
**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, 2019

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 ☐

Non-accelerated filer ☐

Accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☐

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

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

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

<u>Title of class</u>	<u>Trading Symbol(s)</u>	<u>Name of exchange on which registered</u>
Common Units representing limited partner interests	GLP	New York Stock Exchange
9.75% Series A Fixed-to-Floating Cumulative Redeemable Perpetual Preferred Units representing limited partner interests	GLP pr A	New York Stock Exchange

The issuer had 33,995,563 common units outstanding as of November 5, 2019.

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Item 1. Financial Statements

GLOBAL PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,780	\$ 8,121
Accounts receivable, net	335,752	334,777
Accounts receivable—affiliates	7,432	5,435
Inventories	393,695	386,442
Brokerage margin deposits	24,716	14,766
Derivative assets	9,198	26,390
Prepaid expenses and other current assets	94,809	98,977
Total current assets	871,382	874,908
Property and equipment, net	1,101,608	1,132,632
Right of use assets, net	299,000	—
Intangible assets, net	49,477	58,532
Goodwill	324,744	327,406
Other assets	32,034	30,813
Total assets	\$ 2,678,245	\$ 2,424,291
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	\$ 310,368	\$ 308,979
Working capital revolving credit facility—current portion	102,900	103,300
Lease liability—current portion	65,273	—
Environmental liabilities—current portion	6,092	6,092
Trustee taxes payable	35,637	42,613
Accrued expenses and other current liabilities	92,390	117,274
Derivative liabilities	7,908	4,494
Total current liabilities	620,568	582,752
Working capital revolving credit facility—less current portion	150,000	150,000
Revolving credit facility	197,000	220,000
Senior notes	690,103	664,455
Long-term lease liability—less current portion	243,654	—
Environmental liabilities—less current portion	54,512	57,132
Financing obligations	149,526	149,997
Deferred tax liabilities	43,243	42,856
Other long-term liabilities	47,892	57,905
Total liabilities	2,196,498	1,925,097
Partners' equity		
Global Partners LP equity:		
Series A preferred limited partners (2,760,000 units issued and outstanding at September 30, 2019 and December 31, 2018)	67,226	67,226
Common limited partners (33,995,563 units issued and 33,865,892 outstanding at September 30, 2019 and 33,995,563 units issued and 33,751,435 outstanding at December 31, 2018)	418,205	437,874
General partner interest (0.67% interest with 230,303 equivalent units outstanding at September 30, 2019 and December 31, 2018)	(2,521)	(2,509)
Accumulated other comprehensive loss	(2,389)	(5,260)
Total Global Partners LP equity	480,521	497,331
Noncontrolling interest	1,226	1,863
Total partners' equity	481,747	499,194
Total liabilities and partners' equity	\$ 2,678,245	\$ 2,424,291

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Sales	\$ 3,245,653	\$ 3,468,835	\$ 9,732,819	\$ 9,398,301
Cost of sales	3,057,884	3,333,861	9,221,063	8,969,736
Gross profit	187,769	134,974	511,756	428,565
Costs and operating expenses:				
Selling, general and administrative expenses	45,333	42,127	127,391	121,447
Operating expenses	87,827	83,776	257,222	234,043
Gain on trustee taxes	—	—	—	(52,627)
Lease exit and termination gain	—	(3,506)	(493)	(3,506)
Amortization expense	2,766	3,079	8,719	7,984
Net loss (gain) on sale and disposition of assets	323	940	(252)	5,840
Goodwill and long-lived asset impairment	643	414	643	414
Total costs and operating expenses	136,892	126,830	393,230	313,595
Operating income	50,877	8,144	118,526	114,970
Interest expense	(22,091)	(22,579)	(68,113)	(65,637)
Loss on early extinguishment of debt	(13,080)	—	(13,080)	—
Income (loss) before income tax (expense) benefit	15,706	(14,435)	37,333	49,333
Income tax (expense) benefit	(813)	(29)	(1,275)	900
Net income (loss)	14,893	(14,464)	36,058	50,233
Net loss attributable to noncontrolling interest	187	384	637	1,142
Net income (loss) attributable to Global Partners LP	15,080	(14,080)	36,695	51,375
Less: General partner's interest in net income (loss), including incentive distribution rights	395	(27)	1,065	479
Less: Series A preferred limited partner interest in net income	1,682	1,009	5,046	1,009
Net income (loss) attributable to common limited partners	\$ 13,003	\$ (15,062)	\$ 30,584	\$ 49,887
Basic net income (loss) per common limited partner unit	\$ 0.38	\$ (0.44)	\$ 0.91	\$ 1.48
Diluted net income (loss) per common limited partner unit	\$ 0.38	\$ (0.44)	\$ 0.89	\$ 1.47
Basic weighted average common limited partner units outstanding	33,865	34,114	33,791	33,680
Diluted weighted average common limited partner units outstanding	34,266	34,114	34,255	33,894

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 14,893	\$ (14,464)	\$ 36,058	\$ 50,233
Other comprehensive income:				
Change in fair value of cash flow hedges	—	(67)	—	156
Change in pension liability	391	568	2,871	550
Total other comprehensive income	391	501	2,871	706
Comprehensive income (loss)	15,284	(13,963)	38,929	50,939
Comprehensive loss attributable to noncontrolling interest	187	384	637	1,142
Comprehensive income (loss) attributable to Global Partners LP	\$ 15,471	\$ (13,579)	\$ 39,566	\$ 52,081

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net income	\$ 36,058	\$ 50,233
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	81,544	79,410
Amortization of deferred financing fees	3,777	4,029
Amortization of leasehold interests	336	254
Amortization of senior notes discount	902	1,121
Bad debt expense	517	425
Unit-based compensation expense	1,666	3,513
Write-off of financing fees	188	—
Gain on trustee taxes	—	(52,627)
Net (gain) loss on sale and disposition of assets	(252)	5,840
Goodwill and long-lived asset impairment	643	414
Loss on early extinguishment of debt	13,080	—
Changes in operating assets and liabilities, excluding net assets acquired:		
Accounts receivable	(1,492)	9,301
Accounts receivable-affiliate	(1,997)	(1,537)
Inventories	(7,724)	(124,537)
Broker margin deposits	(9,950)	(5,545)
Prepaid expenses, all other current assets and other assets	620	(6,775)
Accounts payable	1,389	23,118
Trustee taxes payable	(6,976)	(19,960)
Change in derivatives	20,606	(3,205)
Accrued expenses, all other current liabilities and other long-term liabilities	(23,410)	(9,374)
Net cash provided by (used in) operating activities	109,525	(45,902)
Cash flows from investing activities		
Acquisitions	—	(171,824)
Capital expenditures	(52,494)	(43,461)
Seller note issuances	(640)	(3,062)
Proceeds from sale of property and equipment	11,994	14,930
Net cash used in investing activities	(41,140)	(203,417)
Cash flows from financing activities		
Net proceeds from issuance of Series A preferred units	—	66,366
Net (payments on) borrowings from working capital revolving credit facility	(400)	181,000
Net (payments on) borrowings from revolving credit facility	(23,000)	48,200
Proceeds from senior notes, net	392,602	—
Repayment of senior notes	(381,886)	—
LTIP units withheld for tax obligations	(646)	(806)
Distributions to limited partners and general partner	(57,396)	(47,848)
Net cash (used in) provided by financing activities	(70,726)	246,912
Cash and cash equivalents		
Decrease in cash and cash equivalents	(2,341)	(2,407)
Cash and cash equivalents at beginning of period	8,121	14,858
Cash and cash equivalents at end of period	\$ 5,780	\$ 12,451
Supplemental information		
Cash paid during the period for interest	\$ 39,830	\$ 37,583

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
(In thousands)
(Unaudited)

	Partners' Equity					Total Partners' Equity
	Series A Preferred Limited Partners	Common Limited Partners	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	
For the three and nine months ended September 30, 2019						
Balance at December 31, 2018	\$ 67,226	\$ 437,874	\$ (2,509)	\$ (5,260)	\$ 1,863	\$ 499,194
Net income (loss)	1,682	5,140	304	—	(332)	6,794
Distributions to limited partners and general partner	(1,682)	(16,998)	(317)	—	—	(18,997)
Unit-based compensation	—	795	—	—	—	795
Other comprehensive income	—	—	—	1,744	—	1,744
LTIP units withheld for tax obligations	—	(8)	—	—	—	(8)
Balance at March 31, 2019	\$ 67,226	\$ 426,803	\$ (2,522)	\$ (3,516)	\$ 1,531	\$ 489,522
Net income (loss)	1,682	12,441	366	—	(118)	14,371
Distributions to limited partners and general partner	(1,682)	(17,338)	(373)	—	—	(19,393)
Unit-based compensation	—	795	—	—	—	795
Other comprehensive income	—	—	—	736	—	736
LTIP units withheld for tax obligations	—	(24)	—	—	—	(24)
Balance at June 30, 2019	\$ 67,226	\$ 422,677	\$ (2,529)	\$ (2,780)	\$ 1,413	\$ 486,007
Net income (loss)	1,682	13,003	395	—	(187)	14,893
Distributions to limited partners and general partner	(1,682)	(17,508)	(387)	—	—	(19,577)
Unit-based compensation	—	76	—	—	—	76
Other comprehensive income	—	—	—	391	—	391
LTIP units withheld for tax obligations	—	(614)	—	—	—	(614)
Dividends on repurchased units	—	571	—	—	—	571
Balance at September 30, 2019	\$ 67,226	\$ 418,205	\$ (2,521)	\$ (2,389)	\$ 1,226	\$ 481,747

	Partners' Equity					Total Partners' Equity
	Series A Preferred Limited Partners	Common Limited Partners	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	
For the three and nine months ended September 30, 2018						
Balance at December 31, 2017	\$ —	\$ 399,399	\$ (2,978)	\$ (5,468)	\$ 3,365	\$ 394,318
Net income (loss)	—	58,646	396	—	(367)	58,675
Distributions to limited partners and general partner	—	(15,723)	(106)	—	—	(15,829)
Unit-based compensation	—	1,237	—	—	—	1,237
Other comprehensive income	—	—	—	(142)	—	(142)
Dividends on repurchased units	—	135	—	—	—	135
Balance at March 31, 2018	\$ —	\$ 443,694	\$ (2,688)	\$ (5,610)	\$ 2,998	\$ 438,394
Net income (loss)	—	6,303	110	—	(391)	6,022
Distributions to limited partners and general partner	—	(15,723)	(106)	—	—	(15,829)
Unit-based compensation	—	1,048	—	—	—	1,048
Other comprehensive income	—	—	—	347	—	347
Balance at June 30, 2018	\$ —	\$ 435,322	\$ (2,684)	\$ (5,263)	\$ 2,607	\$ 429,982
Issuance of Series A preferred units	66,366	—	—	—	—	66,366
Net income (loss)	1,009	(15,062)	(27)	—	(384)	(14,464)
Distributions to limited partners and general partner	—	(16,149)	(176)	—	—	(16,325)
Unit-based compensation	—	1,228	—	—	—	1,228
Other comprehensive income	—	—	—	501	—	501
LTIP units withheld for tax obligation	—	(806)	—	—	—	(806)
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.

