate swap agreement with a notional amount of \$100,000, an effective date of June 25, 2013 and a termination date of January 5, 2017. Under this interest rate swap agreement, the Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender will pay the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

In addition, at the time the March 3, 2016 Amended Credit Agreement was entered into, the Operating Partnership had letters of credit issued under the revolving credit facility of the previous credit agreement, all of which have been rolled into the Revolving Credit Facility of the Amended Credit Agreement. As of June 25, 2016, the Partnership had standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of \$43,256 which expire periodically through April 3, 2017. Therefore, as of June 25, 2016 the Partnership had available borrowing capacity of \$356,744 under the Revolving Credit Facility.

The Amended Credit Agreement and the Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. The Partnership and the Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 25, 2016.

The aggregate amounts of long-term debt maturities subsequent to June 25, 2016 are as follows: fiscal 2016: \$-0-; fiscal 2017: \$-0-; fiscal 2018: \$-0-; fiscal 2019: \$-0-; fiscal 2020: \$-0-; and thereafter: \$1,221,180.

#### 9. Distributions of Available Cash

The Partnership makes distributions to its partners no later than 45 days after the end of each fiscal quarter in an aggregate amount equal to its Available Cash for such quarter. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of the Partnership's business, the payment of debt principal and interest and for distributions during the next four quarters.

On July 21, 2016, the Partnership announced a quarterly distribution of \$0.8875 per Common Unit, or \$3.55 per Common Unit on an annualized basis, in respect of the third quarter of fiscal 2016, payable on August 9, 2016 to holders of record on August 2, 2016.

#### 10. Unit-Based Compensation Arrangements

The Partnership recognizes compensation cost over the respective service period for employee services received in exchange for an award of equity, or equity-based compensation, based on the grant date fair value of the award. The Partnership measures liability awards under an equity-based payment arrangement based on remeasurement of the award's fair value at the conclusion of each interim and annual reporting period until the date of settlement, taking into consideration the probability that the performance conditions will be satisfied.

**Restricted Unit Plan.** On July 22, 2009, the Partnership adopted the Suburban Propane Partners, L.P. 2009 Restricted Unit Plan, as amended (the "Restricted Unit Plan"), which authorizes the issuance of Common Units to executives, managers and other employees and members of the Board of Supervisors of the Partnership. The total number of Common Units authorized for issuance under the Restricted Unit Plan was 2,400,000 as of June 25, 2016. In accordance with an August 6, 2013 amendment to the Restricted Unit Plan, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, all restricted unit awards granted after the date of the amendment will vest 33.33% on each of the first three anniversaries of the award grant date. Prior to the August 6, 2013 amendment, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, restricted units issued under the Restricted Unit Plan vest over time with 25% of the Common Units vesting at the end of each of the third and fourth anniversaries of the grant date and the remaining 50% of the Common Units vesting at the end of the fifth anniversary of the grant date. The Restricted Unit Plan participants are not eligible to receive quarterly distributions on, or vote, their respective restricted units until vested. Restricted units cannot be sold or transferred prior to vesting. The value of the restricted unit is established by the market price of the Common Unit on the date of grant, net of estimated future distributions during the vesting period. Restricted units are subject to forfeiture in certain circumstances

as defined in the Restricted Unit Plan. Compensation expense for the unvested awards is recognized ratably over the vesting periods and is net of estimated forfeitures.

During the nine months ended June 25, 2016, the Partnership awarded 307,559 restricted units under the Restricted Unit Plan at an aggregate grant date fair value of \$7,265. The following is a summary of activity for the Restricted Unit Plan for the nine months ended June 25, 2016:

	Units	Weighted Average Grant Date Fair Value Per Unit
Outstanding September 26, 2015	627,399	\$ 31.87
Awarded	307,559	23.62
Forfeited	(12,057 )	(25.44 )
Issued	(255,678)	(35.55 )
Outstanding June 25, 2016	667,223	\$ 26.77

As of June 25, 2016, unrecognized compensation cost related to unvested restricted units awarded under the Restricted Unit Plan amounted to \$5,056. Compensation cost associated with unvested awards is expected to be recognized over a weighted-average period of 0.9 years. Compensation expense recognized under the Restricted Unit Plan, net of forfeitures, for the three and nine months ended June 25, 2016 was \$1,671 and \$7,062, respectively, and \$1,654 and \$7,157 for the three and nine months ended June 27, 2015, respectively.

**Long-Term Incentive Plan.** On August 6, 2013, the Compensation Committee of the Partnership's Board of Supervisors adopted the 2014 Long-Term Incentive Plan ("LTIP"). The LTIP is a non-qualified, unfunded, long-term incentive plan for officers and key employees that provides for payment, in the form of cash, of an award of equity-based compensation at the end of a three-year performance period. The level of compensation earned under the LTIP is based on the Partnership's average distribution coverage ratio over the three-year measurement period. The Partnership's average distribution coverage ratio is calculated as the Partnership's average distributable cash flow, as defined by the LTIP, for each of the three years in the measurement period, subject to certain adjustments as set forth in the LTIP, divided by the amount of annualized cash distributions to be paid by the Partnership, based on the annualized cash distribution rate at the beginning of the measurement period.

As a result of the quarterly remeasurement of the liability for awards under the LTIP, compensation expense for the three and nine months ended June 25, 2016 reflected income of (\$671) and (\$1,401), respectively, and \$202 and \$1,956 of expense for the three and nine months ended June 27, 2015, respectively. As of June 25, 2016 and September 26, 2015, the Partnership had a liability included within accrued employment and benefit costs (or other liabilities, as applicable) of \$1,987 and \$4,860, respectively, related to estimated future payments under the LTIP.

## 11. Commitments and Contingencies

**Self-Insurance.** The Partnership is self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. As of June 25, 2016 and September 26, 2015, the Partnership had accrued insurance liabilities of \$55,956 and \$57,083, respectively, representing the total estimated losses under these self-insurance programs. For the portion of the estimated liability that exceeds insurance deductibles, the Partnership records an asset within other assets (or other current assets, as

applicable) related to the amount of the liability expected to be covered by insurance which amounted to \$14,960 and \$15,783 as of June 25, 2016 and September 26, 2015, respectively.

Legal Matters. The Partnership's operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. The Partnership has been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of its business. During the first quarter of fiscal 2016, the Partnership settled a product liability matter for \$3,000. Although any litigation is inherently uncertain, based on past experience, the information currently available to the Partnership, and the amount of its accrued insurance liabilities, the Partnership does not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on its results of operations, financial condition or cash flow.

#### 12. Guarantees

The Partnership has residual value guarantees associated with certain of its operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2023. Upon completion of the lease period, the Partnership guarantees that the fair value of the equipment will equal or exceed the guaranteed amount, or the Partnership will pay the lessor the difference. Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed



amounts, the maximum potential amount of aggregate future payments the Partnership could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, was \$14,364 as of June 25, 2016. The fair value of residual value guarantees for outstanding operating leases was de minimis as of June 25, 2016 and September 26, 2015.

