GLOBAL PARTNERS LP
Form 10-Q
November 08, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-3140887 (I.R.S. Employer Identification No.)

P.O. Box 9161
800 South Street
Waltham, Massachusetts 02454-9161
(Address of principal executive offices, including zip code)

(781) 894-8800
(Registrant's telephone number, including area code)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The issuer had 33,995,563 common units outstanding as of November 6, 2018.

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Item 1.Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 12,451	$ 14,858
Accounts receivable, net	407,537	417,263
Accounts receivable—affiliates	5,310	3,773
Inventories	481,457	350,743
Brokerage margin deposits	15,226	9,681
Derivative assets	7,281	3,840
Prepaid expenses and other current assets	89,599	77,977
Total current assets	1,018,861	878,135
Property and equipment, net	1,109,892	1,036,667
Intangible assets, net	62,221	56,545
Goodwill	352,550	312,401
Other assets	31,806	36,421
Total assets	$ 2,575,330	$ 2,320,169
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	$ 336,530	$ 313,412
Working capital revolving credit facility—current portion	307,700	126,700
Environmental liabilities—current portion	5,001	5,009
Trustee taxes payable	37,734	110,321
Accrued expenses and other current liabilities	97,377	99,507
Derivative liabilities	13,944	13,708
Total current liabilities	798,286	668,657
Working capital revolving credit facility—less current portion	100,000	100,000
Revolving credit facility	244,200	196,000
Senior notes	663,775	661,774
Environmental liabilities—less current portion	60,320	52,968
Financing obligations	150,132	150,334

Deferred tax liabilities	38,563	40,105
Other long-term liabilities	53,572	56,013
Total liabilities	2,108,848	1,925,851
Partners' equity		
Global Partners LP equity:		
Series A preferred limited partners (2,760,000 and 0 units issued and outstanding at September 30, 2018 and December 31, 2017, respectively)	67,375	—
Common limited partners (33,995,563 units issued and 33,744,168 outstanding at September 30, 2018 and 33,995,563 units issued and 33,645,092 outstanding at December 31, 2017)	404,533	399,399
General partner interest (0.67% interest with 230,303 equivalent units outstanding at September 30, 2018 and December 31, 2017)	(2,887)	(2,978)
Accumulated other comprehensive loss	(4,762)	(5,468)
Total Global Partners LP equity	464,259	390,953
Noncontrolling interest	2,223	3,365
Total partners' equity	466,482	394,318
Total liabilities and partners' equity	$ 2,575,330	$ 2,320,169

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sales	$ 3,468,835	$ 2,159,746	$ 9,398,301	$ 6,520,060
Cost of sales	3,333,861	2,009,652	8,969,736	6,094,577
Gross profit	134,974	150,094	428,565	425,483
Costs and operating expenses:				
Selling, general and administrative expenses	42,127	40,134	121,447	111,600
Operating expenses	83,776	70,338	234,043	208,720
Gain on trustee taxes	—	—	(52,627)	—
Lease exit and termination gain	(3,506)	—	(3,506)	—
Amortization expense	3,079	2,260	7,984	6,781
Net loss (gain) on sale and disposition of assets	940	2,190	5,840	(7,291)
Goodwill and long-lived asset impairment	414	809	414	809
Total costs and operating expenses	126,830	115,731	313,595	320,619
Operating income	8,144	34,363	114,970	104,864
Interest expense	(22,579)	(20,626)	(65,637)	(65,836)
(Loss) income before income tax (expense) benefit	(14,435)	13,737	49,333	39,028
Income tax (expense) benefit	(29)	723	900	(72)
Net (loss) income	(14,464)	14,460	50,233	38,956
Net loss attributable to noncontrolling interest	384	418	1,142	1,242
Net (loss) income attributable to Global Partners LP	(14,080)	14,878	51,375	40,198
Less: General partner's interest in net (loss) income, including incentive distribution rights	(27)	100	479	270
Less: Series A preferred limited partner interest in net income	1,009	—	1,009	—
Net (loss) income attributable to common limited partners	$ (15,062)	$ 14,778	$ 49,887	$ 39,928
Basic net (loss) income per common limited partner unit	$ (0.44)	$ 0.44	$ 1.48	$ 1.19
Diluted net (loss) income per common limited partner unit	$ (0.44)	$ 0.44	$ 1.47	$ 1.18

Basic weighted average common limited partner units outstanding	34,114	33,644	33,680	33,570
Diluted weighted average common limited partner units outstanding	34,114	33,945	33,894	33,839

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (loss) income	$ (14,464)	$ 14,460	$ 50,233	$ 38,956
Other comprehensive income:				
Change in fair value of cash flow hedges	(67)	167	156	764
Change in pension liability	568	(105)	550	464
Total other comprehensive income	501	62	706	1,228
Comprehensive (loss) income	(13,963)	14,522	50,939	40,184
Comprehensive loss attributable to noncontrolling interest	384	418	1,142	1,242
Comprehensive (loss) income attributable to Global Partners LP	$ (13,579)	$ 14,940	$ 52,081	$ 41,426

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities		
Net (loss) income	$ 50,233	$ 38,956
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	79,410	79,423
Amortization of deferred financing fees	4,029	4,295
Amortization of leasehold interests	254	562
Amortization of senior notes discount	1,121	1,079
Bad debt expense	425	622
Unit-based compensation expense	3,513	1,415
Write-off of financing fees	—	573
Gain on trustee taxes	(52,627)	—
Net loss (gain) on sale and disposition of assets	5,840	(7,291)
Goodwill and long-lived asset impairment	414	809
Changes in operating assets and liabilities, excluding net assets acquired:		
Accounts receivable	9,301	89,799
Accounts receivable-affiliate	(1,537)	(2,504)
Inventories	(124,537)	240,462
Broker margin deposits	(5,545)	15,199
Prepaid expenses, all other current assets and other assets	(6,775)	(19,400)
Accounts payable	23,118	(78,538)
Trustee taxes payable	(19,960)	(3,309)
Change in derivatives	(3,205)	(1,764)
Accrued expenses, all other current liabilities and other long-term liabilities	(9,374)	2,053
Net cash (used in) provided by operating activities	(45,902)	362,441
Cash flows from investing activities		
Acquisitions	(171,824)	—
Capital expenditures	(43,461)	(31,646)
Seller note issuances	(3,062)	—
Proceeds from sale of property and equipment	14,930	29,804
Net cash used in investing activities	(203,417)	(1,842)

Cash flows from financing activities		
Net proceeds from issuance of Series A preferred units	66,366	—
Net borrowings from (payments on) working capital revolving credit facility	181,000	(285,400)
Net borrowings from (payments on) revolving credit facility	48,200	(26,700)
LTIP units withheld for tax obligations	(806)	(516)
Noncontrolling interest capital contribution	—	279
Distribution to noncontrolling interest	—	(465)
Distributions to partners	(47,848)	(46,970)
Net cash provided by (used in) financing activities	246,912	(359,772)
Cash and cash equivalents		
Decrease (increase) in cash and cash equivalents	(2,407)	827
Cash and cash equivalents at beginning of period	14,858	10,028
Cash and cash equivalents at end of period	$ 12,451	$ 10,855
Supplemental information		
Cash paid during the period for interest	$ 37,583	$ 36,892

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

(In thousands)

(Unaudited)

	Partners' Equity Series A Preferred Limited Partners	Common Limited Partners	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners' Equity
Balance at December 31, 2017	$ —	$ 399,399	$ (2,978)	$ (5,468)	$ 3,365	$ 394,318
Issuance of Series A preferred units	66,366	—	—	—	—	66,366
Net income (loss)	1,009	49,887	479	—	(1,142)	50,233
Distributions to partners	—	(47,595)	(388)	—	—	(47,983)
Unit-based compensation	—	3,513	—	—	—	3,513
Other comprehensive income	—	—	—	706	—	706
LTIP units withheld for tax obligations	—	(806)	—	—	—	(806)
Dividends on repurchased units	—	135	—	—	—	135
Balance at September 30, 2018	$ 67,375	$ 404,533	$ (2,887)	$ (4,762)	$ 2,223	$ 466,482

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

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the “Partnership”) is a midstream logistics and marketing master limited partnership formed in March 2005 engaged in the purchasing, selling, gathering, blending, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane. The Partnership owns, controls or has access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the “Northeast”). The Partnership is one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. The Partnership is also one of the largest independent owners, suppliers and operators of gasoline stations and convenience stores with locations throughout the New England states and New York. As of September 30, 2018, the Partnership had a portfolio of 1,589 owned, leased and/or supplied gasoline stations, including 301 directly operated convenience stores, primarily in the Northeast, Maryland and Virginia. The Partnership also receives revenue from convenience store sales, rental income and sundries. In addition, the Partnership owns transload and storage terminals in North Dakota and Oregon that extend its origin-to-destination capabilities from the mid-continent region of the United States and Canada.

Global GP LLC, the Partnership’s general partner (the “General Partner”), manages the Partnership’s operations and activities and employs its officers and substantially all of its personnel, except for most of its gasoline station and convenience store employees who are employed by Global Montello Group Corp. (“GMG”), a wholly owned subsidiary of the Partnership.

The General Partner, which holds a 0.67% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of September 30, 2018, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,347,370 common units, representing a 21.6% limited partner interest.

Recent Transactions

Series A Preferred Unit Offering—On August 7, 2018, the Partnership issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference of $25.00 per unit (the “Series A Preferred Units”), for $25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. See Note 14.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, the Partnership acquired the assets of company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC (“Cheshire”). See Note 17.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain). See Note 17.

Basis of Presentation

The financial results of Cheshire and Champlain since the respective acquisition date are included in the accompanying statements of operations for the three and nine months ended September 30, 2018. The accompanying consolidated financial statements as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and 2017 reflect the accounts of the Partnership. Upon consolidation, all intercompany balances and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition and operating results for the interim periods. The interim financial information, which has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 and notes thereto contained in the Partnership's Annual Report on Form 10-K. The significant accounting policies described in Note 2, "Summary of Significant Accounting Policies," of such Annual Report on Form 10-K are the same used in preparing the accompanying consolidated financial statements, except as described below for trustee taxes and in Note 2 herein for the adoption of Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," including modifications to that standard thereafter, and now codified as Accounting Standards Codification 606 ("ASC 606") which the Partnership adopted on January 1, 2018 (see Note 22, New Accounting Standards—"Accounting Standards or Updates Recently Adopted" for additional information).

The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2018. The consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017.

Trustee Taxes

The Partnership collects trustee taxes, which consist of various pass through taxes collected on behalf of taxing authorities, and remits such taxes directly to those taxing authorities. Examples of trustee taxes include, among other things, motor fuel excise tax and sales and use tax. As such, it is the Partnership's policy to exclude trustee taxes from revenues and cost of sales and account for them as current liabilities.

Volumetric Ethanol Excise Tax Credit—In the first quarter of 2018, the Partnership recognized a one-time income item of approximately $52.6 million as a result of the extinguishment of a contingent liability related to the Volumetric Ethanol Excise Tax Credit, which tax credit program expired in 2011. Based upon the significant passage of time from that 2011 expiration date, including underlying statutes of limitation, as of January 31, 2018 the Partnership determined that the liability was no longer required. The liability had historically been included in trustee taxes in the accompanying consolidated balance sheets. The recognition of this one-time income item, which is included in gain on trustee taxes in the accompanying consolidated statements of operations for the nine months ended September 30, 2018, did not impact cash flows from operations for the nine months ended September 30, 2018 and will not impact cash flows from operations for the year ending December 31, 2018.

Lease Exit and Termination Gain

In December 2016, the Partnership voluntarily terminated early a sublease with a counterparty for 1,610 railcars and, as result, recognized a lease exit and termination expense of $80.7 million for the year ended December 31, 2016. Contemporaneously with the sublease termination, the Partnership entered into to a fleet management services agreement with the counterparty, pursuant to which the Partnership was obligated to provide future railcar storage, freight, cleaning, insurance and other services on behalf of the counterparty associated with all 1,610 railcars. In January 2017, the counterparty paid the Partnership $19.1 million to cover the incremental costs associated with the Partnership's obligations. The Partnership accrued the incremental costs associated with its obligations at present value based on the estimated timing of when the costs would be incurred in the future. Please read "Summary of Significant Accounting

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(Unaudited)

Policies—Leases— Early Termination of Railcar Sublease," in Note 2 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017 for additional information.

During the quarter ended September 30, 2018, the Partnership was released from certain of its obligations to provide future railcar storage, freight, insurance and other services for 500 railcars under the fleet management services agreement. The release resulted in a $3.5 million reduction of the remaining accrued incremental costs, which benefit is included in lease exit and termination gain in the accompanying statements of operations for the three and nine months ended September 30, 2018. The remaining accrued incremental costs were $6.6 million at September 30, 2018.

Noncontrolling Interest

The Partnership acquired a 60% interest in Basin Transload, LLC ("Basin Transload") on February 1, 2013. After evaluating Accounting Standards Codification ("ASC") Topic 810, "Consolidations," the Partnership concluded it is appropriate to consolidate the balance sheet and statements of operations of Basin Transload based on an evaluation of the outstanding voting interests. Amounts pertaining to the noncontrolling ownership interest held by third parties in the financial position and operating results of the Partnership are reported as a noncontrolling interest in the accompanying consolidated balance sheets and statements of operations.

Concentration of Risk

Due to the nature of the Partnership's business and its reliance, in part, on consumer travel and spending patterns, the Partnership may experience more demand for gasoline during the late spring and summer months than during the fall and winter. Travel and recreational activities are typically higher in these months in the geographic areas in which the Partnership operates, increasing the demand for gasoline. Therefore, the Partnership's volumes in gasoline are typically higher in the second and third quarters of the calendar year. As demand for some of the Partnership's refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally greater during the winter months, heating oil and residual oil volumes are generally higher during the first and fourth quarters of the calendar year. These factors may result in fluctuations in the Partnership's quarterly operating results.