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the “Partnership”) is a master limited partnership formed in March 2005. 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 region’s largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of September 30, 2019, the Partnership had a portfolio of 1,566 owned, leased and/or supplied gasoline stations, including 295 directly operated convenience stores, primarily in the Northeast. The Partnership is also 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 engages 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 and in the transportation of petroleum products and renewable fuels by rail 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, 2019, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,403,699 common units, representing a 21.8% limited partner interest.

2019 Events

2027 Notes Offering and 2022 Notes Tender Offer and Redemption— On July 31, 2019, the Partnership and GLP Finance Corp. (the “Issuers”) issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 (the “2027 Notes”) to several initial purchasers (the “2027 Notes Initial Purchasers”) in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The Partnership used the net proceeds from the offering to fund the repurchase of its 6.25% senior notes due 2022 (the “2022 Notes”) in a tender offer and to repay a portion of the borrowings outstanding under its credit agreement.

On July 31, 2019, the Issuers delivered a Notice of Full Redemption for all of the outstanding 2022 Notes to Deutsche Bank Trust Company Americas, as trustee. The redemption of the 2022 Notes occurred on August 30, 2019. See Note 9, “Debt and Financing Obligations—Senior Notes” for additional information on the 2027 Notes.

Amended Credit Agreement— On April 19, 2019, the Partnership and certain of its subsidiaries entered into the third amendment to third amended and restated credit agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the existing revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. See Note 9 for additional information.

2018 Event

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

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 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 or for the year ended December 31, 2018.

Basis of Presentation

The accompanying consolidated financial statements as of September 30, 2019 and December 31, 2018 and for the three and nine months ended September 30, 2019 and 2018 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, 2018 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 in Note 2 herein for the adoption of Accounting Standard Update (“ASU”) 2016-02, “Leases,” including modifications to that standard thereafter, and now codified as Accounting Standards Codification 842 (“ASC 842”) which the Partnership adopted on January 1, 2019 (see Note 21, 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, 2019 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2019. The consolidated balance sheet at December 31, 2018 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, 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.

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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,	
	2019	2018	2019	2018
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	81 %	82 %	76 %	75 %
Crude oil sales and crude oil logistics revenue	— %	— %	1 %	1 %
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	15 %	14 %	19 %	21 %
Convenience store sales, rental income and sundries	4 %	4 %	4 %	3 %
Total	100 %	100 %	100 %	100 %

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,	
	2019	2018	2019	2018
Wholesale segment	17 %	2 %	19 %	18 %
Gasoline Distribution and Station Operations segment	80 %	95 %	78 %	79 %
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, 2019 and 2018.

Note 2. Adoption of ASC 842, Leases

On January 1, 2019, the Partnership adopted ASC 842 using the prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The adoption of the lease standard did not result in a cumulative-effect adjustment to opening equity. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842 while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership's historic accounting under ASC 840, "Leases," ("ASC 840").

The adoption of ASC 842 resulted in the recognition of right-of-use ("ROU") assets and lease liabilities of approximately \$330.8 million and \$340.8 million, respectively, as of January 1, 2019. The difference between ROU asset and lease liabilities of \$10.0 million is primarily associated with amounts previously recognized on the Partnership's consolidated balance sheet under ASC 840 and is recognized net within ROU assets under ASC 842. The standard did not materially impact the Partnership's consolidated statement of operations for the three and nine months ended September 30, 2019 or its consolidated statement of cash flows for the nine months ended September 30, 2019. See below for the Partnership's updated lease policy and the required disclosures under ASC 842.

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Update to Lease Policy

The Partnership has gasoline station and convenience store leases, primarily of land and buildings. The Partnership has terminal and dedicated storage facility lease arrangements with various petroleum terminals and third parties, of which certain arrangements have minimum usage requirements. The Partnership leases barges through various time charter lease arrangements and railcars through various lease arrangements. The Partnership also has leases for office space, computer and convenience store equipment and automobiles. The Partnership's lease arrangements have various expiration dates with options to extend.

The Partnership is also the lessor to various lease arrangements with various expiration dates, including the leasing of gasoline stations and certain equipment to third-party station operators and cobranding lease agreements for certain space within the Partnership's gasoline stations and convenience stores.

In addition, the Partnership is party to three master unitary lease agreements in connection with (i) the June 2015 acquisition of Capitol Petroleum Group ("Capitol") related to properties previously sold by Capitol within two sale-leaseback transactions; and (ii) the June 2016 sale of real property assets at 30 gasoline stations and convenience stores that did not meet the criteria for sale accounting. These transactions continue to be accounted for as financing obligations upon transition to ASC 842 (see Note 9).

Accounting and reporting guidance for leases requires that leases be evaluated and classified as either operating or finance leases by the lessee and as either operating, sales-type or direct financing leases by the lessor. The Partnership's operating leases are included in ROU assets, lease liabilities-current portion and lease liability-less current portion in the accompanying consolidated balance sheets.

ROU assets represent the Partnership's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Partnership's variable lease payments consist of payments that depend on an index or rate (such as the Consumer Price Index) as well as those payments that depend on the Partnership's performance or use of the underlying asset related to the lease. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. As most of the Partnership's leases do not provide an implicit rate in determining the net present value of lease payments, the Partnership uses its incremental borrowing rate based on the information available at the lease commencement date. ROU assets also include any lease payments made and exclude lease incentives. Many of the Partnership's lessee agreements include options to extend the lease, which are not included in the minimum lease terms unless they are reasonably certain to be exercised. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Rental income for lease payments received related to operating leases is recognized on a straight-line basis over the lease term.

The Partnership has elected the package of practical expedients permitted under the transition guidance within the new standard which, among other things, allows the Partnership to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. Leases with an initial term of 12 months or less are not recorded on the balance sheet as the Partnership recognizes lease expense for these leases on a straight-line basis over the lease term.

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The Partnership's leases have original contracted terms as follows:

Gasoline station and convenience store leases	1-20 years
Terminal lease arrangements	1-7 years
Dedicated storage facility leases	1-5 years
Barge and railcar equipment leases	1-10 years
Office space leases	1-12 years
Computer equipment, convenience store equipment and automobile leases	1-6 years

The above table excludes the Partnership's West Coast facility land lease arrangement which contract term is subject to expiration through July 2066. Some of the above leases include options to extend the leases for up to an additional 30 years. The Partnership does not include renewal options in its lease terms for calculating the lease liability unless the Partnership is reasonably certain the renewal options are to be exercised. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Required Disclosures Under ASC 842

The following table presents supplemental balance sheet information related to leases at September 30, 2019 (in thousands):

Assets:	Balance Sheet Location	September 30, 2019
ROU assets - operating	Right-of-use assets, net	\$ 299,000
Liabilities:		
Current lease liability - operating	Lease liability - current portion	\$ 65,273
Noncurrent lease liability - operating	Lease liability - less current portion	243,654
Total lease liability		<u>\$ 308,927</u>

Lessee Lease Arrangements

The following table presents the components of lease cost for the periods presented (in thousands):

Statement of operations location:	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cost of sales (a)	\$ 12,695	\$ 43,940
Selling, general and administrative expenses	778	2,297
Operating expenses (b)	13,368	38,176
Total lease cost	<u>\$ 26,841</u>	<u>\$ 84,413</u>

- (a) Includes short-term lease costs of \$0.5 million and \$2.1 million for the three and nine months ended September 30, 2019, respectively.
- (b) Includes variable lease cost of \$2.2 million and \$5.2 million for the three and nine months ended September 30, 2019, respectively, and short-term leases costs, which were immaterial for these periods.

Operating lease costs included in cost of sales are primarily associated with leases of barges and railcars and dedicated storage facility lease arrangements. Operating lease costs included in operating expenses are primarily associated with the leases of gasoline station and convenience stores and terminal lease arrangements where the

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Partnership is responsible for operating the terminal facility. Operating lease costs included in selling, general and administrative expenses are primarily associated with the leases of office space, computers and automobiles.

The future minimum lease payments to be paid under operating leases in effect and included in the calculation of lease liabilities at September 30, 2019 were as follows (in thousands):

Remainder of 2019	\$ 21,743
2020	81,295
2021	72,817
2022	53,824
2023	42,695
Thereafter	111,847
Total lease payments	384,221
Less imputed interest	75,294
Total lease liabilities	\$ 308,927
Current portion	\$ 65,273
Long-term portion	243,654
Total lease liabilities	\$ 308,927

The future minimum lease payments include \$20.3 million related to options to extend lease terms that are reasonably certain of being exercised and exclude \$0.6 million related to minimum lease payments for leases that are less than one year.

Lessor Lease Arrangements

The following table presents the components of lease revenue for the periods presented (in thousands):

Statement of operations location:	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Sales (a)(b)	\$ 18,586	\$ 55,298

- (a) Lease revenue includes sub-lessor rental income from leased properties of \$9.8 million and \$28.4 million for the three and nine months ended September 30, 2019, respectively, where the Partnership is the lessee of the property.
- (b) Includes variable lease revenue of \$1.7 million and \$4.6 million for the three and nine months ended September 30, 2019, respectively, and short-term lease revenue which was immaterial for each of the three and nine months ended September 30, 2019.

The future minimum lease payments to be received under operating leases in effect at September 30, 2019 were as follows (in thousands):

Remainder of 2019	\$ 16,176
2020	49,136
2021	29,222
2022	12,986
2023	4,163
Thereafter	10,633
Total	\$ 122,316

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Supplemental Information Related to Lease Arrangements

The following table presents supplemental information related to leases as of and for the period presented (in thousands):

	Nine Months Ended September 30, 2019
Operating cash flows used for operating leases	\$ 79,962
Right-of-use assets obtained in exchange for new lease liabilities	\$ 30,609
Weighted average remaining non-cancellable lease term	6.1 years
Weighted average discount rate as of September 30, 2019	6.75%

Note 3. Revenue from Contract Customers

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, 2019			
	Wholesale	GDSO	Commercial	Total
Revenue from contracts with customers:				
Refined petroleum products, renewable fuels, crude oil and propane	\$ 303,525	\$ 1,010,655	\$ 189,941	\$ 1,504,121
Station operations	—	110,877	—	110,877
Total revenue from contracts with customers	303,525	1,121,532	189,941	1,614,998
Other sales:				
Revenue originating as physical forward contracts and exchanges	1,488,245	—	123,824	1,612,069
Revenue from leases	521	18,065	—	18,586
Total other sales	1,488,766	18,065	123,824	1,630,655
Total sales	\$ 1,792,291	\$ 1,139,597	\$ 313,765	\$ 3,245,653

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

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	Nine Months Ended September 30, 2019			
	Wholesale	GDSO	Commercial	Total
Revenue from contracts with customers:				
Refined petroleum products, renewable fuels, crude oil and propane	\$ 1,187,004	\$ 2,866,496	\$ 580,100	\$ 4,633,600
Station operations	—	300,393	—	300,393
Total revenue from contracts with customers	1,187,004	3,166,889	580,100	4,933,993
Other sales:				
Revenue originating as physical forward contracts and exchanges	4,317,457	—	426,071	4,743,528
Revenue from leases	1,564	53,734	—	55,298
Total other sales	4,319,021	53,734	426,071	4,798,826
Total sales	\$ 5,506,025	\$ 3,220,623	\$ 1,006,171	\$ 9,732,819

	Nine Months Ended September 30, 2018			
	Wholesale	GDSO	Commercial	Total
Revenue from contracts with customers:				
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.
- *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 derivative instrument activity include physical forward commodity sale contracts. The Partnership does not take the normal purchase and sale exemption available under ASC 815, “Derivatives and Hedging,” for any of its physical forward contracts. This income is recognized under ASC 815 and is included in sales at the contract value at the point where control of the product is transferred to the customer. Income from net exchange differentials included in sales is recognized under ASC 845, “Nonmonetary Transactions,” upon delivery of product to exchange partners.
- *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

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Partnership's terminals. This income was recognized under ASC 842 for the three and nine months ended September 30, 2019 and under ASC 840 for the three and nine months ended September 30, 2018.