### 13. Pension Plans and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

	Pension Benefits			
	Three Months Ended		Nine Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Interest cost	\$1,260	\$1,282	\$3,781	\$3,846
Expected return on plan assets	(854 )	(1,228)	(2,563)	(3,685)
Amortization of net loss (gain)	1,304	1,131	3,913	3,392
Net periodic benefit cost	\$1,710	\$1,185	\$5,131	\$3,553

	Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Interest cost	\$130	\$144	\$400	\$431
Amortization of prior service credits	(100)	(122)	(300)	(367)
Amortization of net loss (gain)	(74 )	(49 )	(223)	(147)
Net periodic benefit (income)	\$(44 )	\$(27 )	\$(123)	\$(83 )

The Partnership expects to contribute approximately \$700 to the defined benefit pension plan during fiscal 2016. The projected annual contribution requirements related to the Partnership's postretirement health care and life insurance benefit plan for fiscal 2016 is \$1,025, of which \$581 has been contributed during the nine months ended June 25, 2016.

The Partnership contributes to multi-employer pension plans ("MEPP") in accordance with various collective bargaining agreements covering union employees. As one of the many participating employers in these MEPPs, the Partnership is responsible with the other participating employers for any plan underfunding. During the third quarter of fiscal 2016, the Partnership accrued an additional \$6,600 for its voluntary full withdrawal from a MEPP. As of June 25, 2016 and September 26, 2015, the Partnership's estimated obligation to these MEPPs was \$24,503 and \$18,041, respectively. Due to the uncertainty regarding future factors that could trigger withdrawal liability, the Partnership is unable to determine the timing of the payment of the future withdrawal liability or additional future withdrawal liability, if any.



## 14. Amounts Reclassified Out of Accumulated Other Comprehensive Income

The following table summarizes amounts reclassified out of accumulated other comprehensive (loss) income for the three and nine months ended June 25, 2016 and June 27, 2015:

	Three Months		Nine Months Ended	
	Ended June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
<b>Cash Flow Hedges</b>				
Balance, beginning of period	\$(659 )	\$(1,566 )	\$(1,311 )	\$(1,540 )
Other comprehensive income before reclassifications:				
Unrealized (losses) gains	(107 )	(128 )	(47 )	(855 )
Reclassifications to earnings:				
Realized losses (a)	252	342	844	1,043
Other comprehensive income	145	214	797	188
Balance, end of period	\$(514 )	\$(1,352 )	\$(514 )	\$(1,352 )
<b>Pension Benefits</b>				
Balance, beginning of period	\$(50,227)	\$(46,773)	\$(52,836)	\$(49,034)
Reclassifications to earnings:				
Amortization of net loss (b)	1,304	1,131	3,913	3,392
Other comprehensive income	1,304	1,131	3,913	3,392
Balance, end of period	\$(48,923)	\$(45,642)	\$(48,923)	\$(45,642)
<b>Postretirement Benefits</b>				
Balance, beginning of period	\$4,915	\$4,326	\$5,264	\$4,669
Reclassifications to earnings:				
Amortization of prior service credits (b)	(100 )	(122 )	(300 )	(367 )
Amortization of net gain (b)	(74 )	(49 )	(223 )	(147 )
Other comprehensive loss	(174 )	(171 )	(523 )	(514 )
Balance, end of period	\$4,741	\$4,155	\$4,741	\$4,155
<b>Accumulated Other Comprehensive Income (Loss)</b>				
Balance, beginning of period	\$(45,971)	\$(44,013)	\$(48,883)	\$(45,905)
Other comprehensive income before reclassifications	(107 )	(128 )	(47 )	(855 )
Reclassifications to earnings	1,382	1,302	4,234	3,921
Other comprehensive income	1,275	1,174	4,187	3,066
Balance, end of period	\$(44,696)	\$(42,839)	\$(44,696)	\$(42,839)

(a) Reclassification of realized losses on cash flow hedges are recognized in interest expense.

(b) These amounts are included in the computation of net periodic benefit cost. See Note 13, "Pension Plans and Other Postretirement Benefits".

## 15. Income Taxes

For federal income tax purposes, as well as for state income tax purposes in the majority of the states in which the Partnership operates, the earnings attributable to the Partnership and the Operating Partnership are not subject to income tax at the partnership level. With the exception of those states that impose an entity-level income tax on partnerships, the taxable income or loss attributable to the Partnership, and to the Operating Partnership, which may vary substantially from the income (loss) before income taxes reported by the Partnership in the condensed consolidated statement of operations, are includable in the federal and state income tax returns of the Common Unitholders. The aggregate difference in the basis of the Partnership's net assets for financial and tax reporting purposes cannot be readily determined as the Partnership does not have access to each Common Unitholder's basis in the Partnership.

As described in Note 1, the earnings of the Corporate Entities are subject to corporate level federal and state income tax. However, based upon past performance, the Corporate Entities are currently reporting an income tax provision composed primarily of minimum state income taxes. A full valuation allowance has been provided against the deferred tax assets based upon an analysis of all available evidence, both negative and positive at the balance sheet date, which, taken as a whole, indicates that it is more likely than

not that sufficient future taxable income will not be available to utilize the assets. Management's periodic reviews include, among other things, the nature and amount of the taxable income and expense items, the expected timing of when assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considered tax-planning strategies it could use to increase the likelihood that the deferred assets will be realized.

#### 16. Segment Information

The Partnership manages and evaluates its operations in four operating segments, three of which are reportable segments: Propane, Fuel Oil and Refined Fuels, and Natural Gas and Electricity. The chief operating decision maker evaluates performance of the operating segments using a number of performance measures, including gross margins and income before interest expense and provision for income taxes (operating profit). Costs excluded from these profit measures are captured in Corporate and include corporate overhead expenses not allocated to the operating segments. Unallocated corporate overhead expenses include all costs of back office support functions that are reported as general and administrative expenses within the condensed consolidated statements of operations. In addition, certain costs associated with field operations support that are reported in operating expenses within the condensed consolidated statements of operations, including purchasing, training and safety, are not allocated to the individual operating segments. Thus, operating profit for each operating segment includes only the costs that are directly attributable to the operations of the individual segment. The accounting policies of the operating segments are otherwise the same as those described in Note 2, "Summary of Significant Accounting Policies," in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 26, 2015.

The propane segment is primarily engaged in the retail distribution of propane to residential, commercial, industrial and agricultural customers and, to a lesser extent, wholesale distribution to large industrial end users. In the residential and commercial markets, propane is used primarily for space heating, water heating, cooking and clothes drying. Industrial customers use propane generally as a motor fuel burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines, to fire furnaces and as a cutting gas. In the agricultural markets, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

The fuel oil and refined fuels segment is primarily engaged in the retail distribution of fuel oil, diesel, kerosene and gasoline to residential and commercial customers for use primarily as a source of heat in homes and buildings.

The natural gas and electricity segment is engaged in the marketing of natural gas and electricity to residential and commercial customers in the deregulated energy markets of New York and Pennsylvania. Under this operating segment, the Partnership owns the relationship with the end consumer and has agreements with the local distribution companies to deliver the natural gas or electricity from the Partnership's suppliers to the customer.

Activities in the "all other" category include the Partnership's service business, which is primarily engaged in the sale, installation and servicing of a wide variety of home comfort equipment, particularly in the areas of heating and ventilation.