The following table presents the Partnership's product sales and other revenues as a percentage of the consolidated sales for the periods presented:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	82	%	71	%	75	%	65	%
Crude oil sales and crude oil logistics revenue	—	%	5	%	1	%	6	%
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	14	%	20	%	21	%	25	%
Convenience store sales, rental income and sundries	4	%	4	%	3	%	4	%
Total	100	%	100	%	100	%	100	%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the Partnership's product margin by segment as a percentage of the consolidated product margin for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Wholesale segment	2 %	21 %	18 %	24 %
Gasoline Distribution and Station Operations segment	95 %	76 %	79 %	73 %
Commercial segment	3 %	3 %	3 %	3 %
Total	100 %	100 %	100 %	100 %

See Note 16, "Segment Reporting," for additional information on the Partnership's operating segments.

None of the Partnership's customers accounted for greater than 10% of total sales for the three and nine months ended September 30, 2018 and 2017.

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Note 2. Adoption of ASC 606, Revenue from Contract Customers

On January 1, 2018, the Partnership adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under ASC 606 while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership's historic accounting under ASC 605, "Revenue Recognition," ("ASC 605"). See below for the Partnership's updated revenue recognition policy and the required disclosures under ASC 606.

Update to Revenue Recognition Policy

The Partnership's sales relate primarily to the sale of refined petroleum products, renewable fuels, crude oil and propane and are recognized along with the related receivable upon delivery, net of applicable provisions for discounts and allowances. The Partnership may also provide for shipping costs at the time of sale, which are included in cost of sales.

Contracts with customers typically contain pricing provisions that are tied to a market index, with certain adjustments based on quality and freight due to location differences and prevailing supply and demand conditions, among other factors. As a result, the price of the products fluctuates to remain competitive with other available product supplies. The revenue associated with such arrangements is recognized upon delivery.

In addition, the Partnership generates revenue from its logistics activities when it stores, transloads and ships products owned by others. Revenue from logistics services is recognized as services are provided.

The Partnership has certain logistics agreements that require counterparties to throughput a minimum volume over an agreed-upon period. These agreements may include make-up rights if the minimum volume is not met. The Partnership recognizes revenue associated with make-up rights at the earlier of when the make-up volume is shipped, the make-up right expires or when it is determined that the likelihood that the shipper will utilize the make-up right is remote.

The Partnership also recognizes convenience store sales of gasoline, grocery and other merchandise and commissions on lottery at the time of the sale to the customer. Gasoline station rental income is recognized on a straight-line basis over the term of the lease.

Product revenue is not recognized on exchange agreements, which are entered into primarily to acquire various refined petroleum products, renewable fuels and crude oil of a desired quality or to reduce transportation costs by taking

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

delivery of products closer to the Partnership's end markets. The Partnership recognizes net exchange differentials due from exchange partners in sales upon delivery of product to an exchange partner. The Partnership recognizes net exchange differentials due to exchange partners in cost of sales upon receipt of product from an exchange partner.

The amounts recorded for bad debts are generally based upon a specific analysis of aged accounts while also factoring in any new business conditions that might impact the historical analysis, such as market conditions and bankruptcies of particular customers. Bad debt provisions are included in selling, general and administrative expenses.

Required Disclosures Under ASC 606

Disaggregation of Revenue

The following table provides the disaggregation of revenue from contracts with customers and other sales by segment for the periods presented (in thousands):

	Three Months Ended September 30, 2018			
Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total
Refined petroleum products, renewable fuels, crude oil and propane	$ 331,012	$ 1,110,529	$ 212,368	$ 1,653,909
Station operations	—	106,366	—	106,366
Total revenue from contracts with customers	331,012	1,216,895	212,368	1,760,275
Other sales:				
Revenue originating as physical forward contracts and exchanges	1,558,138	—	131,804	1,689,942
Revenue from leases	503	18,115	—	18,618
Total other sales	1,558,641	18,115	131,804	1,708,560
Total sales	$ 1,889,653	$ 1,235,010	$ 344,172	$ 3,468,835

	Nine Months Ended September 30, 2018			
Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total

Refined petroleum products, renewable fuels, crude oil and propane	$ 1,091,627	$ 3,088,906	$ 574,588	$ 4,755,121
Station operations	—	259,373	—	259,373
Total revenue from contracts with customers	1,091,627	3,348,279	574,588	5,014,494
Other sales:				
Revenue originating as physical forward contracts and exchanges	3,968,816	—	360,401	4,329,217
Revenue from leases	1,508	53,082	—	54,590
Total other sales	3,970,324	53,082	360,401	4,383,807
Total sales	$ 5,061,951	$ 3,401,361	$ 934,989	$ 9,398,301

Nature of Goods and Services

Revenue from Contracts with Customers (ASC 606):

· Refined petroleum products, renewable fuels, crude oil and propane sales—Under the Partnership's Wholesale, Gasoline Distribution and Station Operations ("GDSO") and Commercial segments, revenue is recognized at the point where control of the product is transferred to the customer and collectability is reasonably assured.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

- Station operations—Revenue from convenience store sales of grocery and other merchandise and sundries (such as car wash sales and lottery and ATM commissions) is recognized at the time of the sale to the customer.

Other Revenue:

- Revenue Originating as Physical Forward Contracts and Exchanges—The Partnership's commodity contracts and other derivative activity include: (i) exchange-traded derivative contracts that are hedges against inventory and either do not qualify for hedge accounting or are not designated in a hedge accounting relationship, (ii) exchange-traded derivative contracts used to economically hedge physical forward contracts, (iii) financial forward and over-the-counter swap agreements used to economically hedge physical forward contracts and (iv) the derivative instruments under the Partnership's controlled trading program. The Partnership does not take the normal purchase and sale exemption available under ASC 815, "Derivatives and Hedging," for its physical forward contracts. This income is recognized under ASC 815 and ASC 845, "Nonmonetary Transactions."

- Revenue from Leases—The Partnership has rental income from gasoline stations and cobranding arrangements and lease income from space leased to several unrelated third parties at several of the Partnership's terminals. This income is recognized under ASC 840, "Leases."

Transaction Price Allocated to Remaining Performance Obligations

The Partnership has elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Partnership applies the practical expedient in paragraph ASC 606-10-50-14 to its contracts with customers where revenue is tied to a market-index and does not disclose information about variable consideration from remaining performance obligations for which the Partnership recognizes revenue.

The fixed component of estimated revenues expected to be recognized in the future related to performance obligations tied to a market index that are unsatisfied (or partially unsatisfied) at the end of the reporting period are not significant.

Contract Balances

A receivable, which is included in accounts receivable, net in the accompanying consolidated balance sheets, is recognized in the period the Partnership provides services when its right to consideration is unconditional. In contrast, a contract asset will be recognized when the Partnership has fulfilled a contract obligation, but must perform other obligations before being entitled to payment.

The nature of the receivables related to revenue from contracts with customers and other revenue, as well as contract assets, are the same, given they are related to the same customers and have the same risk profile and securitization, and the Partnership believes the disaggregation of them would not be meaningful.

A contract liability is recognized when the Partnership has an obligation to transfer goods or services to a customer for which the Partnership has received consideration (or the amount is due) from the customer. The Partnership had no contract liabilities at September 30, 2018 and December 31, 2017. Payment terms on invoiced amounts are typically 2 to 30 days.

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Note 3. Net (Loss) Income Per Common Limited Partner Unit

Under the Partnership's partnership agreement, for any quarterly period, the incentive distribution rights ("IDRs") participate in net income only to the extent of the amount of cash distributions actually declared, thereby excluding the IDRs from participating in the Partnership's undistributed net income or losses. Accordingly, the Partnership's undistributed net income or losses is assumed to be allocated to the common unitholders and to the General Partner's general partner interest.

Common units outstanding as reported in the accompanying consolidated financial statements at September 30, 2018 and December 31, 2017 excludes 251,395 and 350,471 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program (see Note 13). These units are not deemed outstanding for purposes of calculating net income per common limited partner unit (basic and diluted). For the nine months ended September 30, 2018, the Series A Preferred Units are not potentially dilutive securities based on the nature of the conversion feature. See Note 14 for additional information related to the Series A Preferred Units.

The following table provides a reconciliation of net (loss) income and the assumed allocation of net (loss) income to the common limited partners (after deducting amounts allocated to Series A preferred unitholders) for purposes of computing net (loss) income per common limited partner unit for the periods presented (in thousands, except per unit data):

	Three Months Ended September 30, 2018				Three Months Ended September 30, 2017			
Numerator:	Total	Common Limited Partners	General Partner Interest	IDRs	Total	Common Limited Partners	General Partner Interest	IDRs
Net (loss) income attributable to Global Partners LP	$ (14,080)	$ (14,053)	$ (27)	$ —	$ 14,878	$ 14,778	$ 100	$ —
Declared distribution	$ 16,325	$ 16,149	$ 109	$ 67	$ 15,829	$ 15,723	$ 106	$ —
Assumed allocation of undistributed net loss	(30,405)	(30,202)	(203)	—	(951)	(945)	(6)	—
Assumed allocation of net (loss) income	$ (14,080)	$ (14,053)	$ (94)	$ 67	$ 14,878	$ 14,778	$ 100	$ —
		1,009				—		

Less net income attributable to Series A preferred limited partners		
Net (loss) income attributable to common limited partners	$ (15,062)	$ 14,778
Denominator:		
Basic weighted average common units outstanding	34,114	33,644
Dilutive effect of phantom units	—	301
Diluted weighted average common units outstanding	34,114	33,945
Basic net (loss) income per common limited partner unit	$ (0.44)	$ 0.44
Diluted net income per common limited partner unit (1)	$ (0.44)	$ 0.44

(1) Basic common limited partner units were used to calculate diluted earnings per common limited partner unit for the three months ended September 30, 2018, as using the effects of phantom units would have an anti-dilutive effect.

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	Nine Months Ended September 30, 2018				Nine Months Ended September 30, 2017			
Numerator:	Total	Common Limited Partners	General Partner Interest	IDRs	Total	Common Limited Partners	General Partner Interest	IDRs
Net income attributable to Global Partners LP	$ 51,375	$ 50,896	$ 479	$ —	$ 40,198	$ 39,928	$ 270	$ —
Declared distribution	$ 48,479	$ 48,021	$ 324	$ 134	$ 47,487	$ 47,169	$ 318	$ —
Assumed allocation of undistributed net income (loss)	2,896	2,875	21	—	(7,289)	(7,241)	(48)	—
Assumed allocation of net income	$ 51,375	$ 50,896	$ 345	$ 134	$ 40,198	$ 39,928	$ 270	$ —
Less net income attributable to Series A preferred limited partners		1,009				—		
Net income attributable to common limited partners		$ 49,887				$ 39,928		
Denominator:								
Basic weighted average common units outstanding		33,680				33,570		
Dilutive effect of phantom units		214				269		
Diluted weighted average common units outstanding		33,894				33,839		
Basic net income per common limited partner unit		$ 1.48				$ 1.19		
Diluted net income per common limited partner unit		$ 1.47				$ 1.18		

The board of directors of the General Partner declared the following quarterly cash distributions on its common units:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Ended

April 27, 2018	$ 0.4625	March 31, 2018
July 27, 2018	$ 0.4750	June 30, 2018
October 26, 2018	$ 0.4750	September 30, 2018

In addition, on October 23, 2018, the board of directors of the General Partner declared the initial quarterly cash distribution of $0.6635 per unit on the Series A Preferred Units, covering the period from August 7, 2018 (the issuance date of the Series A Preferred Units) through November 14, 2018.

See Note 14, "Partners' Equity and Cash Distributions" for further information.

Note 4. Inventories

The Partnership hedges substantially all of its petroleum and ethanol inventory using a variety of instruments, primarily exchange-traded futures contracts. These futures contracts are entered into when inventory is purchased and are either designated as fair value hedges against the inventory on a specific barrel basis for inventories qualifying for fair value hedge accounting or not designated and maintained as economic hedges against certain inventory of the Partnership on a specific barrel basis. Changes in fair value of these futures contracts, as well as the offsetting change in fair value on the hedged inventory, are recognized in earnings as an increase or decrease in cost of sales. All hedged inventory designated in a fair value hedge relationship is valued using the lower of cost, as determined by specific identification, or net realizable value, as determined at the product level. All petroleum and ethanol inventory not designated in a fair value hedging relationship is carried at the lower of historical cost, on a first-in, first-out basis, or net realizable value.

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Convenience store inventory and Renewable Identification Numbers (“RINs”) inventory are carried at the lower of historical cost or net realizable value.

Inventories consisted of the following (in thousands):

	September 30, 2018	December 31, 2017
Distillates: home heating oil, diesel and kerosene	$ 167,995	$ 183,059
Gasoline	199,796	81,504
Gasoline blendstocks	45,491	26,789
Crude oil	16,685	10,809
Residual oil	28,664	28,442
Propane and other	1,048	1,659
Renewable identification numbers (RINs)	593	380
Convenience store inventory	21,185	18,101
Total	$ 481,457	$ 350,743

In addition to its own inventory, the Partnership has exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to $8.0 million and $9.5 million at September 30, 2018 and December 31, 2017, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $18.1 million and $8.4 million at September 30, 2018 and December 31, 2017, respectively. Exchange transactions are valued using current carrying costs.

Note 5. Goodwill

The following table presents changes in goodwill, all of which has been allocated to the GDSO segment (in thousands):

Balance at December 31, 2017	$ 312,401
Acquisition of Cheshire (1)	5,853
Acquisition of Champlain (1)	37,580
Acquisition of Honey Farms—change in goodwill (1)	(139)
Dispositions (2)	(3,145)
Balance at September 30, 2018	$ 352,550

(1) See Note 17 for information on the Partnership's business combinations.
(2) Dispositions represent derecognition of goodwill associated with the sale and disposition of certain assets. See Note 7.