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.

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, 2019 and December 31, 2018. Payment terms on invoiced amounts are typically 2 to 30 days.

Note 4. Net Income (Loss) 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, 2019 and December 31, 2018 excludes 129,671 and 244,128 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program (see Note 14). These units are not deemed outstanding for purposes of calculating net income per common limited partner unit (basic and diluted). For the three and nine months ended September 30, 2019, the Series A Preferred Units (as defined in Note 15) are not potentially dilutive securities based on the nature of the conversion feature.

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

	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	Total	Common Limited Partners	General Partner Interest	IDRs	Total	Common Limited Partners	General Partner Interest	IDRs
Numerator:								
Net income (loss) attributable to Global Partners LP	\$ 15,080	\$ 14,685	\$ 395	\$ —	\$ (14,080)	\$ (14,053)	\$ (27)	\$ —
Declared distribution	\$ 18,091	\$ 17,678	\$ 119	\$ 294	\$ 16,325	\$ 16,149	\$ 109	\$ 67
Assumed allocation of undistributed net loss	(3,011)	(2,993)	(18)	—	(30,405)	(30,202)	(203)	—
Assumed allocation of net income (loss)	\$ 15,080	\$ 14,685	\$ 101	\$ 294	\$ (14,080)	\$ (14,053)	\$ (94)	\$ 67
Less net income attributable to Series A preferred limited partners		1,682				1,009		
Net income (loss) attributable to common limited partners		\$ 13,003				\$ (15,062)		
Denominator:								
Basic weighted average common units outstanding		33,865				34,114		
Dilutive effect of phantom units		401				—		
Diluted weighted average common units outstanding		34,266				34,114		
Basic net income (loss) per common limited partner unit		\$ 0.38				\$ (0.44)		
Diluted net income (loss) per common limited partner unit		\$ 0.38				\$ (0.44)		

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	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
		Common Limited Partners	General Partner Interest	IDRs		Common Limited Partners	General Partner Interest	IDRs
Numerator:	Total				Total			
Net income attributable to Global Partners LP	\$ 36,695	\$ 35,630	\$ 1,065	\$ —	\$ 51,375	\$ 50,896	\$ 479	\$ —
Declared distribution	\$ 53,697	\$ 52,524	\$ 354	\$ 819	\$ 48,479	\$ 48,021	\$ 324	\$ 134
Assumed allocation of undistributed net (loss) income	(17,002)	(16,894)	(108)	—	2,896	2,875	21	—
Assumed allocation of net income	\$ 36,695	\$ 35,630	\$ 246	\$ 819	\$ 51,375	\$ 50,896	\$ 345	\$ 134
Less net income attributable to Series A preferred limited partners		5,046				1,009		
Net income attributable to common limited partners		\$ 30,584				\$ 49,887		
Denominator:								
Basic weighted average common units outstanding		33,791				33,680		
Dilutive effect of phantom units		464				214		
Diluted weighted average common units outstanding		34,255				33,894		
Basic net income per common limited partner unit		\$ 0.91				\$ 1.48		
Diluted net income per common limited partner unit		\$ 0.89				\$ 1.47		

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 29, 2019	\$ 0.5100	March 31, 2019
July 26, 2019	\$ 0.5150	June 30, 2019
October 25, 2019	\$ 0.5200	September 30, 2019

The board of directors of the General Partner declared the following quarterly cash distributions on its Series A Preferred Units:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Covering
April 19, 2019	\$ 0.609375	February 15, 2019 - May 14, 2019
July 22, 2019	\$ 0.609375	May 15, 2019 - August 14, 2019
October 22, 2019	\$ 0.609375	August 15, 2019 - November 14, 2019

See Note 15, "Partners' Equity and Cash Distributions" for further information.

Note 5. 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

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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. Renewable Identification Numbers ("RINs") inventory is carried at the lower of historical cost, on a first-in, first-out basis, or net realizable value. Convenience store inventory is carried at the lower of historical cost, based on a weighted average cost method, or net realizable value.

Inventories consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
Distillates: home heating oil, diesel and kerosene	\$ 175,921	\$ 173,403
Gasoline	109,692	93,534
Gasoline blendstocks	44,680	52,195
Crude oil	13,749	21,325
Residual oil	24,720	21,054
Propane and other	1,530	1,447
Renewable identification numbers (RINs)	1,521	1,034
Convenience store inventory	21,882	22,450
Total	<u>\$ 393,695</u>	<u>\$ 386,442</u>

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 \$3.0 million and \$3.8 million at September 30, 2019 and December 31, 2018, respectively. Negative exchange balances are accounted for as accounts payable and amounted to \$19.7 million and \$14.9 million at September 30, 2019 and December 31, 2018, respectively. Exchange transactions are valued using current carrying costs.

Note 6. Goodwill

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

Balance at December 31, 2018	\$	327,406
Dispositions (1)		(2,662)
Balance at September 30, 2019	<u>\$</u>	<u>324,744</u>

(1) Dispositions represent derecognition of goodwill associated with the sale and disposition of certain assets. See Note 8.

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Note 7. Property and Equipment

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

	September 30, 2019	December 31, 2018
Buildings and improvements	\$ 1,172,918	\$ 1,126,645
Land	452,794	456,334
Fixtures and equipment	45,578	44,479
Idle plant assets	30,500	30,500
Construction in process	26,928	37,636
Capitalized internal use software	32,893	32,127
Total property and equipment	1,761,611	1,727,721
Less accumulated depreciation	660,003	595,089
Total	\$ 1,101,608	\$ 1,132,632

Property and equipment includes assets held for sale of \$5.6 million and \$8.1 million at September 30, 2019 and December 31, 2018, respectively.

At September 30, 2019, the Partnership had a \$46.2 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 and commence depreciation. 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, 2019 and December 31, 2018.

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 \$0.6 million for each of the three and nine months ended September 30, 2019 and \$0.4 million for each of the three and nine months ended September 30, 2018. 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, 2019 and 2018.

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Note 8. 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,	
	2019	2018	2019	2018
Periodic divestiture of gasoline stations	\$ —	\$ 40	(142)	(183)
Strategic asset divestiture program - Real estate firm coordinated sale	275	(168)	(1,455)	987
Loss on assets held for sale	9	1,056	1,274	4,590
Other	39	12	71	446
Total	<u>\$ 323</u>	<u>\$ 940</u>	<u>\$ (252)</u>	<u>\$ 5,840</u>

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 \$0 and an immaterial loss for the three months ended September 30, 2019 and 2018, respectively, and gains of \$0.1 million and \$0.2 million for the nine months ended September 30, 2019 and 2018, 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 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.

Real Estate Firm Coordinated Sales—The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. The Partnership sold 2 sites and 13 sites during the three and nine months ended September 30, 2019, respectively. The Partnership recognized a loss of \$0.3 million and a gain of \$1.5 million on the sales of these sites for the three and nine months ended September 30, 2019, respectively, including the derecognition of \$0.4 million and \$2.7 million of GDSO goodwill for these respective periods.

The Partnership recognized a gain of \$0.2 million and a loss of \$1.0 million on the sales of 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 the three and nine months ended September 30, 2018, respectively.

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. Impairment charges related to assets held for sale are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations.

The Partnership classified 10 sites as held for sale at September 30, 2019 associated with the periodic divestiture of gasoline station sites and the real estate firm coordinated sales discussed above. Impairment charges related to these assets held for sale were immaterial for the three months ended September 30, 2019 and \$1.3 million for the nine months ended September 30, 2019, respectively.

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The Partnership recorded impairment charges related to assets held for sale associated with the periodic divestiture of gasoline station sites and the real estate firm coordinated sales in the amount of \$1.1 million and \$4.6 million for the three and nine months ended September 30, 2018, respectively.

Assets held for sale of \$5.6 million and \$8.1 million at September 30, 2019 and December 31, 2018, 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 9. 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. On April 19, 2019, the Partnership and certain of its subsidiaries entered into the Third Amendment to Third Amended and Restated Credit Agreement (the "Credit Agreement") which, among other things, extended the maturity date to April 29, 2022 from April 30, 2020 and reduced by 0.25% the applicable rate under the revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. All other material terms of the Credit Agreement remain substantially the same as disclosed in Note 7 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018.

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 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.

The average interest rates for the Credit Agreement were 4.3% for each of the three months ended September 30, 2019 and 2018 and 4.5% and 4.1% for the nine months ended September 30, 2019 and 2018, respectively.

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, 2019, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed \$150.0 million over the next twelve months and, therefore, classified \$102.9 million as the current portion at September 30, 2019, representing the amount the Partnership expects to pay down over the next twelve months. The

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long-term portion of the working capital revolving credit facility was \$150.0 million at both September 30, 2019 and December 31, 2018, and the current portion was \$102.9 million and \$103.3 million at September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019, the Partnership had total borrowings outstanding under the Credit Agreement of \$449.9 million, including \$197.0 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of \$68.7 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$781.4 million and \$770.7 million at September 30, 2019 and December 31, 2018, 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, 2019. 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 7 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on the Credit Agreement.

Supplemental cash flow information

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

	Nine Months Ended September 30,	
	2019	2018
Borrowings from working capital revolving credit facility	\$ 1,290,700	\$ 1,595,000
Payments on working capital revolving credit facility	(1,291,100)	(1,414,000)
Net (payments on) borrowings from working capital revolving credit facility	\$ (400)	\$ 181,000
Borrowings from revolving credit facility	\$ —	\$ 166,000
Payments on revolving credit facility	(23,000)	(117,800)
Net (payments on) borrowings from revolving credit facility	\$ (23,000)	\$ 48,200

Senior Notes

The Partnership had 7.00% senior notes due 2027 (discussed below) and 7.00% senior notes due 2023 outstanding at September 30, 2019. Please read Note 7 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on the 7.00% senior notes due 2023.

7.00% Senior Notes Due 2027

On July 31, 2019, the Issuers issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 to the 2027 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 2027 Notes were resold by the 2027 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the

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Securities Act. The Partnership used the net proceeds from the offering to fund the repurchase of its 2022 Notes in a tender offer and to repay a portion of the borrowings outstanding under its Credit Agreement.

On July 31, 2019, the Issuers delivered a Notice of Full Redemption for all of the outstanding 2022 Notes to Deutsche Bank Trust Company Americas, as trustee. The redemption of the 2022 Notes occurred on August 30, 2019.

As a result of the repurchase of the 2022 Notes, the Partnership recorded a \$13.1 million loss from early extinguishment of debt for each of the three and nine months ended September 30, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees.

2027 Note Indenture

In connection with the private placement of the 2027 Notes on July 31, 2019, the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “2027 Notes Indenture”).