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The following table presents certain data by reportable segment and provides a reconciliation of total operating segment information to the corresponding consolidated amounts for the periods presented:

	Three Months Ended		Nine Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
<b>Revenues:</b>				
Propane	\$172,322	\$181,259	\$752,013	\$1,034,525
Fuel oil and refined fuels	12,459	17,043	61,961	116,399
Natural gas and electricity	10,596	11,861	38,232	56,109
All other	9,722	10,139	32,890	35,602
Total revenues	\$205,099	\$220,302	\$885,096	\$1,242,635
<b>Operating (loss) income:</b>				
Propane	\$14,182	\$7,352	\$199,042	\$299,693
Fuel oil and refined fuels	(854 )	(662 )	7,585	10,218
Natural gas and electricity	1,969	2,349	8,665	12,564
All other	(6,014 )	(7,352 )	(18,882 )	(18,319 )
Corporate	(20,063 )	(23,521 )	(64,633 )	(78,431 )
Total operating (loss) income	(10,780 )	(21,834 )	131,777	225,725
<b>Reconciliation to net (loss) income:</b>				
Loss on debt extinguishment	—	—	292	15,072
Interest expense, net	18,638	18,933	56,383	58,643
Provision for income taxes	180	185	423	521
Net (loss) income	\$(29,598 )	\$(40,952 )	\$74,679	\$151,489
<b>Depreciation and amortization:</b>				
Propane	\$27,324	\$27,118	\$81,949	\$81,759
Fuel oil and refined fuels	673	896	2,055	2,457
Natural gas and electricity	—	2	3	6
All other	73	70	234	219
Corporate	4,218	4,644	12,835	14,147
Total depreciation and amortization	\$32,288	\$32,730	\$97,076	\$98,588

	As of	
	June 25, 2016	September 26, 2015
<b>Assets:</b>		
Propane	\$2,170,839	\$2,209,343
Fuel oil and refined fuels	53,625	58,077
Natural gas and electricity	12,640	13,253
All other	2,374	2,888
Corporate	121,907	202,169
Total assets	\$2,361,385	\$2,485,730



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

The following is a discussion of the financial condition and results of operations of the Partnership as of and for the three and nine months ended June 25, 2016. The discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended September 26, 2015.

### Executive Overview

The following are factors that regularly affect our operating results and financial condition. In addition, our business is subject to the risks and uncertainties described in Item 1A included in the Annual Report on Form 10-K for the fiscal year ended September 26, 2015.

### Product Costs and Supply

The level of profitability in the retail propane, fuel oil, natural gas and electricity businesses is largely dependent on the difference between retail sales price and our costs to acquire and transport products. The unit cost of our products, particularly propane, fuel oil and natural gas, is subject to volatility as a result of supply and demand dynamics or other market conditions, including, but not limited to, economic and political factors impacting crude oil and natural gas supply or pricing. We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. We attempt to reduce price risk by pricing product on a short-term basis. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery.

To supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to assure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions.

Changes in our costs to acquire and transport products can occur rapidly over a short period of time and can impact profitability. There is no assurance that we will be able to pass on product acquisition and transportation cost increases fully or immediately, particularly when such costs increase rapidly. Therefore, average retail sales prices can vary significantly from year to year as our costs fluctuate with the propane, fuel oil, crude oil and natural gas commodity markets and infrastructure conditions. In addition, periods of sustained higher commodity and/or transportation prices can lead to customer conservation, resulting in reduced demand for our product.

### Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because these fuels are primarily used for heating in residential and commercial buildings. Historically, approximately two thirds of our retail propane volume is sold during the six-month peak heating season from October through March. The fuel oil business tends to experience greater seasonality given its more limited use for space heating and approximately three-fourths of our fuel oil volumes are sold between October and March. Consequently, sales and operating profits are concentrated in our first and second fiscal quarters. Cash flows from operations, therefore, are greatest during the second and third fiscal quarters when customers pay for product purchased during the winter heating season. We expect lower operating profits and either net losses or lower net income during the period from April through September (our third and fourth fiscal quarters). To the extent necessary, we will reserve cash from the second and third quarters for distribution to holders of our Common Units in the fourth quarter and the



following fiscal year first quarter.

#### Weather

Weather conditions have a significant impact on the demand for our products, in particular propane, fuel oil and natural gas, for both heating and agricultural purposes. Many of our customers rely heavily on propane, fuel oil or natural gas as a heating source. Accordingly, the volume sold is directly affected by the severity of the winter weather in our service areas, which can vary substantially from year to year. In any given area, sustained warmer than normal temperatures will tend to result in reduced propane, fuel oil and natural gas consumption, while sustained colder than normal temperatures will tend to result in greater consumption.

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### Hedging and Risk Management Activities

We engage in hedging and risk management activities to reduce the effect of price volatility on our product costs and to ensure the availability of product during periods of short supply. We enter into propane forward, options and swap agreements with third parties, and use futures and options contracts traded on the New York Mercantile Exchange (“NYMEX”) to purchase and sell propane, fuel oil and crude oil at fixed prices in the future. The majority of the futures, forward and options agreements are used to hedge price risk associated with propane and fuel oil physical inventory, as well as, in certain instances, forecasted purchases of propane or fuel oil. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of our exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Forward contracts are generally settled physically at the expiration of the contract whereas futures, options and swap contracts are generally settled at the expiration of the contract through a net settlement mechanism. Although we use derivative instruments to reduce the effect of price volatility associated with priced physical inventory and forecasted transactions, we do not use derivative instruments for speculative trading purposes. Risk management activities are monitored by an internal Commodity Risk Management Committee, made up of six members of management and reporting to the Audit Committee of our Board of Supervisors, through enforcement of our Hedging and Risk Management Policy.

### Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 2, “Summary of Significant Accounting Policies,” included within the Notes to Consolidated Financial Statements section of our Annual Report on Form 10-K for the fiscal year ended September 26, 2015.

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring management to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results. Estimates are used when accounting for depreciation and amortization of long-lived assets, employee benefit plans, self-insurance and litigation reserves, environmental reserves, allowances for doubtful accounts, asset valuation assessments and valuation of derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known to us. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Supervisors.

### Results of Operations and Financial Condition

Consistent with the seasonal nature of the propane and fuel oil businesses, we typically experience a net loss in the third quarter of our fiscal year. Net loss for the third quarter of fiscal 2016 was \$29.6 million, or \$0.49 per Common Unit, compared to a net loss of \$41.0 million, or \$0.67 per Common Unit, in the prior year third quarter.

Net loss and earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the third quarter of fiscal 2016 included a \$9.8 million gain from the sale of certain assets and operations in a non-strategic market of the propane segment; partially offset by a \$6.6 million charge related to our voluntary full withdrawal from a multi-employer pension plan covering certain employees acquired in the 2012 Inergy Propane acquisition. Net loss and EBITDA for the third quarter of fiscal 2015 included expenses of \$1.1 million related to the integration of Inergy

Propane. Excluding the effects of the foregoing items and unrealized (non-cash) mark-to-market adjustments on derivative instruments in both years, Adjusted EBITDA (as defined and reconciled below) amounted to \$18.4 million for the third quarter of fiscal 2016, compared to Adjusted EBITDA of \$12.1 million in the prior year third quarter.

Retail propane gallons sold of 80.2 million gallons in the third quarter of fiscal 2016 increased 2.6 million gallons, or 3.4%, compared to the prior year third quarter. Sales of fuel oil and other refined fuels of 5.8 million gallons in the third quarter of fiscal 2016 decreased 0.4 million gallons compared to the prior year third quarter. Although weather during the third quarter typically has less of an impact on volumes sold than it does during the heating season, volumes for the third quarter of fiscal 2016 benefitted from cooler average temperatures compared to the prior year third quarter. From an overall weather perspective, average temperatures across all of our service territories (as measured by heating degree days) for the third quarter of fiscal 2016 were 9% warmer than normal and 7% cooler than the prior year third quarter, according to the National Oceanic and Atmospheric Administration.