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Note 6. Property and Equipment

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

	September 30, 2018	December 31, 2017
Buildings and improvements	$ 1,126,585	$ 1,015,386
Land	424,916	409,146
Fixtures and equipment	43,540	42,959
Idle plant assets	30,500	30,500
Construction in process	26,739	22,403
Capitalized internal use software	30,870	30,626
Total property and equipment	1,683,150	1,551,020
Less accumulated depreciation	573,258	514,353
Total	$ 1,109,892	$ 1,036,667

Property and equipment includes assets held for sale of $11.5 million and $12.4 million at September 30, 2018 and December 31, 2017, respectively.

At September 30, 2018, the Partnership had a $52.6 million remaining net book value of long-lived assets at its West Coast facility, including $30.5 million related to the Partnership's ethanol plant acquired in 2013. In 2016, the Partnership shifted the facility from crude oil to ethanol transloading and began transloading ethanol. The Partnership would need to take certain measures to prepare the facility for ethanol production in order to place the plant into service. Therefore, the $30.5 million related to the ethanol plant was included in property and equipment and classified as idle plant assets at September 30, 2018 and December 31, 2017.

If the Partnership is unable to generate cash flows to support the recoverability of the plant and facility assets, this may become an indicator of potential impairment of the West Coast facility. The Partnership believes these assets are recoverable but continues to monitor the market for ethanol, the continued business development of this facility for either ethanol or crude oil transloading, and the related impact this may have on the facility's operating cash flows and whether this would constitute an impairment indicator.

Evaluation of Long-Lived Asset Impairment

The Partnership recognized impairment charges relating to long-lived assets used at certain gasoline stations and convenience stores in the amounts of $0.4 million for each of the three and nine months ended September 30, 2018 and $0.8 million for each of the three and nine months ended September 30, 2017. These assets are allocated to the GDSO segment, and the respective impairment is included in goodwill and long-lived asset impairment in the accompanying statements of operations for the three and nine months ended September 30, 2018 and 2017.

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Note 7. Sales and Disposition of Assets

The following table provides the Partnership's (gain) loss on sale and dispositions of assets for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sale of natural gas brokerage and electricity businesses	$ —	$ —	$ —	$ (14,172)
Periodic divestiture of gasoline stations	40	77	(183)	253
Strategic asset divestiture program	(168)	375	987	825
Loss on assets held for sale	1,056	1,571	4,590	5,010
Other	12	167	446	793
Total	$ 940	$ 2,190	$ 5,840	$ (7,291)

Sale of Natural Gas and Electricity Brokerage Businesses

On February 1, 2017, the Partnership completed the sale of its natural gas marketing and electricity brokerage businesses for a purchase price of approximately $17.3 million, subject to customary closing adjustments. Proceeds from the sale amounted to approximately $16.3 million, and the Partnership realized a gain on the sale of $14.2 million for the nine months ended September 30, 2017.

Periodic Divestiture of Gasoline Stations

As part of the routine course of operations in the GDSO segment, the Partnership may periodically divest certain gasoline stations. The gain or loss on the sale, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations and amounted to an immaterial loss for the three months ended September 30, 2018 and a gain of $0.2 million for the nine months ended September 30, 2018. We recorded losses of $0.1 million and $0.3 million for the three and nine months ended September 30, 2017, respectively.

Strategic Asset Divestiture Program

The Partnership identified certain non-strategic GDSO sites that are part of its Strategic Asset Divestiture Program (the "Divestiture Program").

The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. The Partnership sold 12 sites and 23 sites during the three and nine months ended September 30, 2018, respectively. The gain or loss on the sales of these sites, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recognized a gain of $0.2 million and a loss of $1.0 million on the sales of these sites for the three and nine months ended September 30, 2018, respectively, including the derecognition of GDSO goodwill in the amount of $1.7 million and $3.1 million for these respective periods.

The Partnership recognized losses of $0.4 million and $0.8 million on the sales of sites for the three and nine months ended September 30, 2017, respectively, including the derecognition of goodwill in the amount of $0.4 million and $3.3 million for these respective periods.

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Loss on Assets Held for Sale

In conjunction with the periodic divestiture of gasoline stations and the sale of sites within the Divestiture Program, the Partnership may classify certain gasoline station assets as held for sale.

The Partnership classified 6 sites and 8 sites as held for sale at September 30, 2018 and December 31, 2017, respectively, which are periodic divestiture gasoline station sites. The Partnership recorded $0 and $2.0 million in impairment charges related to these assets held for sale for the three and nine months ended September 30, 2018, respectively, which are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at September 30, 2017 of $0.1 million and $0.4 million for the three and nine months ended September 30, 2017, respectively.

Additionally, the Partnership classified 15 sites and 18 sites as held for sale at September 30, 2018 and December 31, 2017, respectively, associated with the real estate firm coordinated sales discussed above. The Partnership recorded impairment charges related to these assets held for sale in the amount of $1.0 million and $2.5 million for the three and nine months ended September 30, 2018, respectively, which are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at September 30, 2017 of $1.5 million and $4.6 million for the three and nine months ended September 30, 2017, respectively.

Assets held for sale of $11.5 million and $12.4 million at September 30, 2018 and December 31, 2017, respectively, are included in property and equipment in the accompanying consolidated balance sheets. Assets held for sale are expected to be sold within the next 12 months.

Other

The Partnership recognizes gains and losses on the sale and disposition of other assets, including vehicles, fixtures and equipment, and the gain or loss on such other assets are included in other in the aforementioned table.

Note 8. Debt and Financing Obligations

Credit Agreement

Certain subsidiaries of the Partnership, as borrowers, and the Partnership and certain of its subsidiaries, as guarantors, have a $1.3 billion senior secured credit facility (the "Credit Agreement"). The Credit Agreement matures on April 30, 2020.

There are two facilities under the Credit Agreement:

- a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of the Partnership's borrowing base and $850.0 million; and

- a $450.0 million revolving credit facility to be used for acquisitions, joint ventures, capital expenditures, letters of credit and general corporate purposes.

Availability under the working capital revolving credit facility is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. Availability under the borrowing base may be affected by events beyond the Partnership's control, such as changes in petroleum product prices, collection cycles, counterparty performance, advance rates and limits and general economic conditions.

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The average interest rates for the Credit Agreement were 4.3% and 3.7% for the three months ended September 30, 2018 and 2017, respectively, and 4.1% and 3.6% for the nine months ended September 30, 2018 and 2017, respectively. The increase for the three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017 was due to increases in market interest rates.

The Partnership classifies a portion of its working capital revolving credit facility as a current liability and a portion as a long-term liability. The portion classified as a long-term liability represents the amounts expected to be outstanding during the entire year based on an analysis of historical daily borrowings under the working capital revolving credit facility, the seasonality of borrowings, forecasted future working capital requirements and forward product curves, and because the Partnership has a multi-year, long-term commitment from its bank group. Accordingly, at September 30, 2018, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed $100.0 million over the next twelve months and, therefore, classified $307.7 million as the current portion at September 30, 2018, representing the amount the Partnership expects to pay down over the next twelve months. The long-term portion of the working capital revolving credit facility was $100.0 million at both September 30, 2018 and December 31, 2017, and the current portion was $307.7 million and $126.7 million at September 30, 2018 and December 31, 2017, respectively. The increase in total borrowings under the working capital revolving credit facility of $181.0 million from December 31, 2017 was largely due to higher inventory levels and an increase in prices.

As of September 30, 2018, the Partnership had total borrowings outstanding under the Credit Agreement of $651.9 million, including $244.2 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of $58.8 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $589.3 million and $810.3 million at September 30, 2018 and December 31, 2017, respectively.

The Credit Agreement imposes financial covenants that require the Partnership to maintain certain minimum working capital amounts, a minimum combined interest coverage ratio, a maximum senior secured leverage ratio and a maximum total leverage ratio. The Partnership was in compliance with the foregoing covenants at September 30, 2018. The Credit Agreement also contains a representation whereby there can be no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect (as defined in the Credit Agreement). In addition, the Credit Agreement limits distributions by the Partnership to its unitholders to the amount of Available Cash (as defined in the Partnership's partnership agreement).

Please read Note 6 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for additional information on the Credit Agreement.

Senior Notes

The Partnership had 6.25% senior notes due 2022 and 7.00% senior notes due 2023 outstanding at September 30, 2018. Please read Note 6 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for additional information on these senior notes.

Financing Obligations

Capitol Acquisition

On June 1, 2015, the Partnership acquired retail gasoline stations and dealer supply contracts from Capitol Petroleum Group ("Capitol"). In connection with the acquisition, the Partnership assumed a financing obligation of $89.6 million associated with two sale-leaseback transactions by Capitol for 53 leased sites that did not meet the criteria for sale accounting. During the terms of these leases, which expire in May 2028 and September 2029, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Interest expense of approximately $2.3 million and $2.4 million was recorded for the three months ended September 30, 2018 and 2017, respectively, and $7.0 million and $7.2 million was recorded for the nine months ended September 30, 2018 and 2017, respectively, which is included in interest expense in the accompanying consolidated statements of operations. The financing obligation will amortize through expiration of the leases based upon the lease rental payments which were $2.4 million for each of the three months ended September 30, 2018 and 2017 and $7.2 million for each of the nine months ended September 30, 2018 and 2017. The financing obligation balance outstanding at September 30, 2018 was $87.6 million associated with the Capitol acquisition.

Sale-Leaseback Transaction

On June 29, 2016, the Partnership sold to a premier institutional real estate investor (the "Buyer") real property assets, including the buildings, improvements and appurtenances thereto, at 30 gasoline stations and convenience stores located in Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island (the "Sale-Leaseback Sites") for a purchase price of approximately $63.5 million. In connection with the sale, the Partnership entered into a Master Unitary Lease Agreement with the Buyer to lease back the real property assets sold with respect to the Sale-Leaseback Sites (such Master Lease Agreement, together with the Sale-Leaseback Sites, the "Sale-Leaseback Transaction").

As a result of not meeting the criteria for sale accounting for these sites, the Sale-Leaseback Transaction is accounted for as a financing arrangement. As such, the property and equipment sold and leased back by the Partnership has not been derecognized and continues to be depreciated. The Partnership recognized a corresponding financing obligation of $62.5 million equal to the $63.5 million cash proceeds received for the sale of these sites, net of $1.0 million financing fees. During the term of the lease, which expires in June 2031, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Lease rental payments are recognized as both interest expense and a reduction of the principal balance associated with the financing obligation. Interest expense and lease rental payments were $1.1 million for each of the three months ended September 30, 2018 and 2017 and $3.3 million for each of the nine months ended September 30, 2018 and 2017. The financing obligation balance outstanding at September 30, 2018 was $62.5 million associated with the Sale-Leaseback Transaction.

Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are capitalized and amortized over the life of the Credit Agreement or other financing arrangements. The Partnership had unamortized deferred financing fees of $11.9 million and $15.9 million at September 30, 2018 and December 31, 2017, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to $6.5 million and $9.6 million at September 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and amounted to $4.5 million and $5.4 million at September 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the Sale-Leaseback Transaction are presented as a direct deduction from the carrying amount of the financing obligation and amounted to $0.9 million at both September 30, 2018 and December 31, 2017.

On April 25, 2017, the Partnership entered into the Credit Agreement, a new facility that extended the maturity date and reduced the total commitment of the prior credit agreement. As a result, the Partnership incurred expenses of approximately $0.6 million associated with the write-off of a portion of the related deferred financing fees. These expenses are included in interest expense in the accompanying consolidated statements of operations for the nine months ended September 30, 2017.

Amortization expense of approximately $1.3 million for each of the three months ended September 30, 2018 and 2017 and $4.0 million and $4.3 million for the nine months ended September 30, 2018 and 2017, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Note 9. Derivative Financial Instruments

The Partnership principally uses derivative instruments, which include regulated exchange-traded futures and options contracts (collectively, "exchange-traded derivatives") and physical and financial forwards and over-the-counter ("OTC") swaps (collectively, "OTC derivatives"), to reduce its exposure to unfavorable changes in commodity market prices and interest rates. The Partnership uses these exchange-traded and OTC derivatives to hedge commodity price risk associated with its inventory and undelivered forward commodity purchases and sales ("physical forward contracts") and uses interest rate swap instruments to reduce its exposure to fluctuations in interest rates associated with the Partnership's credit facilities. The Partnership accounts for derivative transactions in accordance with ASC Topic 815 and recognizes derivatives instruments as either assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. The changes in fair value of the derivative transactions are presented currently in earnings, unless specific hedge accounting criteria are met.

The fair value of exchange-traded derivative transactions reflects amounts that would be received from or paid to the Partnership's brokers upon liquidation of these contracts. The fair value of these exchange-traded derivative transactions are presented on a net basis, offset by the cash balances on deposit with the Partnership's brokers, presented as brokerage margin deposits in the consolidated balance sheets. The fair value of OTC derivative transactions reflects amounts that would be received from or paid to a third party upon liquidation of these contracts under current market conditions. The fair value of these OTC derivative transactions is presented on a gross basis as derivative assets or derivative liabilities in the consolidated balance sheets, unless a legal right of offset exists. The presentation of the change in fair value of the Partnership's exchange-traded derivatives and OTC derivative transactions depends on the intended use of the derivative and the resulting designation.

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The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at September 30, 2018:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	58,471	Thousands of barrels
Short	(63,076)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	8,879	Thousands of barrels
Short	(6,639)	Thousands of barrels
Interest Rate Swap	$ 100.0	Millions of U.S. dollars

(1) Number of open positions and gross notional values do not measure the Partnership's risk of loss, quantify risk or represent assets or liabilities of the Partnership, but rather indicate the relative size of the derivative instruments and are used in the calculation of the amounts to be exchanged between counterparties upon settlements.