The 2027 Notes will mature on August 1, 2027 with interest accruing at a rate of 7.00% per annum and payable semi-annually in arrears on August 1 and February 1 of each year, commencing February 1, 2020. The 2027 Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the 2027 Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 2027 Notes may declare the 2027 Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 2027 Notes to become due and payable.

The Issuers will have the option to redeem up to 35% of the 2027 Notes prior to August 1, 2022 at a redemption price (expressed as a percentage of principal amount) of 107% plus accrued and unpaid interest, if any. The Issuers will have the option to redeem the 2027 Notes, in whole or in part, at any time on or after August 1, 2022, at the redemption prices of 103.500% for the twelve-month period beginning on August 1, 2022, 102.333% for the twelve-month period beginning August 1, 2023, 101.167% for the twelve-month period beginning August 1, 2024, and 100% beginning on August 1, 2025 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before August 1, 2022, the Issuers may redeem all or any part of the 2027 Notes at a redemption price equal to the sum of the principal amount thereof, plus a make whole premium, plus accrued and unpaid interest, if any, to the redemption date. The holders of the 2027 Notes may require the Issuers to repurchase the 2027 Notes following certain asset sales or a Change of Control Triggering Event (as defined in the 2027 Notes Indenture) at the prices and on the terms specified in the 2027 Notes Indenture.

The 2027 Notes Indenture contains covenants that will limit the Partnership’s ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by its subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the 2027 Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 2027 Notes, (ii) breach of the Partnership’s covenants under the 2027 Notes Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of the Partnership or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$50.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$50.0 million.

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2027 Notes Registration Rights Agreement

On July 31, 2019, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the “2027 Notes Registration Rights Agreement”) with the 2027 Notes Initial Purchasers in connection with the Issuers’ private placement of the 2027 Notes. Under the 2027 Notes Registration Rights Agreement, the Issuers and the subsidiary guarantors have agreed to file and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the 2027 Notes for an issue of notes with terms identical to the 2027 Notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with the 2027 Notes Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by September 23, 2020. Under specified circumstances, the Issuers and the subsidiary guarantors have also agreed to use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the 2027 Notes. If the exchange offer is not completed on or before September 23, 2020, the annual interest rate borne by the 2027 Notes will be increased by 1.0% per annum until the exchange offer is completed or the shelf registration statement is declared effective (or automatically becomes effective).

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 was recorded for each of the three months ended September 30, 2019 and 2018, and \$7.0 million was recorded for each of the nine months ended September 30, 2019 and 2018, 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 \$2.5 million and \$2.4 million for the three months ended September 30, 2019 and 2018, respectively, and \$7.4 million and \$7.2 million for the nine months ended September 30, 2019 and 2018, respectively. The financing obligation balance outstanding at September 30, 2019 was \$87.1 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 was \$1.1 million for each of the three months ended September 30, 2019 and 2018 and \$3.3 million for each of the nine months ended September 30, 2019 and 2018. Lease rental payments were

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\$1.2 million and \$1.1 million for the three months ended September 30, 2019 and 2018, respectively, and \$3.5 million and \$3.3 million for the nine months ended September 30, 2019 and 2018, respectively. The financing obligation balance outstanding at September 30, 2019 was \$62.4 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. In connection with the amendment to the Credit Agreement in April 2019, the Partnership capitalized additional financing fees of \$6.1 million. The Partnership had unamortized deferred financing fees of \$19.3 million and \$10.5 million at September 30, 2019 and December 31, 2018, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to \$8.6 million and \$5.5 million at September 30, 2019 and December 31, 2018, 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 \$9.9 million and \$4.2 million at September 30, 2019 and December 31, 2018, 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 \$0.8 million at both September 30, 2019 and December 31, 2018.

On April 19, 2019, the Partnership entered into the Third Amendment to Third Amended and Restated Credit Agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the existing revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. As a result, the Partnership incurred expenses of approximately \$0.2 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, 2019.

Amortization expense of approximately \$1.2 million and \$1.3 million for the three months ended September 30, 2019 and 2018, respectively, and \$3.8 million and \$4.0 million for the nine months ended September 30, 2019 and 2018, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Note 10. 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”). 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 is 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

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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.

The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at September 30, 2019:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	68,765	Thousands of barrels
Short	(72,627)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	9,135	Thousands of barrels
Short	(7,134)	Thousands of barrels

- (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.

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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,	
		2019	2018	2019	2018
Derivatives in fair value hedging relationship					
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	\$ 2,634	\$ (12,776)	\$ 3,872	\$ (22,507)
Hedged items in fair value hedge relationship					
Physical inventory	Cost of sales	\$ (2,136)	\$ 12,786	\$ (5,121)	\$ 24,160

Derivatives Not Accounted for as Hedges

The Partnership utilizes petroleum and ethanol commodity contracts and foreign currency derivatives 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 businesses, 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):

	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives not designated as hedging instruments					
Commodity contracts	Cost of sales	\$ 3,204	\$ (1,162)	\$ 18,329	\$ 2,411

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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, 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, 2019 and December 31, 2018 (in thousands):

		September 30, 2019		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ 2,389	\$ 48,729	\$ 51,118
Forward derivative contracts (1)	Derivative assets	—	9,198	9,198
Total asset derivatives		\$ 2,389	\$ 57,927	\$ 60,316
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ —	\$ (17,625)	\$ (17,625)
Forward derivative contracts (1)	Derivative liabilities	—	(7,908)	(7,908)
Total liability derivatives		\$ —	\$ (25,533)	\$ (25,533)
		December 31, 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	\$ 5,121	\$ 120,992	\$ 126,113
Forward derivative contracts (1)	Derivative assets	—	26,390	26,390
Total asset derivatives		\$ 5,121	\$ 147,382	\$ 152,503
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ —	\$ (42,496)	\$ (42,496)
Forward derivative contracts (1)	Derivative liabilities	—	(4,494)	(4,494)
Total liability derivatives		\$ —	\$ (46,990)	\$ (46,990)

(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 major financial institutions as its clearing brokers 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 11. 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, 2019 and December 31, 2018 (in thousands):

Fair Value at September 30, 2019					
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	\$ —	\$ 8,422	\$ 776	\$ —	\$ 9,198
Exchange-traded/cleared derivative instruments (2)	33,493	—	—	(8,777)	24,716
Pension plans	18,509	—	—	—	18,509
Total assets	\$ 52,002	\$ 8,422	\$ 776	\$ (8,777)	\$ 52,423
Liabilities:					
Forward derivative contracts (1)	\$ —	\$ (7,491)	\$ (417)	\$ —	\$ (7,908)
Fair Value at December 31, 2018					
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	\$ —	\$ 25,504	\$ 886	\$ —	\$ 26,390
Exchange-traded/cleared derivative instruments (2)	83,617	—	—	(68,851)	14,766
Pension plans	15,800	—	—	—	15,800
Total assets	\$ 99,417	\$ 25,504	\$ 886	\$ (68,851)	\$ 56,956
Liabilities:					
Forward derivative contracts (1)	\$ —	\$ (3,878)	\$ (616)	\$ —	\$ (4,494)

- (1) Forward derivative contracts include the Partnership's petroleum and ethanol physical and financial forwards and OTC swaps.
- (2) Amount includes the effect of cash balances on deposit with clearing brokers.

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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 10.

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 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 senior notes, estimated by observing market trading prices of the respective senior notes, were as follows (in thousands):

	September 30, 2019		December 31, 2018	
	Face Value	Fair Value	Face Value	Fair Value
6.25% senior notes due 2022	\$ —	\$ —	\$ 375,000	\$ 363,750
7.00% senior notes due 2023	\$ 300,000	\$ 307,500	\$ 300,000	\$ 294,000
7.00% senior notes due 2027	\$ 400,000	\$ 410,000	\$ —	\$ —

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 (\$6.35) to (\$2.00) per barrel and (\$3.25) to \$2.00 per barrel as of September 30, 2019 and December 31, 2018, respectively. The estimates for these inputs for propane were \$4.20 to \$8.82 per barrel and \$0.02 to \$0.25 per barrel as of September 30, 2019 and December 31, 2018, respectively. Gains and losses recognized in earnings (or changes in net assets) are disclosed in Note 10.

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)

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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, 2019 (in thousands):

Fair value at December 31, 2018	\$ 270
Derivatives entered into during the period	547
Derivatives sold during the period	(140)
Realized gains (losses) recorded in cost of sales	(238)
Unrealized gains (losses) recorded in cost of sales	(80)
Fair value at September 30, 2019	<u>\$ 359</u>

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 8 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 12. Environmental Liabilities and Renewable Identification Numbers

Environmental Liabilities

The following table presents a summary roll forward of the Partnership's environmental liabilities at September 30, 2019 (in thousands):

Environmental Liability Related to:	Balance at December 31, 2018	Payments 2019	Dispositions 2019	Other Adjustments 2019	Balance at September 30, 2019
Retail gasoline stations	\$ 59,133	\$ (1,978)	\$ (1,050)	\$ 674	\$ 56,779
Terminals	4,091	(266)	—	—	3,825
Total environmental liabilities	<u>\$ 63,224</u>	<u>\$ (2,244)</u>	<u>\$ (1,050)</u>	<u>\$ 674</u>	<u>\$ 60,604</u>
Current portion	\$ 6,092				\$ 6,092
Long-term portion	57,132				54,512
Total environmental liabilities	<u>\$ 63,224</u>				<u>\$ 60,604</u>

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

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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 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 \$0.7 million and \$0.6 million at September 30, 2019 and December 31, 2018, respectively.

The Partnership may enter into RIN forward purchase and sales commitments. Total losses from firm non-cancellable commitments were immaterial at both September 30, 2019 and December 31, 2018.

Note 13. 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, 2019, no such notice of termination was given by GPC or the Partnership.

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 \$33.4 million and \$25.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$91.4 million and \$77.1 million for the nine months ended September 30, 2019 and 2018, 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.

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

	September 30, 2019	December 31, 2018
Receivables from GPC	\$ 43	\$ 23
Receivables from the General Partner (1)	7,389	5,412
Total	<u>\$ 7,432</u>	<u>\$ 5,435</u>

(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.

In addition, the Partnership paid certain costs in connection with a compensation funding agreement with the General Partner. See Note 14, "Long-Term Incentive Plan–Repurchase Program."

Note 14. 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 16 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on the LTIP.

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, 2018	730,141	13.57
Vested	(146,806)	27.54
Forfeited	(18,393)	18.66
Outstanding non—vested phantom units at September 30, 2019	<u>564,942</u>	9.77

The Partnership recorded total compensation expense related to the outstanding LTIP awards of \$0.1 million and \$1.2 million for the three months ended September 30, 2019 and 2018, respectively, and \$1.7 million and \$3.6 million for the nine months ended September 30, 2019 and 2018, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

The total compensation cost related to the non-vested awards not yet recognized at September 30, 2019 was approximately \$3.0 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

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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, 2019.

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, 2019 and 2018 and \$0.3 million and \$0.4 million for the nine months ended September 30, 2019 and 2018, respectively.

Note 15. Partners' Equity and Cash Distributions

Partners' Equity

Common Units and General Partner Interest

At September 30, 2019 there were 33,995,563 common units issued, including 7,403,699 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 or the general partner interest during the three and nine months ended September 30, 2019.