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Revenues of \$205.1 million for the third quarter of fiscal 2016 decreased \$15.2 million, or 6.9%, compared to the prior year third quarter, primarily due to lower average selling prices, offset to an extent by higher volumes sold. Average posted propane prices (basis Mont Belvieu, Texas) and fuel oil prices were 5.0% higher and 26.7% lower than the prior year third quarter, respectively. Cost of products sold for the third quarter of fiscal 2016 of \$75.5 million decreased \$18.7 million, or 19.9%, compared to \$94.2 million in the prior year third quarter, primarily due to lower average costs of inventory coming into the quarter. Cost of products sold for the third quarter of fiscal 2016 included a \$0.1 million unrealized (non-cash) loss attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to a nominal unrealized (non-cash) loss in the prior year third quarter. These unrealized losses are excluded from Adjusted EBITDA for both periods in the table below.

Combined operating and general and administrative expenses of \$117.9 million for the third quarter of fiscal 2016 were \$2.7 million, or 2.3%, higher than the prior year third quarter. Excluding the impact of the items discussed above in the computation of Adjusted EBITDA from both periods, combined operating and general and administrative expenses decreased \$2.8 million, or 2.5%, compared to the prior year third quarter. The savings were due to lower payroll and benefit related expenses attributable to a lower headcount and lower vehicle expenses stemming from a reduction in the quantity of vehicles in use.

On July 21, 2016, the Partnership's Board of Supervisors declared a quarterly distribution of \$0.8875 per Common Unit for the three months ended June 25, 2016. On an annualized basis, this distribution rate equates to \$3.55 per Common Unit. The distribution is payable on August 9, 2016 to Common Unitholders of record as of August 2, 2016.

From a liquidity perspective, we funded all of our working capital needs and the acquisition of Propane USA from cash on hand without the need to borrow under our revolving credit facility during the first nine months of fiscal 2016. Our anticipated cash requirements for the remainder of fiscal 2016 include: (i) maintenance and growth capital expenditures of approximately \$9.7 million; (ii) interest and income tax payments of approximately \$21.7 million; and (iii) cash distributions of approximately \$53.9 million to our Common Unitholders based on the current quarterly distribution rate of \$0.8875 per Common Unit. Based on our current cash position of \$67.4 million as of June 25, 2016, availability of funds under our Revolving Credit facility and expected cash flow from operating activities, we expect to have sufficient funds to meet our current and future obligations.

Three Months Ended June 25, 2016 Compared to Three Months Ended June 27, 2015

Revenues

(Dollars and gallons in thousands)	Three Months Ended			Percent	
	June 25, 2016	June 27, 2015	Increase (Decrease)	Increase (Decrease)	
<b>Revenues</b>					
Propane	\$172,322	\$181,259	\$(8,937)	(4.9)	%
Fuel oil and refined fuels	12,459	17,043	(4,584)	(26.9)	%
Natural gas and electricity	10,596	11,861	(1,265)	(10.7)	%
All other	9,722	10,139	(417)	(4.1)	%
Total revenues	\$205,099	\$220,302	\$(15,203)	(6.9)	%
<b>Retail gallons sold</b>					
Propane	80,184	77,633	2,551	3.4	%
Fuel oil and refined fuels	5,771	6,181	(410)	(6.6)	%

Total revenues decreased \$15.2 million, or 6.9%, to \$205.1 million for the third quarter of fiscal 2016 compared to \$220.3 million for the prior year third quarter primarily due to lower average selling prices, partially offset by higher propane volumes sold. Following the warmest winter on record for the contiguous United States, the third quarter of

fiscal 2016 was characterized by cooler spring temperatures, particularly in the month of May in our northeast service territories. Average temperatures across all of our service territories for the third quarter of fiscal 2016 were 9% warmer than normal and 7% cooler than the prior year third quarter.

Revenues from the distribution of propane and related activities of \$172.3 million decreased \$8.9 million, or 4.9%, compared to the prior year third quarter primarily due to lower average retail selling prices, offset to an extent by higher retail propane volumes sold. Average propane selling prices decreased 5.2% primarily due to the lower wholesale propane price environment coming into the third quarter of fiscal 2016 compared to wholesale propane prices coming into the third quarter of fiscal 2015, resulting in an \$8.7 million decrease in revenues. Retail propane gallons sold increased 2.6 million gallons, or 3.4%, resulting in a \$5.3 million increase in revenues. Included within the propane segment are revenues from other propane activities of \$14.4 million, which decreased \$5.5 million.

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Revenues from the distribution of fuel oil and refined fuels of \$12.5 million decreased \$4.6 million, or 26.9%, compared to the prior year third quarter primarily due to lower average selling prices and lower volumes sold. Average selling prices in our fuel oil and refined fuels segment decreased 21.7% due to lower wholesale product costs, resulting in a \$3.5 million decrease in revenues. Fuel oil and refined fuels gallons sold decreased 0.4 million gallons, or 6.6%, resulting in a \$1.1 million decrease in revenues.

Revenues in our natural gas and electricity segment of \$10.6 million decreased \$1.3 million, or 10.7%, compared to the prior year third quarter, primarily due to lower average selling prices, offset to an extent by higher electricity usage.

Cost of Products Sold

(Dollars in thousands)	Three Months Ended		Decrease	Percent Decrease
	June 25, 2016	June 27, 2015		
<b>Cost of products sold</b>				
Propane	\$58,114	\$71,264	\$(13,150)	(18.5)%
Fuel oil and refined fuels	8,460	12,466	(4,006)	(32.1)%
Natural gas and electricity	6,197	7,130	(933)	(13.1)%
All other	2,726	3,338	(612)	(18.3)%
Total cost of products sold	\$75,497	\$94,198	\$(18,701)	(19.9)%
As a percent of total revenues	36.8%	42.8%		

The cost of products sold reported in the condensed consolidated statements of operations represents the weighted average unit cost of propane, fuel oil and refined fuels, and natural gas and electricity sold, including transportation costs to deliver product from our supply points to storage or to our customer service centers. Cost of products sold also includes the cost of appliances and related parts sold or installed by our customer service centers computed on a basis that approximates the average cost of the products.

Given the retail nature of our operations, we maintain a certain level of priced physical inventory to help ensure that our field operations have adequate supply commensurate with the time of year. Our strategy has been, and will continue to be, to keep our physical inventory priced relatively close to market for our field operations. Consistent with past practices, we principally utilize futures and/or options contracts traded on the NYMEX to mitigate the price risk associated with our priced physical inventory. Under this risk management strategy, realized gains or losses on futures or options contracts, which are reported in cost of products sold, will typically offset losses or gains on the physical inventory once the product is sold (which may or may not occur in the same accounting period). We do not use futures or options contracts, or other derivative instruments, for speculative trading purposes. Unrealized (non-cash) gains or losses from changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded within cost of products sold. Cost of products sold excludes depreciation and amortization; these amounts are reported separately within the condensed consolidated statements of operations.