Derivatives Accounted for as Hedges

The Partnership utilizes fair value hedges and cash flow hedges to hedge commodity price risk and interest rate risk.

Fair Value Hedges

Derivatives designated as fair value hedges are used to hedge price risk in commodity inventories and principally include exchange-traded futures contracts that are entered into in the ordinary course of business. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting change in fair value on the hedged item of the risk being hedged. Gains and losses related to fair value hedges are recognized in the consolidated statement of operations through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

The Partnership's fair value hedges include exchange-traded futures contracts and OTC derivative contracts that are hedges against inventory with specific futures contracts matched to specific barrels. The change in fair value of these futures contracts and the change in fair value of the underlying inventory generally provide an offset to each other in the consolidated statement of operations.

The following table presents the gains and losses from the Partnership's derivative instruments involved in fair value hedging relationships recognized in the consolidated statements of operations for the periods presented (in thousands):

	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Derivatives in fair value hedging relationship					
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	$ (12,776)	$ (3,930)	$ (22,507)	$ 36,990
Hedged items in fair value hedge relationship					
Physical inventory	Cost of sales	$ 12,786	$ 4,370	$ 24,160	$ (37,412)

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Cash Flow Hedges

At September 30, 2018, the Partnership had in place one interest rate swap agreement which hedged $100.0 million of variable rate debt. This interest rate swap expired on October 2, 2018.

The amount of gain (loss) recognized in other comprehensive income as effective for derivatives designated in cash flow hedging relationships was $0.1 million and $0.2 million for the three months ended September 30, 2018 and 2017, respectively, and $0.3 million and $0.8 million for the nine months ended September 30, 2018 and 2017, respectively. The amount of gain (loss) recognized in income as ineffectiveness for derivatives designated in cash flow hedging relationships was $0 for each of the three and nine months ended September 30, 2018 and 2017.

Derivatives Not Accounted for as Hedges

The Partnership utilizes petroleum and ethanol commodity contracts, foreign currency derivatives and, prior to the sale of the Partnership's natural gas marketing and electricity brokerage businesses, natural gas commodity contracts to hedge price and currency risk in certain commodity inventories and physical forward contracts.

Petroleum and Ethanol Commodity Contracts

The Partnership uses exchange-traded derivative contracts to hedge price risk in certain commodity inventories which do not qualify for fair value hedge accounting or are not designated by the Partnership as fair value hedges. Additionally, the Partnership uses exchange-traded derivative contracts, and occasionally financial forward and OTC swap agreements, to hedge commodity price exposure associated with its physical forward contracts which are not designated by the Partnership as cash flow hedges. These physical forward contracts, to the extent they meet the definition of a derivative, are considered OTC physical forwards and are reflected as derivative assets or derivative liabilities in the consolidated balance sheet. The related exchange-traded derivative contracts (and financial forward and OTC swaps, if applicable) are also reflected as brokerage margin deposits (and derivative assets or derivative liabilities, if applicable) in the consolidated balance sheet, thereby creating an economic hedge. Changes in fair value of these derivative instruments are recognized in the consolidated statement of operations through cost of sales. These exchange-traded derivatives are settled on a daily basis by the Partnership through brokerage margin accounts.

While the Partnership seeks to maintain a position that is substantially balanced within its commodity product purchase and sale activities, it may experience net unbalanced positions for short periods of time as a result of variances in daily purchases and sales and transportation and delivery schedules as well as other logistical issues inherent in the business, such as weather conditions. In connection with managing these positions, the Partnership is aided by maintaining a constant presence in the marketplace. The Partnership also engages in a controlled trading program for up to an aggregate of 250,000 barrels of commodity products at any one point in time. Changes in fair value of these derivative instruments are recognized in the consolidated statement of operations through cost of sales.

The following table presents the gains and losses from the Partnership's derivative instruments not involved in a hedging relationship recognized in the consolidated statements of operations for the periods presented (in thousands):

Derivatives not designated as hedging instruments	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Commodity contracts	Cost of sales	$ (1,162)	$ 6,470	$ 2,411	$ 9,212

Margin Deposits

All of the Partnership's exchange-traded derivative contracts (designated and not designated) are transacted through clearing brokers. The Partnership deposits initial margin with the clearing brokers, along with variation margin,

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which is paid or received on a daily basis, based upon the changes in fair value of open futures contracts and settlement of closed futures contracts. Cash balances on deposit with clearing brokers and open equity are presented on a net basis within brokerage margin deposits in the consolidated balance sheets.

Commodity Contracts and Other Derivative Activity

The Partnership's commodity contracts and other derivative activity include: (i) exchange-traded derivative contracts that are hedges against inventory and either do not qualify for hedge accounting or are not designated in a hedge accounting relationship, (ii) exchange-traded derivative contracts used to economically hedge physical forward contracts, (iii) financial forward and OTC swap agreements used to economically hedge physical forward contracts and (iv) the derivative instruments under the Partnership's controlled trading program. The Partnership does not take the normal purchase and sale exemption available under ASC 815 for its physical forward contracts.

The following table presents the fair value of each classification of the Partnership's derivative instruments and its location in the consolidated balance sheets at September 30, 2018 and December 31, 2017 (in thousands):

		September 30, 2018		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ —	$ 41,477	$ 41,477
Interest rate swaps	Prepaid expenses and other current assets	—	22	22
Forward derivative contracts (1)	Derivative assets	—	7,281	7,281
Total asset derivatives		$ —	$ 48,780	$ 48,780
Liability Derivatives:				
	Broker margin deposits	$ (6,792)	$ (50,993)	$ (57,785)

Exchange-traded derivative contracts				
Forward derivative contracts (1)	Derivative liabilities	—	(13,944)	(13,944)
Total liability derivatives		$ (6,792)	$ (64,937)	$ (71,729)

	Balance Sheet Location	December 31, 2017 Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ —	$ 32,483	$ 32,483
Forward derivative contracts (1)	Derivative assets	—	3,840	3,840
Total asset derivatives		$ —	$ 36,323	$ 36,323
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ (7,214)	$ (63,869)	$ (71,083)
Forward derivative contracts (1)	Derivative liabilities	—	(13,708)	(13,708)
Interest rate swap contracts	Other long-term liabilities	—	(134)	(134)
Total liability derivatives		$ (7,214)	$ (77,711)	$ (84,925)

(1) Forward derivative contracts include the Partnership’s petroleum and ethanol physical and financial forwards and OTC swaps.

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Credit Risk

The Partnership’s derivative financial instruments do not contain credit risk related to other contingent features that could cause accelerated payments when these financial instruments are in net liability positions.

The Partnership is exposed to credit loss in the event of nonperformance by counterparties to the Partnership’s exchange-traded and OTC derivative contracts, but the Partnership has no current reason to expect any material nonperformance by any of these counterparties. Exchange-traded derivative contracts, the primary derivative instrument utilized by the Partnership, are traded on regulated exchanges, greatly reducing potential credit risks. The Partnership utilizes primarily three clearing brokers, all major financial institutions, for all New York Mercantile Exchange (“NYMEX”), Chicago Mercantile Exchange (“CME”) and Intercontinental Exchange (“ICE”) derivative transactions and the right of offset exists with these financial institutions under master netting agreements. Accordingly, the fair value of the Partnership’s exchange-traded derivative instruments is presented on a net basis in the consolidated balance sheets. Exposure on OTC derivatives is limited to the amount of the recorded fair value as of the balance sheet dates.

Note 10. Fair Value Measurements

The following tables present, by level within the fair value hierarchy, the Partnership’s financial assets and liabilities that were measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017 (in thousands):

	Fair Value at September 30, 2018				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	$ —	$ 5,426	$ 1,855	$ —	$ 7,281
Interest rate swaps	—	22	—	—	22
Exchange-traded/cleared derivative instruments (2)	(16,308)	—	—	31,534	15,226
Pension plans	18,065	—	—	—	18,065

Total assets	$ 1,757	$ 5,448	$ 1,855	$ 31,534	$ 40,594
Liabilities:					
Forward derivative contracts (1)	$ —	$ (12,109)	$ (1,835)	$ —	$ (13,944)

	Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	$ —	$ 3,207	$ 633	$ —	$ 3,840
Exchange-traded/cleared derivative instruments (2)	(38,600)	—	—	48,281	9,681
Pension plans	17,580	—	—	—	17,580
Total assets	$ (21,020)	$ 3,207	$ 633	$ 48,281	$ 31,101
Liabilities:					
Forward derivative contracts (1)	$ —	$ (12,671)	$ (1,037)	$ —	$ (13,708)
Interest rate swaps	—	(134)	—	—	(134)
Total liabilities	$ —	$ (12,805)	$ (1,037)	$ —	$ (13,842)

(1) Forward derivative contracts include the Partnership’s petroleum and ethanol physical and financial forwards and OTC swaps.

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(2) Amount includes the effect of cash balances on deposit with clearing brokers.

This table excludes cash on hand and assets and liabilities that are measured at historical cost or any basis other than fair value. The carrying amounts of certain of the Partnership's financial instruments, including cash equivalents, accounts receivable, accounts payable and other accrued liabilities approximate fair value due to their short maturities. The carrying value of the credit facility approximates fair value due to the variable rate nature of these financial instruments.

The carrying value of the inventory qualifying for fair value hedge accounting approximates fair value due to adjustments for changes in fair value of the hedged item. The fair values of the derivatives used by the Partnership are disclosed in Note 9.

The determination of the fair values above incorporates factors including not only the credit standing of the counterparties involved, but also the impact of the Partnership's nonperformance risks on its liabilities.

The Partnership estimates the fair values of its 6.25% senior notes and 7.00% senior notes using a combination of quoted market prices for similar financing arrangements and expected future payments discounted at risk-adjusted rates, which are considered Level 2 inputs. The fair values of the 6.25% senior notes and 7.00% senior notes, estimated by observing market trading prices of the 6.25% senior notes and 7.00% senior notes, respectively, were as follows (in thousands):

	September 30, 2018		December 31, 2017	
	Face Value	Fair Value	Face Value	Fair Value
6.25% senior notes	$ 375,000	$ 372,187	$ 375,000	$ 383,906
7.00% senior notes	$ 300,000	$ 305,250	$ 300,000	$ 308,250

Level 3 Information

The values of the Level 3 derivative contracts were calculated using market approaches based on a combination of observable and unobservable market inputs, including published and quoted NYMEX, CME, ICE, New York Harbor and third-party pricing information for a component of the underlying instruments as well as internally developed assumptions where there is little, if any, published or quoted prices or market activity. The unobservable inputs used in the measurement of the Level 3 derivative contracts include estimates for location basis, transportation and throughput costs net of an estimated margin for current market participants. The estimates for these inputs for crude oil were ($32.00) to $6.00 per barrel and ($8.50) to ($1.00) per barrel as of September 30, 2018 and December 31, 2017, respectively. The estimates for these inputs for propane were ($5.456) to $6.72 per barrel and ($3.36) to $8.40 per barrel as of September 30, 2018 and December 31, 2017, respectively. Gains and losses recognized in earnings (or changes in net assets) are disclosed in Note 9.

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Sensitivity of the fair value measurement to changes in the significant unobservable inputs is as follows:

Significant Unobservable Input	Position	Change to Input	Impact on Fair Value Measurement
Location basis	Long	Increase (decrease)	Gain (loss)
Location basis	Short	Increase (decrease)	Loss (gain)
Transportation	Long	Increase (decrease)	Gain (loss)
Transportation	Short	Increase (decrease)	Loss (gain)
Throughput costs	Long	Increase (decrease)	Gain (loss)
Throughput costs	Short	Increase (decrease)	Loss (gain)

The following table presents a reconciliation of changes in fair value of the Partnership's derivative contracts classified as Level 3 in the fair value hierarchy at September 30, 2018 (in thousands):

Fair value at December 31, 2017	$	(404)
Derivatives entered into during the period		1,043
Derivatives sold during the period		(1,032)
Realized gains (losses) recorded in cost of sales		(494)
Unrealized gains (losses) recorded in cost of sales		907
Fair value at September 30, 2018	$	20

The Partnership's policy is to recognize transfers between levels with the fair value hierarchy as of the beginning of the reporting period. The Partnership also excludes any activity for derivative instruments that were not classified as Level 3 at either the beginning or end of the reporting period.

Non-Recurring Fair Value Measures

Certain nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as acquired assets and liabilities, losses related to firm non-cancellable purchase commitments or long-lived assets subject to impairment. For assets and liabilities measured on a non-recurring basis during the period, accounting guidance requires quantitative disclosures about the fair value measurements separately for each major category. See Note 7 for a discussion of the Partnership's assets held for sale and Note 17 for acquired assets and liabilities measured on a non-recurring basis.

Note 11. Environmental Liabilities and Renewable Identification Numbers

Environmental Liabilities

In connection with the July 2018 acquisitions of retail gasoline and convenience store assets from Cheshire and Champlain (see Note 17), the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $1.2 million and $10.7 million for Cheshire and Champlain, respectively, as of September 30, 2018. Please read Note 12 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for information on environmental liabilities recorded prior to 2018.