Series A Preferred Units

On August 7, 2018, the Partnership issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units with a liquidation preference of \$25.00 per unit (the "Series A Preferred Units"), for \$25.00 per Series A Preferred Unit. There have been no changes to the Series A Preferred Units during the three and nine months ended September 30, 2019.

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

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established by the General Partner to provide for the proper conduct of the Partnership's businesses, 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.

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 2019 (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
2/14/2019	12/31/18	\$ 0.5000	\$ 16,998	\$ 115	\$ 202	\$ 17,315
5/15/2019	03/31/19	0.5100	17,338	117	256	17,711
8/14/2019	06/30/19	0.5150	17,508	118	269	17,895

In addition, on October 25, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.52 per unit (\$2.08 per unit on an annualized basis) on all of its outstanding common units for the period from July 1, 2019 through September 30, 2019. On November 14, 2019, the Partnership will pay this cash distribution to its common unitholders of record as of the close of business on November 8, 2019.

Series A Preferred Units

Distributions on the Series A Preferred Units are cumulative from August 7, 2018, the original issue date of the Series A Preferred Units, 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. Distributions on the Series A Preferred Units will be paid out of Available Cash with respect to the quarter immediately preceding the applicable Distribution Payment Date.

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The Partnership paid the following cash distributions on the Series A Preferred Units during 2019 (in thousands, except per unit data):

Cash Distribution Payment Date	Earned for the Quarterly Period Covering	Per Unit Cash Distribution	Total Cash Distribution
2/15/2019	11/15/18 - 2/14/19	\$ 0.609375	\$ 1,682
5/15/2019	2/15/19 - 5/14/19	0.609375	1,682
8/15/2019	5/15/19 - 8/14/19	0.609375	1,682

In addition, on October 22, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.609375 per unit (\$2.4375 per unit on an annualized basis) on the Series A Preferred Units for the period from August 15, 2019 through November 14, 2019. This distribution will be payable on November 15, 2019 to holders of record as of the opening of business on November 1, 2019.

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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,	
	2019	2018	2019	2018
Wholesale Segment:				
Sales				
Gasoline and gasoline blendstocks	\$ 1,466,111	\$ 1,594,543	\$ 4,106,434	\$ 3,615,862
Crude oil (1)	13,646	15,643	56,174	74,047
Other oils and related products (2)	312,534	279,467	1,343,417	1,372,042
Total	\$ 1,792,291	\$ 1,889,653	\$ 5,506,025	\$ 5,061,951
Product margin				
Gasoline and gasoline blendstocks	\$ 20,194	\$ 5,586	\$ 76,568	\$ 54,423
Crude oil (1)	(3,019)	(7,606)	(10,043)	2,885
Other oils and related products (2)	17,071	5,175	40,566	31,477
Total	\$ 34,246	\$ 3,155	\$ 107,091	\$ 88,785
Gasoline Distribution and Station Operations Segment:				
Sales				
Gasoline	\$ 1,010,655	\$ 1,110,529	\$ 2,866,496	\$ 3,088,906
Station operations (3)	128,942	124,481	354,127	312,455
Total	\$ 1,139,597	\$ 1,235,010	\$ 3,220,623	\$ 3,401,361
Product margin				
Gasoline	\$ 107,620	\$ 91,335	\$ 282,919	\$ 238,434
Station operations (3)	61,109	57,265	169,621	149,479
Total	\$ 168,729	\$ 148,600	\$ 452,540	\$ 387,913
Commercial Segment:				
Sales	\$ 313,765	\$ 344,172	\$ 1,006,171	\$ 934,989
Product margin	\$ 7,213	\$ 5,478	\$ 18,217	\$ 16,524
Combined sales and Product margin:				
Sales	\$ 3,245,653	\$ 3,468,835	\$ 9,732,819	\$ 9,398,301
Product margin (4)	\$ 210,188	\$ 157,233	\$ 577,848	\$ 493,222
Depreciation allocated to cost of sales	(22,419)	(22,259)	(66,092)	(64,657)
Combined gross profit	\$ 187,769	\$ 134,974	\$ 511,756	\$ 428,565

- (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 122 million gallons and 127 million gallons of the GDSO segment's sales for the three months ended September 30, 2019 and 2018, respectively, and 356 million gallons and 347 million gallons of the GDSO segment's sales for the nine months ended September 30, 2019 and 2018, respectively, were supplied from petroleum products and renewable fuels sourced by the Wholesale segment. The Commercial segment's sales were predominantly 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,	
	2019	2018	2019	2018
Combined gross profit	\$ 187,769	\$ 134,974	\$ 511,756	\$ 428,565
Operating costs and expenses not allocated to operating segments:				
Selling, general and administrative expenses	45,333	42,127	127,391	121,447
Operating expenses	87,827	83,776	257,222	234,043
Gain on trustee taxes	—	—	—	(52,627)
Lease exit and termination gain	—	(3,506)	(493)	(3,506)
Amortization expense	2,766	3,079	8,719	7,984
Net loss (gain) on sale and disposition of assets	323	940	(252)	5,840
Goodwill and long-lived asset impairment	643	414	643	414
Total operating costs and expenses	136,892	126,830	393,230	313,595
Operating income	50,877	8,144	118,526	114,970
Interest expense	(22,091)	(22,579)	(68,113)	(65,637)
Loss on early extinguishment of debt	(13,080)	—	(13,080)	—
Income tax (expense) benefit	(813)	(29)	(1,275)	900
Net income (loss)	14,893	(14,464)	36,058	50,233
Net loss attributable to noncontrolling interest	187	384	637	1,142
Net income (loss) attributable to Global Partners LP	\$ 15,080	\$ (14,080)	\$ 36,695	\$ 51,375

The Partnership's foreign assets and foreign sales were immaterial as of and for the three and nine months ended September 30, 2019 and 2018.

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, 2019 and December 31, 2018 (in thousands):

	Wholesale	Commercial	GDSO	Unallocated	Total
September 30, 2019	\$ 715,081	\$ —	\$ 1,580,191	\$ 382,973	\$ 2,678,245
December 31, 2018	\$ 615,795	\$ —	\$ 1,415,501	\$ 392,995	\$ 2,424,291

The increase in total assets from December 31, 2018 is largely due to the adoption of ASC 842 and the associated recording of right of use assets.

Note 17. Business Combination

2018 Acquisition

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Champlain Oil Company, Inc. ("Champlain") in a cash transaction. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New

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Hampshire and approximately 24 fuel sites that were 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 \$138.2 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 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	\$ 5,450
Prepaid expenses and other current assets	270
Property and equipment	112,871
Intangibles	12,936
Total identifiable assets purchased	131,527
Liabilities assumed:	
Accrued expenses and other current liabilities	(131)
Environmental liabilities	(10,757)
Other non-current liabilities	(938)
Total liabilities assumed	(11,826)
Net identifiable assets acquired	119,701
Goodwill	18,478
Net assets acquired	<u>\$ 138,179</u>

The Partnership's third-party valuation firm considered the income, market and cost approaches in estimating the fair value of the property and equipment and intangible assets. 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 dealer supply contracts, in-place leases and franchise rights.

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 on the 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 \$18.5 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 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.

The fair values of the remaining Champlain 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

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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 dealer supply contracts, in-place leases and franchise rights that are being amortized between one and ten years. Amortization expense related to these intangible assets was \$0.5 million and \$1.8 million for the three and nine months ended September 30, 2019, respectively.

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, gasoline blendstocks, 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.

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 guidance regarding income taxes. A valuation allowance must be established when it is “more likely than not” that all or a portion of deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s performance, the

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market environment in which the company operates, length of carryback and carryforward periods and projections of future operating results. The Partnership concluded, based on 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 approximately \$0.2 million for the nine months ended September 30, 2019.

The Partnership computed its tax provision for the three and nine months ended September 30, 2019 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, 2019.

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, 2019 and December 31, 2018, of which all would favorably impact the effective tax rate if recognized. The Partnership anticipates that the liability for unrecognized tax benefits for uncertain tax positions could change by up to \$1.0 million in the next twelve months, as a result of closure of various statutes of limitations.

GMG files income tax returns in the United States and various state jurisdictions. As of September 30, 2019, with few exceptions, the Partnership was subject to income tax examination by tax authorities for all years dated back to 2015.

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):

	Pension Plan	Derivatives	Total
Three Months Ended September 30, 2019			
Balance at June 30, 2019	\$ (2,778)	\$ (2)	\$ (2,780)
Other comprehensive income before reclassifications of gain (loss)	315	—	315
Amount of (loss) gain reclassified from accumulated other comprehensive income	76	—	76
Total comprehensive income	391	—	391
Balance at September 30, 2019	\$ (2,387)	\$ (2)	\$ (2,389)
Nine Months Ended September 30, 2019			
Balance at December 31, 2018	\$ (5,258)	\$ (2)	\$ (5,260)
Other comprehensive income before reclassifications of gain (loss)	2,735	—	2,735
Amount of (loss) gain reclassified from accumulated other comprehensive income	136	—	136
Total comprehensive income	2,871	—	2,871
Balance at September 30, 2019	\$ (2,387)	\$ (2)	\$ (2,389)

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.

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Note 20. 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 12 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 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 disputed the claims alleged in the NOV and first 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 the tolling agreements with respect to this matter, as requested by the EPA, and such agreements currently extend through June 30, 2020. 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

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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 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 modifying the allegations of violations of the terminal’s Air Emissions License. The Partnership has entered into a consent decree (the “Consent Decree”) with the EPA and the United States Department of Justice (the “Department of Justice”), which was filed in the U.S. District Court for the District of Maine (the “Court”) on March 25, 2019. On October 15, 2019, the Department of Justice filed a Motion to Enter the Consent Decree with the Court. Final approval of the Consent Decree by the Court is currently pending.

Note 21. 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 2018 Annual Report on Form 10-K, except for the following:

Accounting Standards or Updates Recently Adopted

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. The Partnership adopted this standard on January 1, 2019 with no material impact on the Partnership’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases,” and has modified the standard thereafter through a series of amendments, now codified as ASC 842. ASC 842 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

lessor accounting, however lessor accounting under the new standard is substantially unchanged. The Partnership adopted this standard on January 1, 2019 using a prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The Partnership has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Partnership to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. The Partnership made an accounting policy election to keep leases with an initial term of 12 months or less off of the consolidated balance sheet. The Partnership has conducted analyses, conducted detailed contract reviews, considered expanded disclosure requirements, assessed internal control impacts and implemented a new lease accounting system as part of evaluating the impacts of ASU 2016-02 and adopting the accounting guidance. See Note 2 for additional information.

Accounting Standards or Updates Not Yet Effective

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments.” This standard requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. This standard is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted for annual periods beginning after December 15, 2018. The Partnership is assessing the impact this standard will have on its consolidated financial statements.

Note 22. Subsequent Events

Distribution to Common Unitholders—On October 25, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.52 per unit (\$2.08 per unit on an annualized basis) for the period from July 1, 2019 through September 30, 2019. On November 14, 2019, the Partnership will pay this cash distribution to its common unitholders of record as of the close of business on November 8, 2019.

Distribution to Preferred Unitholders—On October 22, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.609375 per unit (\$2.4375 per unit on an annualized basis) on the Series A Preferred Units, covering the period from August 15, 2019 through November 14, 2019. This distribution will be payable on November 15, 2019 to holders of record as of the opening of business on November 1, 2019.