In the commodities markets, posted propane prices (basis Mont Belvieu, Texas) continued to rally during most of the third quarter of fiscal 2016, with prices of \$0.44 per gallon at the beginning of the third quarter, reaching a high of \$0.57 per gallon midway through May and settling at \$0.52 per gallon at the end of the third quarter. Overall, average posted propane and fuel oil prices were 5.0% higher and 26.7% lower than the prior year third quarter, respectively. Compared to the second quarter of fiscal 2016, average posted propane and fuel oil prices increased 26.9% and 28.8%, respectively. The net change in the fair value of derivative instruments resulted in de minimis unrealized (non-cash) losses in the third quarter of 2016 and 2015.

Cost of products sold associated with the distribution of propane and related activities of \$58.1 million decreased \$13.2 million, or 18.5%, compared to the prior year third quarter, primarily due to lower average inventory costs coming into the third quarter, partially offset by higher volumes sold. The lower average propane inventory costs at the beginning of the third quarter resulted in a decrease of \$8.8 million in cost of products sold, while higher volumes sold resulted in an increase of \$2.0 million compared to the prior year third quarter. Cost of products sold from other propane activities decreased \$6.4 million compared to the prior year third quarter.

Cost of products sold associated with our fuel oil and refined fuels segment of \$8.5 million decreased \$4.0 million, or 32.1%, compared to the prior year third quarter. Lower fuel oil and refined fuels wholesale costs and volumes sold resulted in decreases of \$3.5 million and \$0.5 million, respectively, compared to the prior year third quarter.

Cost of products sold in our natural gas and electricity segment of \$6.2 million decreased \$0.9 million, or 13.1%, compared to the prior year third quarter, primarily due to lower wholesale costs, which were only partially offset by higher electricity usage.

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Total cost of products sold as a percent of total revenues decreased 6.0 percentage points to 36.8% from 42.8% primarily due to the year-over-year decline in wholesale propane costs (primarily attributable to lower average propane inventory costs at the beginning of the third quarter of fiscal 2016 compared to the beginning of the third quarter of fiscal 2015) outpacing the year-over-year decline in average propane selling prices.

### Operating Expenses

(Dollars in thousands)	Three Months Ended		Percent	
	June 25, 2016	June 27, 2015	Increase	Increase
Operating expenses	\$103,316	\$100,168	\$ 3,148	3.1 %
As a percent of total revenues	50.4 %	45.5 %		

All costs of operating our retail distribution and appliance sales and service operations are reported within operating expenses in the condensed consolidated statements of operations. These operating expenses include the compensation and benefits of field and direct operating support personnel, costs of operating and maintaining our vehicle fleet, overhead and other costs of our purchasing, training and safety departments and other direct and indirect costs of operating our customer service centers.

Operating expenses of \$103.3 million for the third quarter of fiscal 2016 increased \$3.1 million, or 3.1%, compared to \$100.2 million in the prior year third quarter, primarily due to a \$6.6 million accrual for our voluntary full withdrawal from a multi-employer pension plan and accrued employee severance resulting from headcount reductions associated with certain rationalization activities; partially offset by savings due to lower payroll and benefit related expenses attributable to lower headcount and lower vehicle expenses stemming from a reduced vehicle count and lower fuel costs to operate our fleet. Operating expenses for the third quarter of fiscal 2015 included expenses of \$0.8 million associated with the integration of the Inergy Propane operations. The aforementioned multi-employer pension plan withdrawal charge in fiscal 2016 and integration-related expenses in fiscal 2015 were excluded from our calculation of Adjusted EBITDA below. Therefore, excluding the impact of these items from both periods, operating expenses decreased \$2.6 million, or 2.7%, compared to the prior year third quarter.

### General and Administrative Expenses

(Dollars in thousands)	Three Months Ended		Percent	
	June 25, 2016	June 27, 2015	Decrease	Decrease
General and administrative expenses	\$14,547	\$15,040	\$ (493 )	(3.3 )%
As a percent of total revenues	7.1 %	6.8 %		

All costs of our back office support functions, including compensation and benefits for executives and other support functions, as well as other costs and expenses to maintain finance and accounting, treasury, legal, human resources, corporate development and the information systems functions are reported within general and administrative expenses in the condensed consolidated statements of operations.

General and administrative expenses of \$14.5 million for the third quarter of fiscal 2016 decreased \$0.5 million, or 3.3%, compared to the prior year third quarter primarily due to lower variable compensation associated with lower earnings. General and administrative expenses for the third quarter of fiscal 2015 included \$0.3 million of professional services and other expenses associated with the integration of Inergy Propane. This item was excluded from our calculation of Adjusted EBITDA below.



## Depreciation and Amortization

(Dollars in thousands)	Three Months		Decrease	Percent Decrease
	Ended June 25, 2016	June 27, 2015		
Depreciation and amortization	\$32,288	\$32,730	\$ (442 )	(1.4 )%
As a percent of total revenues	15.7 %	14.9 %		

Depreciation and amortization expense of \$32.3 million in the third quarter of fiscal 2016 was essentially flat to the prior year third quarter.

## Interest Expense, net

(Dollars in thousands)	Three Months Ended		Decrease	Percent Decrease
	June 25, 2016	June 27, 2015		
Interest expense, net	\$18,638	\$18,933	\$ (295 )	(1.6 )%
As a percent of total revenues	9.1 %	8.6 %		

Net interest expense of \$18.6 million decreased \$0.3 million, or 1.6%, primarily due to savings from the refinancing of our revolving credit facility during the second quarter of fiscal 2016. See Liquidity and Capital Resources below for additional discussion.

## Gain on Sale of Business

On April 22, 2016, we sold certain assets and operations in a non-strategic market of the propane segment for \$26.0 million, including \$5.0 million of non-compete consideration that will be received over a five-year period, resulting in a gain of \$9.8 million that was recognized during the third quarter of fiscal 2016. The corresponding net assets and results of operations were not material to our results of operations, financial position and cash flows.

## EBITDA and Adjusted EBITDA

EBITDA represents net income before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and other items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as supplemental measures of operating performance and we are including them because we believe that they provide our investors and industry analysts with additional information that we determined is useful to evaluate our operating results. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies.

The following table sets forth our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Three Months Ended	
	June 25, 2016	June 27, 2015
Net loss	\$(29,598)	\$(40,952)
Add:		
Provision for income taxes	180	185
Interest expense, net	18,638	18,933
Depreciation and amortization	32,288	32,730
EBITDA	21,508	10,896
Gain on sale of business	(9,769 )	—
Multi-employer pension plan withdrawal charge	6,600	—
Unrealized (non-cash) losses on changes in fair value	56	37

of derivatives		
Integration-related costs	—	1,134
Adjusted EBITDA	\$ 18,395	\$ 12,067

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Nine Months Ended June 25, 2016 Compared to Nine Months Ended June 27, 2015

Revenues

(Dollars and gallons in thousands)	Nine Months Ended		Decrease	Percent Decrease
	June 25, 2016	June 27, 2015		
<b>Revenues</b>				
Propane	\$752,013	\$1,034,525	\$(282,512)	(27.3)%
Fuel oil and refined fuels	61,961	116,399	(54,438)	(46.8)%
Natural gas and electricity	38,232	56,109	(17,877)	(31.9)%
All other	32,890	35,602	(2,712)	(7.6)%
Total revenues	\$885,096	\$1,242,635	\$(357,539)	(28.8)%
<b>Retail gallons sold</b>				
Propane	351,545	411,857	(60,312)	(14.6)%
Fuel oil and refined fuels	27,632	37,340	(9,708)	(26.0)%

Total revenues decreased \$357.5 million, or 28.8%, to \$885.1 million for the first nine months of fiscal 2016 compared to \$1,242.6 million for the prior year period, primarily due to lower volumes sold driven by record warm temperatures experienced during the fiscal 2016 heating season, combined with lower average selling prices. Average temperatures (as measured in heating degree days) across all of our service territories for the first nine months of fiscal 2016 were 17% warmer than normal and 16% warmer than the comparable prior year period. During the heating season (October through March), average temperatures were 18% warmer than normal and 19% warmer than the comparable prior year period. The unseasonably warm weather was persistent as temperatures were warmer than both normal and the prior year throughout the heating season in nearly all of our service territories. On a year-to-date basis, the only service territories that experienced favorable weather compared to the prior year period were certain portions of our west coast operations (although temperatures were still 14% warmer than normal), which helped contribute to a 10% year-over-year increase in sales volumes in those territories.