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The following table presents a summary roll forward of the Partnership's environmental liabilities at September 30, 2018 (in thousands):

Environmental Liability Related to:	Balance at December 31, 2017	Additions 2018	Payments 2018	Dispositions 2018	Other Adjustments 2018	Balance at September 30, 2018
Retail gasoline stations	$ 53,569	$ 11,931	$ (1,833)	$ (1,551)	$ (1,101)	$ 61,015
Terminals	4,408	—	(102)	—	—	4,306
Total environmental liabilities	$ 57,977	$ 11,931	$ (1,935)	$ (1,551)	$ (1,101)	$ 65,321
Current portion	$ 5,009					$ 5,001
Long-term portion	52,968					60,320
Total environmental liabilities	$ 57,977					$ 65,321

The Partnership's estimates used in these environmental liabilities are based on all known facts at the time and its assessment of the ultimate remedial action outcomes. Among the many uncertainties that impact the Partnership's estimates are the necessary regulatory approvals for, and potential modification of, its remediation plans, the amount of data available upon initial assessment of the impact of soil or water contamination, changes in costs associated with environmental remediation services and equipment, relief of obligations through divestitures of sites and the possibility of existing legal claims giving rise to additional claims. Dispositions generally represent relief of legal obligations through the sale of the related property with no retained obligation. Other adjustments generally represent changes in estimates for existing obligations or obligations associated with new sites. Therefore, although the Partnership believes that these environmental liabilities are adequate, no assurances can be made that any costs incurred in excess of these environmental liabilities or outside of indemnifications or not otherwise covered by insurance would not have a material adverse effect on the Partnership's financial condition, results of operations or cash flows.

Renewable Identification Numbers (RINs)

A RIN is a serial number assigned to a batch of renewable fuel for the purpose of tracking its production, use and trading as required by the U.S. Environmental Protection Agency's ("EPA") Renewable Fuel Standard that originated with the Energy Policy Act of 2005 and modified by the Energy Independence and Security Act of 2007. To evidence that the required volume of renewable fuel is blended with gasoline and diesel motor vehicle fuels, obligated parties must retire sufficient RINs to cover their Renewable Volume Obligation ("RVO"). The Partnership's EPA obligations relative to renewable fuel reporting are comprised of foreign gasoline and diesel that the Partnership may choose to import and blending operations at certain facilities. As a wholesaler of transportation fuels through its terminals, the Partnership separates RINs from renewable fuel through blending with gasoline and can use those separated RINs to settle its RVO. While the annual compliance period for the RVO is a calendar year and the settlement of the RVO typically occurs by March 31 of the following year, the settlement of the RVO can occur, under certain EPA deferral actions, more than one year after the close of the compliance period.

The Partnership's Wholesale segment's operating results may be sensitive to the timing associated with its RIN position relative to its RVO at a point in time, and the Partnership may recognize a mark-to-market liability for a shortfall in RINs at the end of each reporting period. To the extent that the Partnership does not have a sufficient number of RINs to satisfy the RVO as of the balance sheet date, the Partnership charges cost of sales for such deficiency based on the market price of the RINs as of the balance sheet date and records a liability representing the Partnership's obligation to purchase RINs. The Partnership's RVO deficiency was immaterial at September 30, 2018 and December 31, 2017.

The Partnership may enter into RIN forward purchase and sales commitments. Total losses from firm non-cancellable commitments were $0.1 million at September 30, 2018. Total losses from firm non-cancellable commitments were immaterial at December 31, 2017.

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Note 12. Related Party Transactions

The Partnership is a party to a Second Amended and Restated Services Agreement with Global Petroleum Corp. ("GPC"), an affiliate of the Partnership that is 100% owned by members of the Slifka family, pursuant to which the Partnership provides GPC with certain tax, accounting, treasury, legal, information technology, human resources and financial operations support services for which GPC pays the Partnership a monthly services fee at an agreed amount subject to the approval by the Conflicts Committee of the board of directors of the General Partner. The Second Amended and Restated Services Agreement is for an indefinite term and any party may terminate some or all of the services upon ninety (90) days' advanced written notice. As of September 30, 2018, no such notice of termination was given by GPC.

The General Partner employs substantially all of the Partnership's employees, except for most of its gasoline station and convenience store employees, who are employed by GMG. The Partnership reimburses the General Partner for expenses incurred in connection with these employees. These expenses, including bonus, payroll and payroll taxes, were $25.2 million and $26.6 million for the three months ended September 30, 2018 and 2017, respectively, and $77.1 million and $75.9 million for the nine months ended September 30, 2018 and 2017, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner's 401(k) Savings and Profit Sharing Plans and the General Partner's qualified and non-qualified pension plans.

The table below presents receivables from GPC and the General Partner (in thousands):

	September 30, 2018	December 31, 2017
Receivables from GPC	$ 248	$ 7
Receivables from the General Partner (1)	5,062	3,766
Total	$ 5,310	$ 3,773

(1) Receivables from the General Partner reflect the Partnership's prepayment of payroll taxes and payroll accruals to the General Partner and are due to the timing of the payroll obligations.

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In addition, the Partnership paid certain costs in connection with a compensation funding agreement with the General Partner. See Note 13, "Long-Term Incentive Plan–Repurchase Program."

Note 13.   Long-Term Incentive Plan

The Partnership has a Long-Term Incentive Plan, as amended (the "LTIP"), whereby a total of 4,300,000 common units were authorized for delivery with respect to awards under the LTIP. The LTIP provides for awards to employees, consultants and directors of the General Partner and employees and consultants of affiliates of the Partnership who perform services for the Partnership. The LTIP allows for the award of options, unit appreciation rights, restricted units, phantom units, distribution equivalent rights, unit awards and substitute awards. Awards granted pursuant to the LTIP vest pursuant to the terms of the grant agreements. Please read Note 15 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for additional information on the LTIP.

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The following table presents a summary of the non-vested phantom units granted under the LTIP:

	Number of Non-vested Units	Weighted Average Grant Date Fair Value ($)
Outstanding non—vested phantom units at December 31, 2017	949,217	25.48
Vested	(99,076)	39.35
Forfeited	(26,964)	22.07
Outstanding non—vested phantom units at September 30, 2018	823,177	23.92

The Partnership recorded total compensation expense related to the outstanding LTIP awards of $1.2 million for each of the three months ended September 30, 2018 and 2017, and $3.6 million and $3.2 million for the nine months ended September 30, 2018 and 2017, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. During 2017, the Partnership reversed compensation expenses related to forfeitures in the amount of $0.4 million and $1.8 million for the three and nine months ended September 30, 2017, respectively.

The total compensation cost related to the non-vested awards not yet recognized at September 30, 2018 was approximately $9.8 million and is expected to be recognized ratably over the remaining requisite service periods.

Repurchase Program

In May 2009, the board of directors of the General Partner authorized the repurchase of the Partnership's common units (the "Repurchase Program") for the purpose of meeting the General Partner's anticipated obligations to deliver common units under the LTIP and meeting the General Partner's obligations under existing employment agreements and other employment related obligations of the General Partner (collectively, the "General Partner's Obligations"). The General Partner is authorized to acquire up to 1,242,427 of its common units in the aggregate over an extended period of time, consistent with the General Partner's Obligations. Common units may be repurchased from time to time in open market transactions, including block purchases, or in privately negotiated transactions. Such authorized unit repurchases may be modified, suspended or terminated at any time and are subject to price and economic and market conditions, applicable legal requirements and available liquidity. Since the Repurchase Program was implemented, the General Partner repurchased 838,505 common units pursuant to the Repurchase Program for approximately $24.8 million, none of which were purchased during the three and nine months ended September 30, 2018.

In June 2009, the Partnership and the General Partner entered into the Global GP LLC Compensation Funding Agreement (the "Agreement") whereby the Partnership and the General Partner established obligations and protocol for (i) the funding, management and administration of a compensation funding account and underlying General Partner's Obligations, and (ii) the holding and disposition by the General Partner of common units acquired in accordance with the Agreement for such purposes as otherwise set forth in the Agreement. The Agreement requires the Partnership to fund costs that the General Partner incurs in connection with performance of the Agreement. In accordance with the Agreement, the Partnership paid members of the General Partner $0 for each of the three months ended September 30, 2018 and 2017 and approximately $0.4 million and $0.8 million in the aggregate for the nine months ended September 30, 2018 and 2017, respectively.

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Note 14. Partners' Equity and Cash Distributions

Partners' Equity

Common Units

At September 30, 2018 there were 33,995,563 common units issued, including 7,347,370 common units held by affiliates of the General Partner, including directors and executive officers, collectively representing a 99.33% limited partner interest in the Partnership, and 230,303 general partner units representing a 0.67% general partner interest in the Partnership. There have been no changes to common units during the three and nine months ended September 30, 2018 and 2017.

Series A Preferred Units

On August 7, 2018, the Partnership issued 2,760,000 Series A Preferred Units at a price of $25.00 per Series A Preferred Unit. The Partnership used the proceeds, net of underwriting discount and expenses, of $66.4 million to reduce indebtedness under its Credit Agreement.

Cash Distributions

Common Units

The Partnership intends to make cash distributions to common unitholders on a quarterly basis, although there is no assurance as to the future cash distributions since they are dependent upon future earnings, capital requirements, financial condition and other factors. The Credit Agreement prohibits the Partnership from making cash distributions if any potential default or Event of Default, as defined in the Credit Agreement, occurs or would result from the cash distribution. The indentures governing the Partnership's outstanding senior notes also limit the Partnership's ability to make distributions to its common unitholders in certain circumstances.

Within 45 days after the end of each quarter, the Partnership will distribute all of its Available Cash (as defined in its partnership agreement) to common unitholders of record on the applicable record date. The amount of Available Cash is all cash on hand on the date of determination of Available Cash for the quarter; less the amount of cash reserves established by the General Partner to provide for the proper conduct of the Partnership's business, to comply with applicable law, any of the Partnership's debt instruments or other agreements or to provide funds for distributions to unitholders and the General Partner for any one or more of the next four quarters.

The Partnership will make distributions of Available Cash from distributable cash flow for any quarter in the following manner: 99.33% to the common unitholders, pro rata, and 0.67% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; and thereafter, cash in excess of the minimum quarterly distribution is distributed to the common unitholders and the General Partner based on the percentages as provided below.

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As holder of the IDRs, the General Partner is entitled to incentive distributions if the amount that the Partnership distributes with respect to any quarter exceeds specified target levels shown below:

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions Unitholders		General Partner	
First Target Distribution	up to $0.4625	99.33	%	0.67	%
Second Target Distribution	above $0.4625 up to $0.5375	86.33	%	13.67	%
Third Target Distribution	above $0.5375 up to $0.6625	76.33	%	23.67	%
Thereafter	above $0.6625	51.33	%	48.67	%

The Partnership paid the following cash distributions to common unitholders during 2018 (in thousands, except per unit data):

Cash Distribution Payment Date	Earned for the Quarter Ended	Per Unit Cash Distribution	Common Units	General Partner	Incentive Distribution	Total Cash Distribution
2/14/2018	12/31/17	$ 0.4625	$ 15,723	$ 106	$ —	$ 15,829
5/15/2018	03/31/18	0.4625	15,723	106	—	15,829
8/14/2018	06/30/18	0.4750	16,149	109	67	16,325

In addition, on October 26, 2018, the board of directors of the General Partner declared a quarterly cash distribution of $0.4750 per unit ($1.90 per unit on an annualized basis) on all of its outstanding common units for the period from July 1, 2018 through September 30, 2018. On November 14, 2018, the Partnership will pay this cash distribution to its common unitholders of record as of the close of business on November 9, 2018. This distribution will result in the Partnership reaching its second target level distribution for the quarter ended September 30, 2018.

Series A Preferred Units

The Series A Preferred Units are a new class of equity security that ranks senior to all classes or series of the Partnership's equity securities with respect to distribution rights and rights upon liquidation established after August 7, 2018, the original issue date of the Series A Preferred Units (the “Original Issue Date”).

Distributions on the Series A Preferred Units are cumulative from the Original Issue Date and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2018 (each, a “Distribution Payment Date”), to holders of record as of the opening of business on the February 1, May 1, August 1 or November 1 next preceding the Distribution Payment Date, in each case, when, as, and if declared by the General Partner out of legally available funds for such purpose.

On October 23, 2018, the board of directors of the General Partner declared the initial quarterly cash distribution of $0.6635 per unit on the Series A Preferred Units, covering the period from August 7, 2018 (the issuance date of the Series A Preferred Units) through November 14, 2018. This distribution will be payable on November 15, 2018 to holders of record as of the opening of business on November 1, 2018.

The initial distribution rate for the Series A Preferred Units from and including the Original Issue Date, but excluding, August 15, 2023 is 9.75% per annum of the $25.00 liquidation preference per Series A Preferred Unit (equal to $2.4375 per Series A Preferred Unit per annum). On and after August 15, 2023, distributions on the Series A Preferred Units will accumulate for each distribution period at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.774% per annum.

At any time on or after August 15, 2023, the Partnership may redeem, in whole or in part, the Series A Preferred Units at a redemption price in cash of $25.00 per Series A Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. The Partnership must provide not less than 30 days' and not more than 60 days' advance written notice of any such redemption.

Upon the occurrence of a Series A Change of Control (as defined in the partnership agreement), the Partnership may, at its option, redeem the Series A Preferred Units, in whole or in part, within 120 days after the first date on which such Series A Change of Control occurred, by paying $25.00 per Series A Preferred Unit, plus all accumulated and unpaid distributions to, but excluding, the date of redemption, whether or not declared. If, prior to the Series A Change of Control Conversion Date (as defined in the partnership agreement), the Partnership exercises its redemption rights relating to Series A Preferred Units, holders of the Series A Preferred Units that the Partnership has elected to redeem will not have the conversion right discussed below related to a Series A Change of Control.

Upon the occurrence of a Series A Change of Control, each holder of Series A Preferred Units will have the right (unless, prior to the Series A Change of Control Conversion Date, the Partnership provides notice of its election to redeem the Series A Preferred Units) to convert some or all of the Series A Preferred Units held by such holder on the Series A Change of Control Conversion Date into a number of common units per Series A Preferred Unit to be converted equal to the lesser of (a) the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but excluding, the Series A Change of Control Conversion Date (unless the Series A Change of Control Conversion Date is after a record date for a Series A Preferred Unit distribution payment and prior to the corresponding Distribution Payment Date, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price (as defined in the partnership agreement) and (b) 2.7100, subject, in each case, to certain exceptions and adjustments.