Note 23. 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, 2019 and December 31, 2018, the Condensed Consolidating Statements of Operations for the three and nine months ended September 30, 2019 and 2018 and the Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2019 and 2018 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Balance Sheet
September 30, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,197	\$ 583	\$ —	\$ 5,780
Accounts receivable, net	335,640	112	—	335,752
Accounts receivable - affiliates	7,432	—	—	7,432
Inventories	393,695	—	—	393,695
Brokerage margin deposits	24,716	—	—	24,716
Derivative assets	9,198	—	—	9,198
Prepaid expenses and other current assets	94,650	159	—	94,809
Total current assets	870,528	854	—	871,382
Property and equipment, net	1,099,108	2,500	—	1,101,608
Right of use assets, net	298,922	78	—	299,000
Intangible assets, net	49,477	—	—	49,477
Goodwill	324,744	—	—	324,744
Other assets	32,034	—	—	32,034
Total assets	\$ 2,674,813	\$ 3,432	\$ —	\$ 2,678,245
Liabilities and partners' equity				
Current liabilities:				
Accounts payable	\$ 310,314	\$ 54	\$ —	\$ 310,368
Accounts payable - affiliates	(42)	42	—	—
Working capital revolving credit facility - current portion	102,900	—	—	102,900
Lease liability—current portion	65,273	—	—	65,273
Environmental liabilities - current portion	6,092	—	—	6,092
Trustee taxes payable	35,637	—	—	35,637
Accrued expenses and other current liabilities	92,252	138	—	92,390
Derivative liabilities	7,908	—	—	7,908
Total current liabilities	620,334	234	—	620,568
Working capital revolving credit facility - less current portion	150,000	—	—	150,000
Revolving credit facility	197,000	—	—	197,000
Senior notes	690,103	—	—	690,103
Long-term lease liability—less current portion	243,596	58	—	243,654
Environmental liabilities - less current portion	54,512	—	—	54,512
Financing obligations	149,526	—	—	149,526
Deferred tax liabilities	43,243	—	—	43,243
Other long-term liabilities	47,892	—	—	47,892
Total liabilities	2,196,206	292	—	2,196,498
Partners' equity				
Global Partners LP equity	478,607	1,914	—	480,521
Noncontrolling interest	—	1,226	—	1,226
Total partners' equity	478,607	3,140	—	481,747
Total liabilities and partners' equity	\$ 2,674,813	\$ 3,432	\$ —	\$ 2,678,245

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Balance Sheet
December 31, 2018
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,050	\$ 1,071	\$ —	\$ 8,121
Accounts receivable, net	334,689	52	36	334,777
Accounts receivable - affiliates	5,435	36	(36)	5,435
Inventories	386,442	—	—	386,442
Brokerage margin deposits	14,766	—	—	14,766
Derivative assets	26,390	—	—	26,390
Prepaid expenses and other current assets	98,877	100	—	98,977
Total current assets	873,649	1,259	—	874,908
Property and equipment, net	1,128,826	3,806	—	1,132,632
Intangible assets, net	58,532	—	—	58,532
Goodwill	327,406	—	—	327,406
Other assets	30,813	—	—	30,813
Total assets	\$ 2,419,226	\$ 5,065	\$ —	\$ 2,424,291
Liabilities and partners' equity				
Current liabilities:				
Accounts payable	\$ 308,941	\$ 38	\$ —	\$ 308,979
Accounts payable - affiliates	(169)	169	—	—
Working capital revolving credit facility - current portion	103,300	—	—	103,300
Environmental liabilities - current portion	6,092	—	—	6,092
Trustee taxes payable	42,613	—	—	42,613
Accrued expenses and other current liabilities	117,149	125	—	117,274
Derivative liabilities	4,494	—	—	4,494
Total current liabilities	582,420	332	—	582,752
Working capital revolving credit facility - less current portion	150,000	—	—	150,000
Revolving credit facility	220,000	—	—	220,000
Senior notes	664,455	—	—	664,455
Environmental liabilities - less current portion	57,132	—	—	57,132
Financing obligations	149,997	—	—	149,997
Deferred tax liabilities	42,856	—	—	42,856
Other long-term liabilities	57,905	—	—	57,905
Total liabilities	1,924,765	332	—	1,925,097
Partners' equity				
Global Partners LP equity	494,461	2,870	—	497,331
Noncontrolling interest	—	1,863	—	1,863
Total partners' equity	494,461	4,733	—	499,194
Total liabilities and partners' equity	\$ 2,419,226	\$ 5,065	\$ —	\$ 2,424,291

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Operations
Three Months Ended September 30, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 3,245,348	\$ 313	\$ (8)	\$ 3,245,653
Cost of sales	3,057,568	324	(8)	3,057,884
Gross profit (loss)	187,780	(11)	—	187,769
Costs and operating expenses:				
Selling, general and administrative expenses	45,237	96	—	45,333
Operating expenses	87,465	362	—	87,827
Amortization expense	2,766	—	—	2,766
Net loss on sale and disposition of assets	323	—	—	323
Goodwill and long-lived asset impairment	643	—	—	643
Total costs and operating expenses	136,434	458	—	136,892
Operating income (loss)	51,346	(469)	—	50,877
Interest expense	(22,091)	—	—	(22,091)
Loss on early extinguishment of debt	(13,080)	—	—	(13,080)
Income (loss) before income tax expense	16,175	(469)	—	15,706
Income tax expense	(813)	—	—	(813)
Net income (loss)	15,362	(469)	—	14,893
Net loss attributable to noncontrolling interest	—	187	—	187
Net income (loss) attributable to Global Partners LP	15,362	(282)	—	15,080
Less: General partners' interest in net income, including incentive distribution rights	395	—	—	395
Less: Series A preferred limited partner interest in net income	1,682	—	—	1,682
Net income attributable to common limited partners	\$ 13,285	\$ (282)	\$ —	\$ 13,003

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
Nine Months Ended September 30, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 9,731,847	\$ 1,205	\$ (233)	\$ 9,732,819
Cost of sales	9,219,952	1,344	(233)	9,221,063
Gross profit (loss)	511,895	(139)	—	511,756
Costs and operating expenses:				
Selling, general and administrative expenses	127,096	295	—	127,391
Operating expenses	256,062	1,160	—	257,222
Lease exit and termination gain	(493)	—	—	(493)
Amortization expense	8,719	—	—	8,719
Net gain on sale and disposition of assets	(252)	—	—	(252)
Goodwill and long-lived asset impairment	643	—	—	643
Total costs and operating expenses	391,775	1,455	—	393,230
Operating income (loss)	120,120	(1,594)	—	118,526
Interest expense	(68,113)	—	—	(68,113)
Loss on early extinguishment of debt	(13,080)	—	—	(13,080)
Income (loss) before income tax expense	38,927	(1,594)	—	37,333
Income tax expense	(1,275)	—	—	(1,275)
Net income (loss)	37,652	(1,594)	—	36,058
Net loss attributable to noncontrolling interest	—	637	—	637
Net income (loss) attributable to Global Partners LP	37,652	(957)	—	36,695
Less: General partners' interest in net income, including incentive distribution rights	1,065	—	—	1,065
Less: Series A preferred limited partner interest in net income	5,046	—	—	5,046
Net income attributable to common limited partners	\$ 31,541	\$ (957)	\$ —	\$ 30,584

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement of Operations
Nine Months Ended September 30, 2018
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 9,397,696	\$ 923	\$ (318)	\$ 9,398,301
Cost of sales	8,967,733	2,321	(318)	8,969,736
Gross profit (loss)	429,963	(1,398)	—	428,565
Costs and operating expenses:				
Selling, general and administrative expenses	121,154	293	—	121,447
Operating expenses	232,880	1,163	—	234,043
Gain on trustee taxes	(52,627)	—	—	(52,627)
Lease exit and termination gain	(3,506)	—	—	(3,506)
Amortization expense	7,984	—	—	7,984
Net loss on sale and disposition of assets	5,840	—	—	5,840
Goodwill and long-lived asset impairment	414	—	—	414
Total costs and operating expenses	312,139	1,456	—	313,595
Operating income (loss)	117,824	(2,854)	—	114,970
Interest expense	(65,637)	—	—	(65,637)
Income (loss) before income tax benefit	52,187	(2,854)	—	49,333
Income tax benefit	900	—	—	900
Net income (loss)	53,087	(2,854)	—	50,233
Net loss attributable to noncontrolling interest	—	1,142	—	1,142
Net income (loss) attributable to Global Partners LP	53,087	(1,712)	—	51,375
Less: General partners' interest in net income, including incentive distribution rights	479	—	—	479
Less: Series A preferred limited partner interest in net income	1,009	—	—	1,009
Net income attributable to common limited partners	\$ 51,599	\$ (1,712)	\$ —	\$ 49,887

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement Cash Flows
Nine Months Ended September 30, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash provided by (used in) operating activities	\$ 110,013	\$ (488)	\$ 109,525
Cash flows from investing activities			
Capital expenditures	(52,494)	—	(52,494)
Seller note issuances	(640)	—	(640)
Proceeds from sale of property and equipment	11,994	—	11,994
Net cash used in investing activities	(41,140)	—	(41,140)
Cash flows from financing activities			
Net payments on working capital revolving credit facility	(400)	—	(400)
Net payments on revolving credit facility	(23,000)	—	(23,000)
Proceeds from senior notes, net	392,602	—	392,602
Repayment of senior notes	(381,886)	—	(381,886)
LTIP units withheld for tax obligations	(646)	—	(646)
Distributions to limited partners and general partner	(57,396)	—	(57,396)
Net cash used in financing activities	(70,726)	—	(70,726)
Cash and cash equivalents			
Decrease in cash and cash equivalents	(1,853)	(488)	(2,341)
Cash and cash equivalents at beginning of period	7,050	1,071	8,121
Cash and cash equivalents at end of period	<u>\$ 5,197</u>	<u>\$ 583</u>	<u>\$ 5,780</u>

GLOBAL PARTNERS LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Condensed Consolidating Statement Cash Flows
Nine Months Ended September 30, 2018
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash used in operating activities	\$ (45,249)	\$ (653)	\$ (45,902)
Cash flows from investing activities			
Acquisitions	(171,824)	—	(171,824)
Capital expenditures	(43,461)	—	(43,461)
Seller note issuances	(3,062)	—	(3,062)
Proceeds from sale of property and equipment	14,930	—	14,930
Net cash used in investing activities	(203,417)	—	(203,417)
Cash flows from financing activities			
Net proceeds from issuance of Series A preferred units	66,366	—	66,366
Net borrowings from working capital revolving credit facility	181,000	—	181,000
Net borrowings from revolving credit facility	48,200	—	48,200
LTIP units withheld for tax obligations	(806)	—	(806)
Distributions to limited partners and general partner	(47,848)	—	(47,848)
Net cash provided by financing activities	246,912	—	246,912
Cash and cash equivalents			
Decrease in cash and cash equivalents	(1,754)	(653)	(2,407)
Cash and cash equivalents at beginning of period	13,035	1,823	14,858
Cash and cash equivalents at end of period	<u>\$ 11,281</u>	<u>\$ 1,170</u>	<u>\$ 12,451</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations of Global Partners LP should be read in conjunction with the historical consolidated financial statements of Global Partners LP and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Some of the information contained in this Quarterly Report on Form 10-Q may contain forward-looking statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words "may," "believe," "should," "could," "expect," "anticipate," "plan," "intend," "estimate," "continue," "will likely result," or other similar expressions. In addition, any statement made by our management concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions by us are also forward-looking statements. Forward-looking statements are not guarantees of performance. Although we believe these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks, many of which are beyond our control, which may cause future results to be materially different from the results stated or implied in this document. These risks and uncertainties include, among other things:

- We may not have sufficient cash from operations to enable us to pay distributions on our SeriesA Preferred Units (as defined below) or maintain distributions on our common units at current levels following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.
- A significant decrease in price or demand for the products we sell or a significant decrease in demand for our logistics activities could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.
- We depend upon marine, pipeline, rail and truck transportation services for a substantial portion of our logistics activities in transporting the products we sell. Implementation of regulations and directives that adversely impact the market for transporting these products by rail or otherwise could adversely affect those activities. In addition, a disruption in these transportation services could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.
- We have contractual obligations for certain transportation assets such as railcars, barges and pipelines. A decline in demand for (i) the products we sell, or (ii) our logistics activities, which has resulted and could continue to result in a decrease in the utilization of our transportation assets, could negatively impact our financial condition, results of operations and cash available for distribution to our unitholders.
- We may not be able to fully implement or capitalize upon planned growth projects. Even if we consummate acquisitions or expend capital in pursuit of growth projects that we believe will be accretive, they may in fact result in no increase or even a decrease in cash available for distribution to our unitholders.
- Erosion of the value of major gasoline brands could adversely affect our gasoline sales and customer traffic.
- Our gasoline sales could be significantly reduced by a reduction in demand due to higher prices and to new technologies and alternative fuel sources, such as electric, hybrid, battery powered, hydrogen or other alternative fuel-powered motor vehicles. Changing consumer preferences or driving habits could lead to new forms of fueling destinations or potentially fewer customer visits to our sites, and decreases in sales. Any of these outcomes could negatively affect our financial condition, results of operations and cash available for distribution to our unitholders.
- Physical effects from climate change and impacts to areas prone to sea level rise or other extreme weather events could have the potential to adversely affect our assets and operations.

- Changes in government usage mandates and tax credits could adversely affect the availability and pricing of ethanol, which could negatively impact our sales.
- Our petroleum and related products sales, logistics activities and results of operations have been and could continue to be adversely affected by, among other things, changes in the petroleum products market structure, product differentials and volatility (or lack thereof), implementation of regulations that adversely impact the market for transporting petroleum and related products by rail and other modes of transportation, severe weather conditions, significant changes in prices and interruptions in transportation services and other necessary services and equipment, such as railcars, barges, trucks, loading equipment and qualified drivers.
- Our risk management policies cannot eliminate all commodity risk, basis risk or the impact of unfavorable market conditions which can adversely affect our financial condition, results of operations and cash available for distribution to our unitholders. In addition, noncompliance with our risk management policies could result in significant financial losses.
- Our results of operations are affected by the overall forward market for the products we sell, and pricing volatility may adversely impact our results.
- Our businesses could be affected by a range of issues, such as changes in commodity prices, energy conservation, competition, the global economic climate, movement of products between foreign locales and within the United States, changes in refiner demand, weekly and monthly refinery output levels, changes in local, domestic and worldwide inventory levels, changes in health, safety and environmental regulations, including, without limitation, those related to climate change, failure to obtain renewal permits on terms favorable to us, seasonality, supply, weather and logistics disruptions and other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of refined products, gasoline blendstocks, renewable fuels and crude oil.
- Increases and/or decreases in the prices of the products we sell could adversely impact the amount of availability for borrowing working capital under our credit agreement, which credit agreement has borrowing base limitations and advance rates.
- Warmer weather conditions could adversely affect our home heating oil and residual oil sales. Our sales of home heating oil and residual oil continue to be reduced by conversions to natural gas and utilization of propane and/or natural gas (instead of heating oil) as primary fuel sources.
- We are exposed to trade credit risk and risk associated with our trade credit support in the ordinary course of our businesses.
- The condition of credit markets may adversely affect our liquidity.
- Our credit agreement and the indentures governing our senior notes contain operating and financial covenants, and our credit agreement contains borrowing base requirements. A failure to comply with the operating and financial covenants in our credit agreement, the indentures and any future financing agreements could impact our access to bank loans and other sources of financing as well as our ability to pursue our business activities.
- A significant increase in interest rates could adversely affect our results of operations and cash available for distribution to our unitholders and our ability to service our indebtedness.
- Our gasoline station and convenience store business could expose us to an increase in consumer litigation and result in an unfavorable outcome or settlement of one or more lawsuits where insurance proceeds are insufficient or otherwise unavailable.

- Congress has given the Food and Drug Administration broad authority to regulate tobacco and nicotine products, and the FDA has enacted numerous regulations restricting the sale of such products. These governmental actions, as well as national, state and local campaigns to discourage smoking, tax increases, and imposition of regulations restricting the sale of e-cigarettes and vapor products, have and could result in reduced consumption levels, higher costs which we may not be able to pass on to our customers, and reduced overall customer traffic. Also, increasing regulations related to and restricting the sale of vapor products and e-cigarettes may offset some of the gains we have experienced from selling these types of products. These factors could materially affect the sale of this product mix which in turn could have a negative effect on our financial condition, results of operations and cash available for distribution to our unitholders.
- Our businesses could expose us to litigation and result in an unfavorable outcome or settlement of one or more lawsuits where insurance proceeds are insufficient or otherwise unavailable.
- Adverse developments in the areas where we conduct our businesses could have a material adverse effect on such businesses and could reduce our ability to make distributions to our unitholders.
- A serious disruption to our information technology systems could significantly limit our ability to manage and operate our businesses efficiently.
- We are exposed to performance risk in our supply chain.
- Our businesses are subject to federal, state and municipal environmental and non-environmental regulations which could have a material adverse effect on such businesses.
- Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which could permit them to favor their own interests to the detriment of our unitholders.
- Unitholders have limited voting rights and are not entitled to elect our general partner or its directors or remove our general partner without the consent of the holders of at least 66 2/3% of the outstanding common units (including common units held by our general partner and its affiliates), which could lower the trading price of our units.
- Our tax treatment depends on our status as a partnership for federal income tax purposes.
- Unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.

Additional information about risks and uncertainties that could cause actual results to differ materially from forward-looking statements is contained in Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2018 and Part II, Item 1A, “Risk Factors,” in this Quarterly Report on Form 10-Q.

We expressly disclaim any obligation or undertaking to update these statements to reflect any change in our expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based, other than as required by federal and state securities laws. All forward-looking statements included in this Quarterly Report on Form 10-Q and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

Overview

General

We are a master limited partnership formed in March 2005. We own, control or have 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”). We are one of

the region's largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of September 30, 2019, we had a portfolio of 1,566 owned, leased and/or supplied gasoline stations, including 295 directly operated convenience stores, primarily in the Northeast. We are also 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. We engage 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 and in the transportation of petroleum products and renewable fuels by rail from the mid-continent region of the United States and Canada.

Collectively, we sold approximately \$3.1 billion and \$9.4 billion of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane for the three and nine months ended September 30, 2019, respectively. In addition, we had other revenues of approximately \$0.1 billion and \$0.3 billion for the three and nine months ended September 30, 2019, respectively, from convenience store sales at our directly operated stores, rental income from dealer leased and commissioned agent leased gasoline stations and from cobranding arrangements, and sundries.

We base our pricing on spot prices, fixed prices or indexed prices and routinely use the New York Mercantile Exchange ("NYMEX"), Chicago Mercantile Exchange ("CME") and Intercontinental Exchange ("ICE") or other counterparties to hedge the risk inherent in buying and selling commodities. Through the use of regulated exchanges or derivatives, we seek to maintain a position that is substantially balanced between purchased volumes and sales volumes or future delivery obligations.

2019 Events

2027 Notes Offering and 2022 Notes Tender Offer and Redemption—On July 31, 2019, we and GLP Finance Corp. (the "Issuers") issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 (the "2027 Notes") to several initial purchasers (the "2027 Notes Initial Purchasers") in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the "Securities Act"). The 2027 Notes were resold by the 2027 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering to fund the repurchase of our 6.25% senior notes due 2022 (the "2022 Notes") in a tender offer and to repay a portion of the borrowings outstanding under our credit agreement.

On July 31, 2019, the Issuers delivered a Notice of Full Redemption for all of the outstanding 2022 Notes to Deutsche Bank Trust Company Americas, as trustee. The redemption of the 2022 Notes occurred on August 30, 2019. Please read "—Liquidity and Capital Resources—Senior Notes" for additional information on the 2027 Notes.

Amended Credit Agreement—On April 19, 2019, we entered into the third amendment to third amended and restated credit agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the existing revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. See Note 9 of Notes to Consolidated Financial Statements for additional information.

2018 Events

Series A Preferred Unit Offering—On August 7, 2018, we issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units representing limited partner interests (the "Series A Preferred Units") for \$25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. We used the proceeds, net of underwriting discount and expenses, of \$66.4 million to reduce indebtedness under our credit agreement. See Note 15 of Notes to Consolidated Financial Statements for additional information.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, we acquired the assets of ten company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC

(“Cheshire”) for approximately \$33.4 million, including inventory. The portfolio consisted 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.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, we acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain”) for approximately \$138.2 million, including inventory. 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 were 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. See Note 17 of Notes to Consolidated Financial Statements for additional information.

Volumetric Ethanol Excise Tax Credit—In the first quarter of 2018, we 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 we determined that the liability was no longer required. 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 three months ended March 31, 2018, did not impact cash flows from operations for the three months ended March 31, 2018 or for the year ended December 31, 2018.

Operating Segments

We purchase refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane primarily from domestic and foreign refiners and ethanol producers, crude oil producers, major and independent oil companies and trading companies. We operate our businesses under three segments: (i) Wholesale, (ii) Gasoline Distribution and Station Operations (“GDSO”) and (iii) Commercial.

Wholesale

In our Wholesale segment, we engage in the logistics of selling, gathering, blending, storing and transporting refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane. We transport these products by railcars, barges and/or pipelines pursuant to spot or long-term contracts. From time to time, we aggregate crude oil by truck or pipeline in the mid-continent region of the United States and Canada, transport it by rail and ship it by barge to refiners. We sell home heating oil, branded and unbranded gasoline and gasoline blendstocks, diesel, kerosene, residual oil and propane to home heating oil and propane retailers and wholesale distributors. Generally, customers use their own vehicles or contract carriers to take delivery of the gasoline, distillates and propane at bulk terminals and inland storage facilities that we own or control or at which we have throughput or exchange arrangements. Ethanol is shipped primarily by rail and by barge.

In our Wholesale segment, we obtain Renewable Identification Numbers (“RIN”) in connection with our purchase of ethanol which is used for bulk trading purposes or for blending with gasoline through our terminal system. A RIN is a renewable identification number associated with government-mandated renewable fuel standards. To evidence that the required volume of renewable fuel is blended with gasoline, obligated parties must retire sufficient RINs to cover their Renewable Volume Obligation (“RVO”). Our U.S. Environmental Protection Agency (“EPA”) obligations relative to renewable fuel reporting are comprised of foreign gasoline and diesel that we may import and blending operations at certain facilities.