Revenues from the distribution of propane and related activities of \$752.0 million decreased \$282.5 million, or 27.3%, primarily due to lower retail propane volumes sold and lower average retail selling prices. Retail propane gallons sold decreased 60.3 million gallons, or 14.6%, resulting in a \$142.7 million decrease in revenues. Average propane selling prices decreased 15.2% associated with lower wholesale propane costs, resulting in a \$126.3 million decrease in revenues. Included within the propane segment are revenues from other propane activities of \$46.3 million, which decreased \$13.5 million.

Revenues from the distribution of fuel oil and refined fuels of \$62.0 million decreased \$54.4 million, or 46.8%, primarily due to lower volumes sold and lower average selling prices. Fuel oil and refined fuels gallons sold decreased 9.7 million gallons, or 26.0%, resulting in a \$30.2 million decrease in revenues. The decrease in volumes sold was primarily due to the impact of the record warm weather discussed above, particularly in the northeast region of the country in which the majority of our fuel oil customers reside. Average selling prices in our fuel oil and refined fuels segment decreased 28.1%, resulting in a \$24.2 million decrease in revenues.

Revenues in our natural gas and electricity segment of \$38.2 million decreased \$17.9 million, or 31.9%, primarily due to lower natural gas volumes sold driven by the record warm weather discussed above and lower average selling prices.

Cost of Products Sold

(Dollars in thousands)	Nine Months Ended		Decrease	Percent Decrease
	June 25, 2016	June 27, 2015		
Cost of products sold				
Propane	\$234,287	\$404,018	\$(169,731)	(42.0)%
Fuel oil and refined fuels	38,065	84,509	(46,444)	(55.0)%
Natural gas and electricity	22,486	35,696	(13,210)	(37.0)%
All other	10,174	11,563	(1,389)	(12.0)%
Total cost of products sold	\$305,012	\$535,786	\$(230,774)	(43.1)%
As a percent of total revenues	34.5%	43.1%		

In the commodities markets, posted propane prices (basis Mont Belvieu, Texas) were considerably lower than in the comparable prior year period primarily as a result of the decline in propane prices during fiscal 2015 and into the second quarter of fiscal 2016. Overall, average posted propane and fuel oil prices were 26.2% and 36.3% lower than the first nine months of the prior year,

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respectively. The net change in the fair value of derivative instruments during the period resulted in a \$2.0 million unrealized (non-cash) loss compared to an unrealized (non-cash) gain of \$2.0 million in the first nine months of fiscal 2015, resulting in an increase of \$4.0 million in cost of products sold compared to the prior year, of which \$3.4 million was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of \$234.3 million decreased \$169.7 million, or 42.0%, primarily due to lower average wholesale costs and lower volumes sold, which resulted in decreases of \$106.6 million and \$57.7 million, respectively, compared to the prior year. Cost of products sold from other propane activities decreased \$8.8 million compared to the prior year.

Cost of products sold associated with our fuel oil and refined fuels segment of \$38.1 million decreased \$46.4 million, or 55.0%. Lower fuel oil and refined fuels wholesale costs and lower volumes sold resulted in decreases of \$23.0 million and \$22.0 million, respectively. Cost of products sold from other fuel oil and refined fuels activities decreased \$2.0 million compared to the prior year.

Cost of products sold in our natural gas and electricity segment of \$22.5 million decreased \$13.2 million, or 37.0%, primarily due to lower wholesale costs and lower volumes sold.

Total cost of products sold as a percent of total revenues decreased 8.6 percentage points to 34.5% from 43.1% primarily due to the year-over-year decline in wholesale propane costs outpacing the year-over-year decline in average propane selling prices.

#### Operating Expenses

(Dollars in thousands)	Nine Months Ended		Percent	
	June 25, 2016	June 27, 2015	Decrease	Decrease
Operating expenses	\$315,747	\$327,750	\$(12,003)	(3.7)%
As a percent of total revenues	35.7%	26.4%		

Operating expenses of \$315.7 million for the first nine months of fiscal 2016 decreased \$12.0 million, or 3.7%, compared to \$327.7 million in the prior year period, primarily due to lower payroll and benefit-related expenses attributable to reduced headcount, lower variable compensation associated with lower earnings, lower vehicle expenses due to reduced vehicle count and lower fuel costs to operate our fleet; offset to an extent by a \$6.6 million accrual for our voluntary full withdrawal from a multi-employer pension plan and accrued employee severance resulting from certain rationalization activities. In addition, operating expenses for the first nine months of fiscal 2016 included a charge of \$3.0 million related to the settlement of a product liability legal matter, while the first nine months of the prior year included expenses of \$3.8 million associated with the integration of the Inergy Propane operations. These items, along with the aforementioned multi-employer pension plan withdrawal charge, were excluded from our calculation of Adjusted EBITDA below. Therefore, excluding the impact of these items from both periods, operating expenses for the first nine months of fiscal 2016 decreased \$17.8 million, or 5.5%, compared to the prior year period.

#### General and Administrative Expenses

(Dollars in thousands)	Nine Months Ended		Percent	
	June 25, 2016	June 27, 2015	Decrease	Decrease

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General and administrative expenses	\$45,253	\$54,786	\$ (9,533 )	(17.4 %)
As a percent of total revenues	5.1 %	4.4 %		

General and administrative expenses of \$45.3 million for the first nine months of fiscal 2016 decreased \$9.5 million, or 17.4%, compared to the prior year period, primarily due to lower variable compensation associated with lower earnings and lower professional services fees as the prior year included accruals for an uninsured legal matter. General and administrative expenses for the first nine months of fiscal 2015 included \$1.3 million of professional services and other expenses associated with the integration of Inergy Propane. This item was excluded from our calculation of Adjusted EBITDA below.

Depreciation and Amortization

(Dollars in thousands)	Nine Months Ended			Percent	
	June 25, 2016	June 27, 2015	Decrease	Decrease	
Depreciation and amortization	\$97,076	\$98,588	\$ (1,512 )	(1.5 %)	
As a percent of total revenues	11.0 %	7.9 %			

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Depreciation and amortization expense of \$97.1 million for the first nine months of fiscal 2016 decreased \$1.5 million, primarily as a result of accelerated depreciation expense recorded in the prior year for assets taken out of service from integration activities.