Any such redemptions would be effected only out of funds legally available for such purposes and would be subject to compliance with the provisions of the Partnership's outstanding indebtedness.

Holders of Series A Preferred Units generally have no voting rights, except for limited voting rights with respect to (i) potential amendments to the partnership agreement that would have a material adverse effect on the terms of the Series A Preferred Units, (ii) the creation or issuance of any Parity Securities (as defined in the partnership agreement) (including any additional Series A Preferred Units) if the cumulative distributions payable on then outstanding Series A Preferred Units (or Parity Securities, if applicable) are in arrears, (iii) the creation or issuance of any Senior Securities (as defined in the partnership agreement) and (iv) the declaration or payment of any distribution to the holders of common units out of capital surplus.

Note 15. Unitholders' Equity

At-the-Market Offering Program

On May 19, 2015, the Partnership entered into an equity distribution agreement pursuant to which the Partnership may sell from time to time through its sales agents, following a standard due diligence effort, the Partnership's common units having an aggregate offering price of up to $50.0 million. Sales of the common units, if any, will be made by any method permitted by law deemed to be an "at-the-market" offering, including ordinary brokers' transactions through the facilities of the New York Stock Exchange, to or through a market maker, or directly on or through an electronic communication network, a "dark pool" or any similar market venue, at market prices, in block transactions, or as otherwise agreed upon by the Partnership and one or more of its sales agents.

The Partnership may also sell common units to one or more of its sales agents as principal for its own account at a price to be agreed upon at the time of sale. Any sale of common units to a sales agent as principal would be pursuant to the terms of a separate agreement between the Partnership and such sales agent.

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The Partnership intends to use the net proceeds from any sales pursuant to the at-the-market offering program, after deducting the sales agents' commissions and the Partnership's offering expenses, for general partnership purposes, which may include, among other things, repayment of indebtedness, acquisitions and capital expenditures.

The sales agents and/or affiliates of each of the sales agents have, from time to time, performed, and may in the future perform, various financial advisory and commercial and investment banking services for the Partnership and its affiliates, for which they have received and in the future will receive customary compensation and expense reimbursement. Affiliates of the sales agents are lenders under the Partnership's credit facility and, accordingly, may receive a portion of the net proceeds from this offering if and to the extent any proceeds are used to reduce outstanding borrowings under the Partnership's credit facility.

No common units have been sold by the Partnership pursuant to the at-the-market offering program since inception.

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Note 16. Segment Reporting

Summarized financial information for the Partnership's reportable segments is presented in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Wholesale Segment:				
Sales				
Gasoline and gasoline blendstocks	$ 1,594,543	$ 559,685	$ 3,615,862	$ 1,526,452
Crude oil (1)	15,643	109,923	74,047	356,594
Other oils and related products (2)	279,467	292,427	1,372,042	1,249,457
Total	$ 1,889,653	$ 962,035	$ 5,061,951	$ 3,132,503
Product margin				
Gasoline and gasoline blendstocks	$ 5,586	$ 30,422	$ 54,423	$ 64,415
Crude oil (1)	(7,606)	(8,405)	2,885	3,248
Other oils and related products (2)	5,175	14,589	31,477	52,290
Total	$ 3,155	$ 36,606	$ 88,785	$ 119,953
Gasoline Distribution and Station Operations Segment:				
Sales				
Gasoline	$ 1,110,529	$ 897,440	$ 3,088,906	$ 2,524,823
Station operations (3)	124,481	94,856	312,455	258,309
Total	$ 1,235,010	$ 992,296	$ 3,401,361	$ 2,783,132
Product margin				
Gasoline	$ 91,335	$ 84,170	$ 238,434	$ 230,608
Station operations (3)	57,265	46,492	149,479	128,629
Total	$ 148,600	$ 130,662	$ 387,913	$ 359,237
Commercial Segment:				
Sales	$ 344,172	$ 205,415	$ 934,989	$ 604,425
Product margin	$ 5,478	$ 5,022	$ 16,524	$ 13,335
Combined sales and Product margin:				
Sales	$ 3,468,835	$ 2,159,746	$ 9,398,301	$ 6,520,060
Product margin (4)	$ 157,233	$ 172,290	$ 493,222	$ 492,525
Depreciation allocated to cost of sales	(22,259)	(22,196)	(64,657)	(67,042)

Combined gross profit	$ 134,974	$ 150,094	$ 428,565	$ 425,483

(1) Crude oil consists of the Partnership's crude oil sales and revenue from its logistics activities.
(2) Other oils and related products primarily consist of distillates, residual oil and propane.
(3) Station operations consist of convenience store sales, rental income and sundries.
(4) Product margin is a non-GAAP financial measure used by management and external users of the Partnership's consolidated financial statements to assess its business. The table above includes a reconciliation of product margin on a combined basis to gross profit, a directly comparable GAAP measure.

Approximately 144 million gallons and 123 million gallons of the GDSO segment's sales for the three months ended September 30, 2018 and 2017, respectively, and 388 million gallons and 361 million gallons of the GDSO segment's sales for the nine months ended September 30, 2018 and 2017, respectively, were supplied from petroleum products and renewable fuels sourced by the Wholesale segment. Predominantly all of the Commercial segment's sales were sourced by the Wholesale segment. These intra-segment sales are not reflected as sales in the Wholesale segment as they are eliminated.

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A reconciliation of the totals reported for the reportable segments to the applicable line items in the consolidated financial statements is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Combined gross profit	$ 134,974	$ 150,094	$ 428,565	$ 425,483
Operating costs and expenses not allocated to operating segments:				
Selling, general and administrative expenses	42,127	40,134	121,447	111,600
Operating expenses	83,776	70,338	234,043	208,720
Gain on trustee taxes	—	—	(52,627)	—
Lease exit and termination gain	(3,506)	—	(3,506)	—
Amortization expense	3,079	2,260	7,984	6,781
Net loss (gain) on sale and disposition of assets	940	2,190	5,840	(7,291)
Goodwill and long-lived asset impairment	414	809	414	809
Total operating costs and expenses	126,830	115,731	313,595	320,619
Operating income	8,144	34,363	114,970	104,864
Interest expense	(22,579)	(20,626)	(65,637)	(65,836)
Income tax (expense) benefit	(29)	723	900	(72)
Net (loss) income	(14,464)	14,460	50,233	38,956
Net loss attributable to noncontrolling interest	384	418	1,142	1,242
Net (loss) income attributable to Global Partners LP	$ (14,080)	$ 14,878	$ 51,375	$ 40,198

The Partnership’s foreign assets and foreign sales were immaterial as of and for the three and nine months ended September 30, 2018 and 2017.

Segment Assets

The Partnership’s terminal assets are allocated to the Wholesale and Commercial segments, and its retail gasoline stations are allocated to the GDSO segment. Due to the commingled nature and uses of the remainder of the Partnership’s assets, it is not reasonably possible for the Partnership to allocate these assets among its reportable segments.

The table below presents total assets by reportable segment at September 30, 2018 and December 31, 2017 (in thousands):

	Wholesale	Commercial	GDSO	Unallocated	Total
September 30, 2018	$ 723,006	$ —	$ 1,447,625	$ 404,699	$ 2,575,330
December 31, 2017	$ 613,764	$ 100	$ 1,281,370	$ 424,935	$ 2,320,169

Note 17. Business Combinations

2018 Acquisitions

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, the Partnership acquired the assets of ten company-operated gasoline stations and convenience stores from Cheshire in a cash transaction. The portfolio consists of nine stores in New Hampshire and one in Brattleboro, Vermont. All of the locations are branded T-Bird Mini Marts and market Citgo fuel. The purchase price was approximately $33.4 million, including inventory. The acquisition was financed with borrowings under the Partnership's revolving credit facility.

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The acquisition was accounted for using the purchase method of accounting in accordance with the Financial Accounting Standards Board's ("FASB") guidance regarding business combinations. The Partnership's financial statements include the results of operations of Cheshire subsequent to the acquisition date.

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the allocation period in accordance with the FASB's guidance regarding business combinations. The purchase price allocation will be finalized as the Partnership receives additional information relevant to the acquisition, including the final valuation of the assets purchased, including tangible and intangible assets, and liabilities assumed.

The following table presents the preliminary allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Assets purchased:	
Inventory	$ 1,591
Property and equipment	26,943
Intangibles	337
Total identifiable assets purchased	28,871
Liabilities assumed:	
Environmental liabilities	(1,174)
Other non-current liabilities	(109)
Total liabilities assumed	(1,283)
Net identifiable assets acquired	27,588
Goodwill	5,853
Net assets acquired	$ 33,441

Management is in the process of evaluating the purchase price accounting. The Partnership engaged a third-party valuation firm to assist in the valuation of Cheshire's property and equipment and intangible assets consisting of in-place leases. This valuation continues to be in process and, during the three months ended September 30, 2018, the Partnership received preliminary fair values of these assets. The estimated fair values of property and equipment of $26.9 million and intangibles assets of $0.3 million were developed by management based on their estimates, assumptions and acquisition history including preliminary reports from the third-party valuation firm. The estimated fair values of the property and equipment and intangible assets will be supported by the valuations performed by the third-party valuation firm. It is possible that once the Partnership receives the completed valuations on the property and equipment and intangible assets, the final purchase price accounting may be different than what is presented above.

The fair value of $1.2 million assigned to the assumption of environmental liabilities was developed by management based on their estimates, assumptions and acquisition history (see Note 12).

The fair values of the remaining Cheshire assets and liabilities noted above approximate their carrying values at July 24, 2018.

The preliminary purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon their estimates and assumptions. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The $5.9 million of goodwill was recognized as the transaction expanded the Partnership's retail presence in New Hampshire and enables the Partnership to benefit from economies of scale in the purchase of gasoline and convenience store merchandise. The goodwill is expected to be tax deductible. The operations of Cheshire have been integrated into the GDSO reporting segment.

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The Partnership utilized accounting guidance related to intangible assets which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors include, in part, a review of the expected use by the Partnership of the assets acquired, the expected useful life of another asset (or group of assets) related to the acquired assets and legal, regulatory or other contractual provisions that may limit the useful life of an acquired asset. The Partnership amortizes these intangible assets over their estimated useful lives which is consistent with the estimated undiscounted future cash flows of these assets.

As part of the purchase price allocation, identifiable intangible assets include in-place leases that are being amortized over one year. Amortization expense related to the intangible assets was immaterial for each of the three and nine months ended September 30, 2018.

In connection with the acquisition of Cheshire, the Partnership incurred acquisition costs of approximately $0.4 million for each of the three and nine months ended September 30, 2018, which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations for the respective periods.

Cheshire's revenues and net income included in the Partnership's consolidated operating results from July 24, 2018, the acquisition date, through September 30, 2018 were immaterial.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Champlain in a cash transaction. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also included fuel supply agreements for approximately 65 gasoline stations, primarily in Vermont and New Hampshire. The stations primarily market major fuel brands such as Mobil, Shell, Citgo, Sunoco and Irving. The purchase price was approximately $138.4 million, including inventory. The acquisition was financed with borrowings under the Partnership's revolving credit facility.

The acquisition was accounted for using the purchase method of accounting in accordance with the FASB's guidance regarding business combinations. The Partnership's financial statements include the results of operations of Champlain subsequent to the acquisition date.

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the allocation period in accordance with the FASB's guidance regarding business combinations. The purchase price allocation will be finalized as the Partnership receives additional information relevant to the acquisition, including the final valuation of the assets purchased, including tangible and intangible assets, and liabilities assumed.

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The following table presents the preliminary allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Assets purchased:	
Inventory	$ 5,653
Prepaid expenses and other current assets	270
Property and equipment	93,175
Intangibles	13,576
Total identifiable assets purchased	112,674
Liabilities assumed:	
Accrued expenses and other current liabilities	(176)
Environmental liabilities	(10,757)
Other non-current liabilities	(938)
Total liabilities assumed	(11,871)
Net identifiable assets acquired	100,803
Goodwill	37,580
Net assets acquired	$ 138,383

Management is in the process of evaluating the purchase price accounting. The Partnership engaged a third-party valuation firm to assist in the valuation of Champlain's property and equipment and intangible assets consisting of dealer supply contracts, in-place leases and franchise rights. This valuation continues to be in process and, during the three months ended September 30, 2018, the Partnership received preliminary fair values of these assets. The estimated fair values of property and equipment of $93.2 million and intangibles assets of $13.6 million were developed by management based on their estimates, assumptions and acquisition history, including preliminary reports from the third-party valuation firm. The estimated fair values of the property and equipment and intangible assets will be supported by the valuations performed by the third-party valuation firm. It is possible that once the Partnership receives the completed valuations on the property and equipment and intangible assets, the final purchase price accounting may be different than what is presented above.

The fair value of $10.7 million assigned to the assumption of environmental liabilities was developed by management based on their estimates, assumptions and acquisition history (see Note 12).

The fair values of the remaining Champlain assets and liabilities noted above approximate their carrying values at July 17, 2018.

The preliminary purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon their estimates and assumptions. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The $37.6 million of goodwill was recognized as the transaction expanded the Partnership's retail portfolio and geographic footprint in New England and provides additional volume to the Partnership's terminals in New York and Vermont. The goodwill is expected to be tax deductible. The operations of Champlain have been integrated into the GDSO reporting segment.

The Partnership utilized accounting guidance related to intangible assets which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors include, in part, a review of the expected use by the Partnership of the assets acquired, the expected useful life of another asset (or group of assets) related to the acquired assets and legal, regulatory or other contractual provisions that may limit the useful life of an acquired asset. The Partnership amortizes these intangible assets over their estimated useful lives which is consistent with the estimated undiscounted future cash flows of these assets.