### Interest Expense, net

(Dollars in thousands)	Nine Months Ended		Percent	
	June 25, 2016	June 27, 2015	Decrease	Decrease
Interest expense, net	\$56,383	\$58,643	\$ (2,260 )	(3.9 )%
As a percent of total revenues	6.4 %	4.7 %		

Net interest expense of \$56.4 million decreased \$2.3 million, or 3.9%, compared to the prior year period, primarily due to the refinancing of \$250.0 million of 7.375% Senior Notes due 2020 with \$250.0 million of 5.75% Senior Notes due 2025 in the second quarter of fiscal 2015. See Liquidity and Capital Resources below for additional discussion.

### Gain on Sale of Business

On April 22, 2016, we sold certain assets and operations in a non-strategic market of the propane segment for \$26.0 million, including \$5.0 million of non-compete consideration that will be received over a five-year period, resulting in a gain of \$9.8 million that was recognized during the third quarter of fiscal 2016. The corresponding net assets and results of operations were not material to our results of operations, financial position and cash flows.

### Loss on Debt Extinguishment

In connection with the execution of the amendment and restatement of our previous revolving credit facility during the second quarter of fiscal 2016, we recognized a non-cash charge of \$0.3 million to write-off a portion of unamortized debt origination costs.

On February 25, 2015, we repurchased and satisfied and discharged all of our previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes and cash on hand, pursuant to a tender offer and redemption. In connection with this tender offer and redemption during the second quarter of fiscal 2015, we recognized a loss on the extinguishment of debt of \$15.1 million, consisting of \$11.1 million for the redemption premium and related fees, as well as the write-off of \$2.9 million and \$1.1 million in unamortized debt origination costs and unamortized discount, respectively.

### EBITDA and Adjusted EBITDA

The following table sets forth our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Nine Months Ended	
	June 25, 2016	June 27, 2015
Net income	\$74,679	\$151,489
Add:		
Provision for income taxes	423	521
Interest expense, net	56,383	58,643
Depreciation and amortization	97,076	98,588



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EBITDA	228,561	309,241
Gain on sale of business	(9,769 )	—
Multi-employer pension plan withdrawal charge	6,600	—
Product liability settlement	3,000	—
Unrealized (non-cash) losses (gains) on changes in fair value of		
derivatives	2,005	(2,035 )
Loss on debt extinguishment	292	15,072
Integration-related costs	—	5,110
Adjusted EBITDA	\$230,689	\$327,388

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## Liquidity and Capital Resources

### Analysis of Cash Flows

**Operating Activities.** Net cash provided by operating activities for the first nine months of fiscal 2016 and fiscal 2015 was \$128.7 million and \$259.1 million, respectively. The decrease in net cash provided by operating activities was primarily attributable to lower earnings (discussed above) coupled with a lower amount of working capital realized as a result of a lower level of working capital at the beginning of fiscal 2016 compared to the beginning of fiscal 2015. The decline in the amount of working capital was due to the impact of the steep decline in wholesale product costs on our accounts receivable and inventory in fiscal 2015.

**Investing Activities.** Net cash used in investing activities of \$49.4 million for the first nine months of fiscal 2016 consisted of \$42.9 million for the acquisition of Propane USA and capital expenditures of \$32.3 million (including approximately \$18.6 million to support the growth of operations and \$13.7 million for maintenance expenditures); partially offset by \$21.2 million in proceeds from the sale of assets and operations in a non-strategic market and \$4.7 million in net proceeds from the sale of other property, plant and equipment.

Net cash used in investing activities of \$30.0 million for the first nine months of fiscal 2015 consisted of capital expenditures of \$31.0 million (including approximately \$16.4 million to support the growth of operations and \$14.6 million for maintenance expenditures) and \$6.5 million for the acquisition of a business; partially offset by \$7.5 million in net proceeds from the sale of property, plant and equipment.

**Financing Activities.** Net cash used in financing activities for the first nine months of fiscal 2016 of \$164.3 million reflects the quarterly distributions to Common Unitholders at a rate of \$0.8875 per Common Unit paid in respect of the fourth quarter of fiscal 2015 and first and second quarters of fiscal 2016. Upon the execution of the amendment and restatement of our credit agreement on March 3, 2016, we rolled the \$100.0 million then-outstanding under the revolving credit facility of the previous credit agreement into the revolving credit facility of the new second amended and restated credit agreement. This resulted in the repayment of the \$100.0 million then-outstanding under the revolving credit facility of the previous credit agreement with proceeds from borrowings under the revolving credit facility of the new credit agreement. Financing activities for the first nine months of fiscal 2016 also reflects the payment of \$2.7 million in debt origination costs associated with the refinancing of the credit agreement.

Net cash used in financing activities for the first nine months of fiscal 2015 of \$174.8 million reflects \$159.4 million in quarterly distribution to Common Unitholders at a rate of \$0.8750 per Common Unit paid in respect of the fourth quarter of fiscal 2014 and first quarter of fiscal 2015, and at a rate of \$0.8875 per Common Unit paid in respect of the second quarter of fiscal 2015. In addition, cash used in financing activities included proceeds of \$250.0 million from the issuance of the 2025 Senior Notes in February 2015. The net proceeds from the 2025 Senior Notes offering were used, along with cash on hand, to repurchase and satisfy and discharge all of the previously outstanding 2020 Senior Notes, as well as to pay tender premiums and other related fees of \$11.1 million and debt issuance costs of \$4.6 million, pursuant to a tender offer and redemption.

### Summary of Long-Term Debt Obligations and Revolving Credit Lines

As of June 25, 2016, our long-term debt consisted of \$346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021 (excluding unamortized premium of \$17.7 million), \$525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024, \$250.0 million in aggregate principal amount of 5.75% senior notes due March 1, 2025 and \$100.0 million outstanding under our senior secured Revolving Credit Facility. See Item 1, Note 8 of this Quarterly Report.

The aggregate amounts of long-term debt maturities subsequent to June 25, 2016 are as follows: fiscal 2016: \$-0-; fiscal 2017: \$-0- million; fiscal 2018: \$-0-; fiscal 2019: \$-0-; fiscal 2020: \$-0-; and thereafter: \$1,221.2 million.

## Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in our Third Amended and Restated Partnership Agreement, as amended (the “Partnership Agreement”), no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of our business, the payment of debt principal and interest and for distributions during the next four quarters. The Board of Supervisors reviews the level of Available Cash on a quarterly basis based upon information provided by management.

On July 21, 2016, we announced a quarterly distribution of \$0.8875 per Common Unit, or \$3.55 on an annualized basis, in respect of the third quarter of fiscal 2016, payable on August 9, 2016 to holders of record on August 2, 2016.

#### Other Commitments

We have a noncontributory, cash balance format, defined benefit pension plan which was frozen to new participants effective January 1, 2000. Effective January 1, 2003, the defined benefit pension plan was amended such that future service credits ceased and eligible employees would receive interest credits only toward their ultimate retirement benefit. We also provide postretirement health care and life insurance benefits for certain retired employees under a plan that was also frozen to new participants effective January 1, 2000. At June 25, 2016, we had a liability for the defined benefit pension plan and accrued retiree health and life benefits of \$43.8 million and \$17.5 million, respectively.

We are self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. At June 25, 2016, we had accrued insurance liabilities of \$56.0 million, and an insurance recovery asset of \$15.0 million related to the amount of the liability expected to be covered by insurance.