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As part of the purchase price allocation, identifiable intangible assets include dealer supply contracts, in-place leases and franchise rights that are being amortized between one and ten years. Amortization expense related to the intangible assets was $0.6 million for each of the three and nine months ended September 30, 2018.

In connection with the acquisition of Champlain, the Partnership incurred acquisition costs of approximately $3.3 million and $3.5 million for the three and nine months ended September 30, 2018, respectively, which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations for the respective periods

Champlain's revenues and net income included in the Partnership's consolidated operating results from July 17, 2018, the acquisition date, through September 30, 2018 were immaterial.

2017 Acquisition

Honey Farms, Inc.—On October 18, 2017, the Partnership completed the acquisition of retail gasoline and convenience store assets from Honey Farms, Inc. ("Honey Farms") in a cash transaction. The acquisition included 11 company-operated retail sites with gasoline and convenience stores and 22 company-operated stand-alone convenience stores. All of the sites are located in and around the greater Worcester, Massachusetts area. The purchase price was approximately $38.5 million, including inventory. The acquisition was financed with borrowings under the Partnership's revolving credit facility.

The acquisition was accounted for using the purchase method of accounting in accordance with the FASB's guidance regarding business combinations. The Partnership's financial statements include the results of operations of Honey Farms subsequent to the acquisition date.

The following table presents the final allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Assets purchased:	
Inventory	$ 2,999
Property and equipment	14,087
Intangibles	1,370
Other non-current assets	3
Total identifiable assets purchased	18,459
Liabilities assumed:	
Environmental liabilities	(1,119)
Other non-current liabilities	(352)
Total liabilities assumed	(1,471)
Net identifiable assets acquired	16,988
Goodwill	21,491
Net assets acquired	$ 38,479

During the nine months ended September 30, 2018, the Partnership recorded a change to the preliminary purchase accounting, specifically related to the value assigned to the environmental liabilities. The impact of this change

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decreased goodwill to $21.5 million at September 30, 2018 from $21.6 million at December 31, 2017 as follows (in thousands):

Goodwill – December 31, 2017	$ 21,630
Decrease in environmental liabilities	(139)
Goodwill – September 30, 2018	$ 21,491

The Partnership engaged a third-party valuation firm to assist in the valuation of Honey Farms' property and equipment, intangible assets consisting of in-place leases, favorable leasehold interests and franchise rights, and other non-current liabilities consisting of unfavorable leasehold interests. The Partnership's third-party valuation firm considered the income, market and cost approaches in estimating the fair value of the property and equipment, intangible assets and other non-current liabilities. The market and cost approaches were used to value the property and equipment based on the underlying asset class components of the property and equipment. The income approach was used to value the in-place leases, franchise rights and favorable and unfavorable leasehold interests.

The purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon a valuation from the Partnership's third party valuation firm. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The $21.5 million of goodwill was recognized as the transaction expanded the Partnership's footprint and enables the Partnership to benefit from economies of scale in the purchase of gasoline and convenience store merchandise. The goodwill is expected to be tax deductible. The operations of Honey Farms have been integrated into the GDSO reporting segment.

The fair value of $1.1 million assigned to the assumption of environmental liabilities was developed by management based on their estimates, assumptions and acquisition history.

The fair values of the remaining Honey Farms assets and liabilities noted above approximate their carrying values as of the acquisition date.

The Partnership utilized accounting guidance related to intangible assets which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors include, in part, a review of the expected use by the Partnership of the assets acquired, the expected useful life of another asset (or group of assets) related to the acquired assets and legal, regulatory or other contractual provisions that may limit the useful life of an acquired asset. The Partnership amortizes these intangible assets over their estimated useful lives which is consistent with the estimated undiscounted future cash flows of these assets.

As part of the purchase price allocation, identifiable intangible assets include in-place leases, favorable leasehold interests and franchise rights that are being amortized over one, three and three years, respectively. Amortization expense related to the intangible assets was $0.2 million and $0.7 million for the three and nine months ended September 30, 2018, respectively. The in-place leases, favorable leasehold interests and franchise rights have a weighted average term of approximately three, two and four years, respectively, prior to their next renewal.

Supplemental Pro Forma Information—Revenues and net income not included in the Partnership's consolidated operating results for Cheshire, Champlain and Honey Farms from January 1, 2017 through the respective acquisition date, were immaterial.

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Note 18.   Income Taxes

Section 7704 of the Internal Revenue Code provides that publicly-traded partnerships are, as a general rule, taxed as corporations. However, an exception, referred to as the “Qualifying Income Exception,” exists under Section 7704(c) with respect to publicly-traded partnerships of which 90% or more of the gross income for every taxable year consists of “qualifying income.” Qualifying income includes income and gains derived from the transportation, storage and marketing of refined petroleum products, crude oil and ethanol to resellers and refiners. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income.

Substantially all of the Partnership’s income is “qualifying income” for federal income tax purposes and, therefore, is not subject to federal income taxes at the partnership level. Accordingly, no provision has been made for income taxes on the qualifying income in the Partnership’s financial statements. Net income for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the Partnership’s agreement of limited partnership. Individual unitholders have different investment basis depending upon the timing and price at which they acquired their common units. Further, each unitholder’s tax accounting, which is partially dependent upon the unitholder’s tax position, differs from the accounting followed in the Partnership’s consolidated financial statements. Accordingly, the aggregate difference in the basis of the Partnership’s net assets for financial and tax reporting purposes cannot be readily determined because information regarding each unitholder’s tax attributes in the Partnership is not available to the Partnership.

One of the Partnership’s wholly owned subsidiaries, GMG, is a taxable entity for federal and state income tax purposes. Current and deferred income taxes are recognized on the separate earnings of GMG. The after-tax earnings of GMG are included in the earnings of the Partnership. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes for GMG. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership calculates its current and deferred tax provision based on estimates and assumptions that could differ from actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

On July 1, 2015 the Partnership commenced business in Canada through its wholly owned Canadian subsidiary, Global Partners Energy Canada ULC ("GPEC"). GPEC predominantly consists of sourcing crude oil and other petroleum based products for sale to the Partnership and customers in Canada. GPEC is a taxable entity for Canadian corporate income and branch taxes. In its first year of operations, GPEC realized a pre-tax loss generating a net operating loss that might be used to offset future taxable income when GPEC operates at a profit.

The Partnership recognizes deferred tax assets to the extent that the recoverability of these assets satisfies the "more likely than not" criteria in accordance with the FASB's accounting guidance regarding income taxes. The Partnership concluded, based upon an evaluation of future operating results and reversal of existing taxable temporary differences, that a portion of these assets will not be realized in a future period. The valuation allowance increased by $0.3 million for the nine months ended September 30, 2018.

The Partnership computed its tax provision for the three and nine months ended September 30, 2018 based upon the year-to-date effective tax rate as opposed to an estimated annual effective tax rate. Given a reliable estimate of the annual effective tax rate cannot be made, the Partnership concluded that the year-to-date effective tax rate is the most appropriate method to use for the three and nine months ended September 30, 2018.

Unrecognized tax benefits represent uncertain tax positions for which reserves have been established. The Partnership had gross-tax effected unrecognized tax benefits of $1.0 million at both September 30, 2018 and December 31, 2017, of which all would favorably impact the effective tax rate if recognized.

GMG files income tax returns in the United States and various state jurisdictions. With few exceptions, the Partnership is subject to income tax examination by tax authorities for all years dated back to 2015.

Tax Cuts and Jobs Act

As disclosed in Note 11, “Income Taxes,” of Notes to Consolidated Financial Statements in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2017, the Partnership recorded provisional amounts in its 2017 consolidated financial statements to reflect the federal, state and foreign impacts of the Tax Cuts and Jobs Act (the “Act”), as well as to the balance of the Partnership’s deferred tax assets and liabilities. These amounts remain provisional and subject to Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act,” (“SAB 118”) as of September 30, 2018. There have been no changes to the provisional amounts recorded in the 2017 financial statements during the three and nine months ended September 30, 2018.

While the Partnership made reasonable estimates of the effects of the Act in its 2017 consolidated financial statements, the final impact of the Act may differ from these estimates due to, among other things, changes in the Partnership’s interpretations of and assumptions under the Act and additional guidance that may be issued by the Internal Revenue Service. As a result, the Partnership will continue to gather additional information to determine the final impact of these changes. SAB 118 provides that in these cases, an entity should continue to apply ASC Topic 740, “Income Taxes,” based on the provisions of the tax laws that were in effect immediately prior to the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act enactment date for entities to complete the accounting under ASC Topic 740.

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Note 19. Changes in Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss by component for the periods presented (in thousands):

Three Months Ended September 30, 2018	Pension Plan	Derivatives	Total
Balance at June 30, 2018	$ (5,351)	$ 88	$ (5,263)
Other comprehensive income before reclassifications of gain (loss)	584	(67)	517
Amount of (loss) gain reclassified from accumulated other comprehensive income	(16)	—	(16)
Total comprehensive (loss) income	568	(67)	501
Balance at September 30, 2018	$ (4,783)	$ 21	$ (4,762)

Nine Months Ended September 30, 2018	Pension Plan	Derivatives	Total
Balance at December 31, 2017	$ (5,333)	$ (135)	$ (5,468)
Other comprehensive income before reclassifications of gain (loss)	598	156	754
Amount of (loss) gain reclassified from accumulated other comprehensive income	(48)	—	(48)
Total comprehensive income	550	156	706
Balance at September 30, 2018	$ (4,783)	$ 21	$ (4,762)

Amounts are presented prior to the income tax effect on other comprehensive income. Given the Partnership’s partnership status for federal income tax purposes, the effective tax rate is immaterial.

Note 20. Supplemental Cash Flow Information

The following table presents supplemental cash flow information for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2018	2017
Borrowings from working capital revolving credit facility	$ 1,595,000	$ 946,200
Payments on working capital revolving credit facility	(1,414,000)	(1,231,600)
Net borrowings from (payments on) working capital revolving credit facility	$ 181,000	$ (285,400)
Borrowings from revolving credit facility	$ 166,000	$ —
Payments on revolving credit facility	(117,800)	(26,700)
Net borrowings from (payments on) revolving credit facility	$ 48,200	$ (26,700)

Note 21. Legal Proceedings

General

Although the Partnership may, from time to time, be involved in litigation and claims arising out of its operations in the normal course of business, the Partnership does not believe that it is a party to any litigation that will have a material adverse impact on its financial condition or results of operations. Except as described below and in Note 11 included herein, the Partnership is not aware of any significant legal or governmental proceedings against it, or contemplated to be brought against it. The Partnership maintains insurance policies with insurers in amounts and with coverage and deductibles as its general partner believes are reasonable and prudent. However, the Partnership can

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provide no assurance that this insurance will be adequate to protect it from all material expenses related to potential future claims or that these levels of insurance will be available in the future at economically acceptable prices.

Other

During the second quarter ended June 30, 2016, the Partnership determined that gasoline loaded from certain loading bays at one of its terminals did not contain the necessary additives as a result of an IT-related configuration error. The error was corrected and all gasoline being sold at the terminal now contains the appropriate additives. Based upon current information, the Partnership believes approximately 14 million gallons of gasoline were impacted. The Partnership has notified the EPA of this error. As a result of this error, the Partnership could be subject to fines, penalties and other related claims, including customer claims.

On August 2, 2016, the Partnership received a Notice of Violation ("NOV") from the EPA, alleging that permits for the Partnership's petroleum product transloading facility in Albany, New York (the "Albany Terminal"), issued by the New York State Department of Environmental Conservation ("NYSDEC") between August 9, 2011 and November 7, 2012, violated the Clean Air Act (the "CAA") and the federally enforceable New York State Implementation Plan ("SIP") by increasing throughput of crude oil at the Albany Terminal without complying with the New Source Review ("NSR") requirements of the SIP. The Albany Terminal is a 63-acre licensed, permitted and operational stationary bulk petroleum storage and transfer terminal that currently consists of petroleum product storage tanks, along with truck, rail and marine loading facilities, for the storage, blending and distribution of various petroleum and related products, including gasoline, ethanol, distillates, heating and crude oils. The applicable permits issued by the NYSDEC to the Partnership in 2011 and 2012 specifically authorize the Partnership to increase the throughput of crude oil at the Albany Terminal. According to the allegations in the NOV, the NYSDEC permit actions should have been treated as a major modification under the NSR program, requiring additional emission control measures and compliance with other NSR requirements. The NYSDEC has not alleged that the Partnership's permits were subject to the NSR program and the NYSDEC never issued an NOV in the matter. The CAA authorizes the EPA to take enforcement action in response to violations of the New York SIP seeking compliance and penalties. The Partnership believes that the permits issued by the NYSDEC comply with the CAA and applicable state air permitting requirements and that no material violation of law has occurred. The Partnership disputes the claims alleged in the NOV and responded to the EPA in September 2016. The Partnership met with the EPA and provided additional information at the agency's request. On December 16, 2016, the EPA proposed a Settlement Agreement in a letter to the Partnership relating to the allegations in the NOV. On January 17, 2017, the Partnership responded to the EPA indicating that the EPA had failed to explain or provide support for its allegations and that the EPA needed to better explain its positions and the evidence on which it was relying. The EPA did not respond with such evidence, but instead has requested that the Partnership enter into a series of tolling agreements. The Partnership has signed a number of tolling agreements with respect to this matter, as requested by the EPA, and such agreements currently extend through December 31, 2018. To date, the EPA has not taken any further formal action with respect to the NOV.