#### Legal Matters

See Item 1, Note 11, Legal Matters subsection of this Quarterly Report.

#### Off-Balance Sheet Arrangements

#### Guarantees

See Item 1, Note 12 of this Quarterly Report.

#### Recently Issued Accounting Pronouncements.

See Item 1, Note 2, Recently Issued Accounting Pronouncements subsection of this Quarterly Report.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Commodity Price Risk

We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery. In addition, to supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to ensure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions. In certain instances, and when market conditions are favorable, we are able to purchase product under our supply arrangements at a discount to the market.

Product cost changes can occur rapidly over a short period of time and can impact profitability. We attempt to reduce commodity price risk by pricing product on a short-term basis. The level of priced, physical product maintained in storage facilities and at our customer service centers for immediate sale to our customers will vary depending on several factors, including, but not limited to, price, supply and demand dynamics for a given time of the year. Typically, our on hand priced position does not exceed more than four to eight weeks of our supply needs,

depending on the time of the year. In the course of normal operations, we routinely enter into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that, under accounting rules for derivative instruments and hedging activities, qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from fair value accounting and are accounted for at the time product is purchased or sold under the related contract.

Under our hedging and risk management strategies, we enter into a combination of exchange-traded futures and options contracts and, in certain instances, over-the-counter options and swap contracts (collectively, “derivative instruments”) to manage the price risk associated with physical product and with future purchases of the commodities used in our operations, principally propane and fuel oil, as well as to help ensure the availability of product during periods of high demand. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. We do not use derivative instruments for speculative or trading purposes. Futures and swap contracts require that we sell or acquire propane or fuel oil at a fixed price for delivery at fixed future dates. An option contract allows, but does not require, its holder to buy or sell propane or fuel oil at a specified price during a specified time period. However, the writer of an option contract must fulfill the obligation of the option contract, should the holder choose to exercise the option. At expiration, the contracts are settled by the delivery of the product to the respective party or are settled by the payment of a net amount equal to the difference between the then market price and the fixed contract price or option exercise price. To the extent

that we utilize derivative instruments to manage exposure to commodity price risk and commodity prices move adversely in relation to the contracts, we could suffer losses on those derivative instruments when settled. Conversely, if prices move favorably, we could realize gains. Under our hedging and risk management strategy, realized gains or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold to customers at market prices, or delivered to customers as it pertains to fixed price contracts.

Futures are traded with brokers of the NYMEX and require daily cash settlements in margin accounts. Forward contracts are generally settled at the expiration of the contract term by physical delivery, and swap and options contracts are generally settled at expiration through a net settlement mechanism. Market risks associated with our derivative instruments are monitored daily for compliance with our Hedging and Risk Management Policy which includes volume limits for open positions. Open inventory positions are reviewed and managed daily as to exposures to changing market prices.

#### Credit Risk

Exchange-traded futures and options contracts are guaranteed by the NYMEX and, as a result, have minimal credit risk. We are subject to credit risk with over-the-counter forward, swap and options contracts to the extent the counterparties do not perform. We evaluate the financial condition of each counterparty with which we conduct business and establish credit limits to reduce exposure to the risk of non-performance by our counterparties.

#### Interest Rate Risk

A portion of our borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR, plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1% or the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total consolidated leverage (the total ratio of debt to consolidated EBITDA). Therefore, we are subject to interest rate risk on the variable component of the interest rate. We manage our interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as a cash flow hedge. Changes in the fair value of the interest rate swaps are recognized in other comprehensive income ("OCI") until the hedged item is recognized in earnings. At June 25, 2016, the fair value of the interest rate swaps was a net liability of \$0.5 million, which is included within other current liabilities, with a corresponding unrealized loss reflected in accumulated OCI.

#### Derivative Instruments and Hedging Activities

All of our derivative instruments are reported on the balance sheet at their fair values. On the date that derivative instruments are entered into, we make a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or OCI, depending on whether a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, we formally assess, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are immediately recognized in earnings. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded in earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

#### Sensitivity Analysis

In an effort to estimate our exposure to unfavorable market price changes in commodities related to our open positions under derivative instruments, we developed a model that incorporates the following data and assumptions:

- A. The fair value of open positions as of June 25, 2016.
- B. The market prices for the underlying commodities used to determine A. above were adjusted adversely by a hypothetical 10% change and compared to the fair value amounts in A. above to project the potential negative impact on earnings that would be recognized for the respective scenario.

Based on the sensitivity analysis described above, a hypothetical 10% adverse change in market prices for open derivative instruments as of June 25, 2016 indicates an increase in potential future net losses of \$1.3 million. See also Item 7A of our Annual Report on Form 10-K for the fiscal year ended September 26, 2015. The above hypothetical change does not reflect the worst case scenario. Actual results may be significantly different depending on market conditions and the composition of the open position portfolio.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

The Partnership maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the Partnership's filings and submissions under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Partnership's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Partnership completed an evaluation under the supervision and with participation of the Partnership's management, including the Partnership's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures as of June 25, 2016. Based on this evaluation, the Partnership's principal executive officer and principal financial officer have concluded that as of June 25, 2016, such disclosure controls and procedures were effective to provide the reasonable assurance described above.

##### Changes in Internal Control Over Financial Reporting

There have not been any changes in the Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 25, 2016 that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.



## PART II

## ITEM 1. LEGAL PROCEEDINGS

Part I, Item 1. Financial Statements, Note 11, Legal Matters subsection to the Condensed Consolidated Financial Statements, of this Form 10-Q is hereby incorporated herein by reference.

## ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 26, 2015.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c)The following table provides information about purchases by the Partnership during the three months ended June

25, 2016 of its Common Units:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Number of Shares		Approximate Dollar Value
			Purchased as Part of Publicly Announced Program	of Shares that May Yet be Purchased under the Program	
March 27, 2016 through April 23, 2016	10,066	\$ 29.85	N/A		N/A
April 24, 2016 through May 21, 2016	411	\$ 31.68	N/A		N/A
May 22, 2016 through June 25, 2016	-	\$ -	N/A		N/A
Total	10,477	\$ 29.92	N/A		N/A

(1) This represents the number of Common Units withheld from participants for income tax withholding purposes for those executive officers of the Partnership whose shares of restricted units vested during the period. Such restricted units were originally issued to participants pursuant to the Suburban Propane Partners, L.P. 2009 Restricted Unit Plan that was adopted by the Partnership on July 22, 2009.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

INDEX TO EXHIBITS

The exhibits listed on this Exhibit Index are filed as part of this Quarterly Report. Exhibits required to be filed by Item 601 of Regulation S-K, which are not listed below, are not applicable.

Exhibit

Number Description

- 10.1 Second Amended and Restated Credit Agreement among the Operating Partnership, the Partnership and Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, dated March 3, 2016. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed on March 3, 2016).
- 31.1 Certification of the President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
- 31.2 Certification of the Chief Financial Officer and Chief Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
- 32.1 Certification of the President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
- 32.2 Certification of the Chief Financial Officer and Chief Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SUBURBAN PROPANE PARTNERS, L.P.

August 4, 2016 By: /s/ MICHAEL A. KUGLIN

Date Michael A. Kuglin  
Chief Financial Officer and Chief Accounting Officer

August 4, 2016 By: /s/ DANIEL S. BLOOMSTEIN

Date Daniel S. Bloomstein  
Controller