By letter dated January 25, 2017, the Partnership received a notice of intent to sue (the "2017 NOI") from Earthjustice related to alleged violations of the CAA; specifically alleging that the Partnership was operating the Albany Terminal without a valid CAA Title V Permit. On February 9, 2017, the Partnership responded to Earthjustice advising that the 2017 NOI was without factual or legal merit and that the Partnership would move to dismiss any action commenced by Earthjustice. No action was taken by either the EPA or the NYSDEC with regard to the Earthjustice allegations. At this time, there has been no further action taken by Earthjustice. Neither the EPA nor the NYSDEC has followed up on the 2017 NOI. The Albany Terminal is currently operating pursuant to its Title V Permit, which has been extended in accordance with the State Administrative Procedures Act. The Partnership believes that it has meritorious defenses against all allegations.

On May 29, 2015 and in connection with a commercial dispute with Tethys Trading Company LLC ("Tethys"), the Partnership received a notice from Tethys alleging a default under, and purporting to terminate, the Partnership's

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contract with Tethys for crude oil services at the Partnership's Oregon facility. However, the Partnership does not believe Tethys had the right to terminate the contract, and the Partnership will continue to investigate and determine the appropriate action to take to enforce its rights under the agreement.

On March 26, 2015, the Partnership received a Notice of Non-Compliance ("NON") from the Massachusetts Department of Environmental Protection ("DEP") with respect to the Revere terminal (the "Revere Terminal") located in Boston Harbor in Revere, Massachusetts, alleging certain violations of the National Pollutant Discharge Elimination System Permit ("NPDES Permit") related to storm water discharges. The NON required the Partnership to submit a plan to remedy the reported violations of the NPDES Permit. The Partnership has responded to the NON with a plan and has implemented modifications to the storm water management system at the Revere Terminal in accordance with the plan. The Partnership has requested that the DEP acknowledge completion of the required modifications to the storm water management system in satisfaction of the NON. While no response has yet been received, the Partnership believes that compliance with the NON has been achieved, and implementation of the plan will have no material impact on its operations.

The Partnership received letters from the EPA dated November 2, 2011 and March 29, 2012, containing requirements and testing orders (collectively, the "Requests for Information") for information under the CAA. The Requests for Information were part of an EPA investigation to determine whether the Partnership has violated sections of the CAA at certain of its terminal locations in New England with respect to residual oil and asphalt. On June 6, 2014, a NOV was received from the EPA, alleging certain violations of its Air Emissions License issued by the Maine Department of Environmental Protection, based upon the test results at the South Portland, Maine terminal. The Partnership met with and provided additional information to the EPA with respect to the alleged violations. On April 7, 2015, the EPA issued a Supplemental Notice of Violation (the "Supplemental NOV") modifying the allegations of violations of the terminal's Air Emissions License. The Partnership has responded to the Supplemental NOV and is engaged in further negotiations with the EPA. A tolling agreement was executed with the United States on December 1, 2015, which has currently been extended through December 31, 2018. While the Partnership does not believe that a material violation has occurred, and it contests the allegations presented in the NOV and Supplemental NOV, the Partnership does not believe any adverse determination in connection with the NOV would have a material impact on its operations.

Note 22.   New Accounting Standards

There have been no developments to recently issued accounting standards, including the expected dates of adoption and estimated effects on the Partnership's consolidated financial statements, from those disclosed in the Partnership's 2017 Annual Report on Form 10-K, except for the following:

Accounting Standards or Updates Recently Adopted

In May 2017, the FASB issued ASU 2017-09, "Compensation–Stock Compensation: Scope of Modification Accounting." This standard clarifies that modification accounting for share-based payment awards should not be applied if the fair value, vesting conditions, and the classification of the modified award as an equity instrument or as a liability instrument are the same before and immediately after the modification. This standard is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Adoption will be applied prospectively to awards modified on or after the adoption date. The Partnership adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on the Partnership's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business." This standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This

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(Unaudited)

standard is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. The Partnership adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on the Partnership's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." This standard reduces diversity in practice in how certain transactions are classified in the statement of cash flows by addressing eight specific cash receipt and cash payment issues. This standard is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods, with early adoption permitted. The Partnership adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on the Partnership's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities". This standard revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. This standard also requires the change in fair value of many equity investments to be recognized in net income. This standard is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The Partnership adopted this standard on January 1, 2018. The adoption of this standard did not have a material impact on the Partnership's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," and has modified the standard thereafter, now codified as ASC 606. ASC 606 supersedes previous revenue recognition requirements in ASC 605, includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services and expands disclosure requirements. ASC 606 became effective for annual reporting periods beginning January 1, 2018, at which point the Partnership adopted the standard. The adoption of this standard did not have a material impact on the recognition of revenue on the Partnership's consolidated financial statements as it did not materially impact the timing or measurement of the Partnership's revenue recognition. The Partnership adopted the standard using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership's historical accounting under ASC 605. See Note 2 for additional information.

Accounting Standards or Updates Not Yet Effective

In August 2018, the FASB issued ASU 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement," which amends existing guidance on disclosure requirements for fair value measurements. This standard requires prospective application on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty. The effects of other amendments must be applied retrospectively to all periods presented. This standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Partnership is assessing the impact this standard will have on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities." This standard expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. This standard is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, and early adoption is permitted. The Partnership is assessing the impact this standard will have on its consolidated financial statements.

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In February 2016, the FASB issued ASU 2016-02, “Leases,” and has modified the standard thereafter through a series of amendments. This 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. This standard is effective beginning in the first quarter of 2019. Early adoption of this standard is permitted. The standard allows for two adoption methods, 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, and an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the financial statements. The Partnership continues to evaluate the impact of this standard on its financial statements and disclosures, internal controls and accounting policies. The Partnership believes that the new standard will have a material impact on its consolidated balance sheet. The evaluation process includes reviewing all forms of leases, performing a completeness assessment over the lease population and analyzing the practical expedients in order to determine the best path of implementing changes to existing processes and controls.

Note 23. Subsequent Events

Distribution to Common Unitholders—On October 26, 2018, the board of directors of the General Partner declared a quarterly cash distribution of $0.4750 per unit ($1.90 per unit on an annualized basis) for the period from July 1, 2018 through September 30, 2018. On November 14, 2018, the Partnership will pay this cash distribution to its common unitholders of record as of the close of business on November 9, 2018.

Distribution to Preferred Unitholders—On October 23, 2018, the board of directors of the General Partner declared the initial quarterly cash distribution of $0.6635 per unit on the Series A Preferred Units, covering the period from August 7, 2018 (the issuance date of the Series A Preferred Units) through November 14, 2018. This distribution will be payable on November 15, 2018 to holders of record as of the opening of business on November 1, 2018.

Note 24. Supplemental Guarantor Condensed Consolidating Financial Statements

The Partnership’s wholly owned subsidiaries, other than GLP Finance, are guarantors of senior notes issued by the Partnership and GLP Finance. As such, the Partnership is subject to the requirements of Rule 3-10 of Regulation S-X of the SEC regarding financial statements of guarantors and issuers of registered guaranteed securities. The Partnership presents condensed consolidating financial information for its subsidiaries within the notes to consolidated financial statements in accordance with the criteria established for parent companies in the SEC's Regulation S-X, Rule 3-10(d).

The following condensed consolidating financial information presents the Condensed Consolidating Balance Sheets as of September 30, 2018 and December 31, 2017, the Condensed Consolidating Statements of Operations for the three and nine months ended September 30, 2018 and 2017 and the Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 of the Partnership's 100% owned guarantor subsidiaries, the non-guarantor subsidiary and the eliminations necessary to arrive at the information for the Partnership on a consolidated basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Balance Sheet

September 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 11,281	$ 1,170	$ —	$ 12,451
Accounts receivable, net	407,467	7	63	407,537
Accounts receivable - affiliates	5,310	63	(63)	5,310
Inventories	481,457	—	—	481,457
Brokerage margin deposits	15,226	—	—	15,226
Derivative assets	7,281	—	—	7,281
Prepaid expenses and other current assets	89,435	164	—	89,599
Total current assets	1,017,457	1,404	—	1,018,861
Property and equipment, net	1,105,406	4,486	—	1,109,892
Intangible assets, net	62,221	—	—	62,221
Goodwill	352,550	—	—	352,550
Other assets	31,806	—	—	31,806
Total assets	$ 2,569,440	$ 5,890	$ —	$ 2,575,330
Liabilities and partners’ equity				
Current liabilities:				
Accounts payable	$ 336,477	$ 53	$ —	$ 336,530
Accounts payable - affiliates	(34)	34	—	—
Working capital revolving credit facility - current portion	307,700	—	—	307,700
Environmental liabilities - current portion	5,001	—	—	5,001
Trustee taxes payable	37,734	—	—	37,734
Accrued expenses and other current liabilities	97,209	168	—	97,377
Derivative liabilities	13,944	—	—	13,944
Total current liabilities	798,031	255	—	798,286
Working capital revolving credit facility - less current portion	100,000	—	—	100,000

Revolving credit facility	244,200	—	—	244,200
Senior notes	663,775	—	—	663,775
Environmental liabilities - less current portion	60,320	—	—	60,320
Financing obligations	150,132	—	—	150,132
Deferred tax liabilities	38,563	—	—	38,563
Other long-term liabilities	53,572	—	—	53,572
Total liabilities	2,108,593	255	—	2,108,848
Partners' equity				
Global Partners LP equity	460,847	3,412	—	464,259
Noncontrolling interest	—	2,223	—	2,223
Total partners' equity	460,847	5,635	—	466,482
Total liabilities and partners' equity	$ 2,569,440	$ 5,890	$ —	$ 2,575,330

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Balance Sheet

December 31, 2017

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 13,035	$ 1,823	$ —	$ 14,858
Accounts receivable, net	416,974	218	71	417,263
Accounts receivable - affiliates	3,773	71	(71)	3,773
Inventories	350,743	—	—	350,743
Brokerage margin deposits	9,681	—	—	9,681
Derivative assets	3,840	—	—	3,840
Prepaid expenses and other current assets	77,889	88	—	77,977
Total current assets	875,935	2,200	—	878,135
Property and equipment, net	1,029,864	6,803	—	1,036,667
Intangible assets, net	56,545	—	—	56,545
Goodwill	312,401	—	—	312,401
Other assets	36,421	—	—	36,421
Total assets	$ 2,311,166	$ 9,003	$ —	$ 2,320,169
Liabilities and partners' equity				
Current liabilities:				
Accounts payable	$ 313,265	$ 147	$ —	$ 313,412
Accounts payable - affiliates	(148)	148	—	—
Working capital revolving credit facility - current portion	126,700	—	—	126,700
Environmental liabilities - current portion	5,009	—	—	5,009
Trustee taxes payable	110,321	—	—	110,321
Accrued expenses and other current liabilities	99,288	219	—	99,507
Derivative liabilities	13,708	—	—	13,708
Total current liabilities	668,143	514	—	668,657
Working capital revolving credit facility - less current portion	100,000	—	—	100,000

Revolving credit facility	196,000	—	—	196,000
Senior notes	661,774	—	—	661,774
Environmental liabilities - less current portion	52,968	—	—	52,968
Financing obligations	150,334	—	—	150,334
Deferred tax liabilities	40,105	—	—	40,105
Other long-term liabilities	56,013	—	—	56,013
Total liabilities	1,925,337	514	—	1,925,851
Partners' equity				
Global Partners LP equity	385,829	5,124	—	390,953
Noncontrolling interest	—	3,365	—	3,365
Total partners' equity	385,829	8,489	—	394,318
Total liabilities and partners' equity	$ 2,311,166	$ 9,003	$ —	$ 2,320,169

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement of Operations

Three Months Ended September 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 3,468,748	$ 230	$ (143)	$ 3,468,835
Cost of sales	3,333,316	688	(143)	3,333,861
Gross profit (loss)	135,432	(458)	—	134,974
Costs and operating expenses:				
Selling, general and administrative expenses	42,026	101	—	42,127
Operating expenses	83,376	400	—	83,776
Lease exit and termination gain	(3,506)	—	—	(3,506)
Amortization expense	3,079	—	—	3,079
Net loss on sale and disposition of assets	940	—	—	940
Goodwill and long-lived asset impairment	414	—	—	414
Total costs and operating expenses	126,329	501	—	126,830
Operating income (loss)	9,103	(959)	—	8,144
Interest expense	(22,579)	—	—	(22,579)
Loss before income tax expense	(13,476)	(959)	—	(14,435)
Income tax expense	(29)	—	—	(29)
Net loss	(13,505)	(959)	—	(14,464)
Net loss attributable to noncontrolling interest	—	384	—	384
Net loss attributable to Global Partners LP	(13,505)	(575)	—	(14,080)
Less: General partners' interest in net loss, including incentive distribution rights	(27)	—	—	(27)
Less: Series A preferred limited partner interest in net income	1,009	—	—	1,009
Net loss attributable to common limited partners	$ (14,487)	$ (575)	$ —	$ (15,062)

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement of Operations

Three Months Ended September 30, 2017

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 2,159,174	$ 645	$ (73)	$ 2,159,746
Cost of sales	2,008,467	1,258	(73)	2,009,652
Gross profit (loss)	150,707	(613)	—	150,094
Costs and operating expenses:				
Selling, general and administrative expenses	40,049	85	—	40,134
Operating expenses	69,991	347	—	70,338
Amortization expense	2,260	—	—	2,260
Net loss on sale and disposition of assets	2,190	—	—	2,190
Goodwill and long-lived asset impairment	809	—	—	809
Total costs and operating expenses	115,299	432	—	115,731
Operating income (loss)	35,408	(1,045)	—	34,363
Interest expense	(20,626)	—	—	(20,626)
Income (loss) before income tax benefit	14,782	(1,045)	—	13,737
Income tax benefit	723	—	—	723
Net income (loss)	15,505	(1,045)	—	14,460
Net loss attributable to noncontrolling interest	—	418	—	418
Net income (loss) attributable to Global Partners LP	15,505	(627)	—	14,878
Less: General partners' interest in net income, including incentive distribution rights	100	—	—	