Gasoline Distribution and Station Operations

In our GDSO segment, gasoline distribution includes sales of branded and unbranded gasoline to gasoline station operators and sub-jobbers. Station operations include (i) convenience stores, (ii) rental income from gasoline stations leased to dealers, from commissioned agents and from cobranding arrangements and (iii) sundries (such as car wash sales and lottery and ATM commissions).

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As of September 30, 2019, we had a portfolio of owned, leased and/or supplied gasoline stations, primarily in the Northeast, that consisted of the following:

Company operated	295
Commissioned agents	253
Lessee dealers	221
Contract dealers	797
Total	<u>1,566</u>

At our company-operated stores, we operate the gasoline stations and convenience stores with our employees, and we set the retail price of gasoline at the station. At commissioned agent locations, we own the gasoline inventory, and we set the retail price of gasoline at the station and pay the commissioned agent a fee related to the gallons sold. We receive rental income from commissioned agent leased gasoline stations for the leasing of the convenience store premises, repair bays and other businesses that may be conducted by the commissioned agent. At dealer-leased locations, the dealer purchases gasoline from us, and the dealer sets the retail price of gasoline at the dealer's station. We also receive rental income from (i) dealer-leased gasoline stations and (ii) cobranding arrangements. We also supply gasoline to locations owned and/or leased by independent contract dealers. Additionally, we have contractual relationships with distributors in certain New England states pursuant to which we source and supply these distributors' gasoline stations with ExxonMobil-branded gasoline.

Commercial

In our Commercial segment, we include sales and deliveries to end user customers in the public sector and to large commercial and industrial end users of unbranded gasoline, home heating oil, diesel, kerosene, residual oil and bunker fuel. In the case of public sector commercial and industrial end user customers, we sell products primarily either through a competitive bidding process or through contracts of various terms. We generally arrange for the delivery of the product to the customer's designated location, and we respond to publicly-issued requests for product proposals and quotes. Our Commercial segment also includes sales of custom blended fuels delivered by barges or from a terminal dock to ships through bunkering activity.

Seasonality

Due to the nature of our businesses and our reliance, in part, on consumer travel and spending patterns, we 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 we operate, increasing the demand for gasoline. Therefore, our volumes in gasoline are typically higher in the second and third quarters of the calendar year. As demand for some of our 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 our quarterly operating results.

Outlook

This section identifies certain risks and certain economic or industry-wide factors that may affect our financial performance and results of operations in the future, both in the short-term and in the long-term. Our results of operations and financial condition depend, in part, upon the following:

- *Our businesses are influenced by the overall markets for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane and increases and/or decreases in the prices of these products may adversely impact our financial condition, results of operations and cash available for distribution to our unitholders and the amount of borrowing available for working capital under our credit agreement.* Results from our purchasing, storing, terminalling, transporting, selling and blending operations are influenced by prices for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, price volatility and the market for such products. Prices in the overall markets for these products may affect our financial condition,

results of operations and cash available for distribution to our unitholders. Our margins can be significantly impacted by the forward product pricing curve, often referred to as the futures market. We typically hedge our exposure to petroleum product and renewable fuel price moves with futures contracts and, to a lesser extent, swaps. In markets where future prices are higher than current prices, referred to as contango, we may use our storage capacity to improve our margins by storing products we have purchased at lower prices in the current market for delivery to customers at higher prices in the future. In markets where future prices are lower than current prices, referred to as backwardation, inventories can depreciate in value and hedging costs are more expensive. For this reason, in these backward markets, we attempt to reduce our inventories in order to minimize these effects. When prices for the products we sell rise, some of our customers may have insufficient credit to purchase supply from us at their historical purchase volumes, and their customers, in turn, may adopt conservation measures which reduce consumption, thereby reducing demand for product. Furthermore, when prices increase rapidly and dramatically, we may be unable to promptly pass our additional costs on to our customers, resulting in lower margins which could adversely affect our results of operations. Higher prices for the products we sell may (1) diminish our access to trade credit support and/or cause it to become more expensive and (2) decrease the amount of borrowings available for working capital under our credit agreement as a result of total available commitments, borrowing base limitations and advance rates thereunder. When prices for the products we sell decline, our exposure to risk of loss in the event of nonperformance by our customers of our forward contracts may be increased as they and/or their customers may breach their contracts and purchase the products we sell at the then lower market price from a competitor. A significant decrease in the price for crude oil could adversely affect the economics of domestic crude oil production which, in turn, could have an adverse effect on our crude oil logistics activities and sales. A significant decrease in crude oil differentials could also have an adverse effect on our crude oil logistics activities and sales.

- *We commit substantial resources to pursuing acquisitions and expending capital for growth projects, although there is no certainty that we will successfully complete any acquisitions or growth projects or receive the economic results we anticipate from completed acquisitions or growth projects.* We are continuously engaged in discussions with potential sellers and lessors of existing (or suitable for development) terminalling, storage, logistics and/or marketing assets, including gasoline stations, convenience stores and related businesses. Our growth largely depends on our ability to make accretive acquisitions and/or accretive development projects. We may be unable to execute such accretive transactions for a number of reasons, including the following: (1) we are unable to identify attractive transaction candidates or negotiate acceptable terms; (2) we are unable to obtain financing for such transactions on economically acceptable terms; or (3) we are outbid by competitors. In addition, we may consummate transactions that at the time of consummation we believe will be accretive but that ultimately may not be accretive. If any of these events were to occur, our future growth and ability to increase or maintain distributions on our common units could be limited. We can give no assurance that our transaction efforts will be successful or that any such efforts will be completed on terms that are favorable to us.
- *The condition of credit markets may adversely affect our liquidity.* In the past, world financial markets experienced a severe reduction in the availability of credit. Possible negative impacts in the future could include a decrease in the availability of borrowings under our credit agreement, increased counterparty credit risk on our derivatives contracts and our contractual counterparties requiring us to provide collateral. In addition, we could experience a tightening of trade credit from our suppliers.
- *We depend upon marine, pipeline, rail and truck transportation services for a substantial portion of our logistics activities in transporting the products we sell. A disruption in these transportation services could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.* Hurricanes, flooding and other severe weather conditions could cause a disruption in the transportation services we depend upon which could affect the flow of service. In addition, accidents, labor disputes between providers and their employees and labor renegotiations, including strikes, lockouts or a work stoppage, shortage of railcars, mechanical difficulties or bottlenecks and disruptions in transportation logistics could also disrupt our activities. These events could result in service disruptions and increased cost which could also adversely affect our financial condition, results of operations and cash available for distribution to our unitholders. Other disruptions, such as those due to an act of terrorism or war, could also adversely affect our businesses.

- *We have contractual obligations for certain transportation assets such as railcars, barges and pipelines.* A decline in demand for (i) the products we sell, or (ii) our logistics activities, could result in a decrease in the utilization of our transportation assets, which could negatively impact our financial condition, results of operations and cash available for distribution to our unitholders.
- *Our gasoline financial results, with particular impact to our GDSO segment, are seasonal and can be lower in the first and fourth quarters of the calendar year.* Due to the nature of our businesses and our reliance, in part, on consumer travel and spending patterns, we 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 we operate, increasing the demand for gasoline that we sell. Therefore, our results of operations in gasoline can be lower in the first and fourth quarters of the calendar year.
- *Our heating oil and residual oil financial results are seasonal and can be lower in the second and third quarters of the calendar year.* Demand for some refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally higher during November through March than during April through October. We obtain a significant portion of these sales during the winter months. Therefore, our results of operations in heating oil and residual oil for the first and fourth calendar quarters can be better than for the second and third quarters.
- *Warmer weather conditions could adversely affect our results of operations and financial condition.* Weather conditions generally have an impact on the demand for both home heating oil and residual oil. Because we supply distributors whose customers depend on home heating oil and residual oil for space heating purposes during the winter, warmer-than-normal temperatures during the first and fourth calendar quarters in the Northeast can decrease the total volume we sell and the gross profit realized on those sales. Therefore, our results of operations in heating oil and residual oil for the first and fourth calendar quarters can be better than for the second and third quarters.
- *Energy efficiency, higher prices, new technology and alternative fuels could reduce demand for our products.* Higher prices and new technologies and alternative fuel sources, such as electric, hybrid or battery powered motor vehicles, could reduce the demand for transportation fuels and adversely impact our sales of transportation fuels. A reduction in sales of transportation fuels could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders. In addition, increased conservation and technological advances have adversely affected the demand for home heating oil and residual oil. Consumption of residual oil has steadily declined over the last three decades. We could face additional competition from alternative energy sources as a result of future government-mandated controls or regulations further promoting the use of cleaner fuels. End users who are dual-fuel users have the ability to switch between residual oil and natural gas. Other end users may elect to convert to natural gas. During a period of increasing residual oil prices relative to the prices of natural gas, dual-fuel customers may switch and other end users may convert to natural gas. During periods of increasing home heating oil prices relative to the price of natural gas, residential users of home heating oil may also convert to natural gas. As described above, such switching or conversion could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.
- *Changes in government usage mandates and tax credits could adversely affect the availability and pricing of ethanol, which could negatively impact our sales.* The EPA has implemented a Renewable Fuels Standard (“RFS”) pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The RFS program seeks to promote the incorporation of biofuels in the nation’s fuel supply and, to that end, sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation fuels consumed in the United States. A RIN is assigned to each gallon of renewable fuel produced in or imported into the United States. We are exposed to the volatility in the market price of RINs. We cannot predict the future prices of RINs. RIN prices are dependent upon a variety of factors, including EPA regulations related to the amount of RINs required and the total amounts that can be generated, the availability of RINs for purchase, the price at which RINs can be purchased, and levels of transportation fuels produced, all of which can vary significantly from quarter to quarter. If sufficient RINs are unavailable for purchase or if we have to pay a

significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our results of operations and cash flows could be adversely affected. Future demand for ethanol will be largely dependent upon the economic incentives to blend based upon the relative value of gasoline and ethanol, taking into consideration the EPA's regulations on the RFS program and oxygenate blending requirements. A reduction or waiver of the RFS mandate or oxygenate blending requirements could adversely affect the availability and pricing of ethanol, which in turn could adversely affect our future gasoline and ethanol sales. In addition, changes in blending requirements or broadening the definition of what constitutes a renewable fuel could affect the price of RINs which could impact the magnitude of the mark-to-market liability recorded for the deficiency, if any, in our RIN position relative to our RVO at a point in time.

- *We may not be able to fully implement or capitalize upon planned growth projects.* We could have a number of organic growth projects that may require the expenditure of significant amounts of capital in the aggregate. Many of these projects involve numerous regulatory, environmental, commercial and legal uncertainties beyond our control. As these projects are undertaken, required approvals, permits and licenses may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, revenues associated with these organic growth projects may not increase immediately upon the expenditures of funds with respect to a particular project and these projects may be completed behind schedule or in excess of budgeted cost. We may pursue and complete projects in anticipation of market demand that dissipates or market growth that never materializes. As a result of these uncertainties, the anticipated benefits associated with our capital projects may not be achieved.
- *New, stricter environmental laws and other industry-related regulations or environmental litigation could significantly impact our operations and/or increase our costs, which could adversely affect our results of operations and financial condition.* Our operations are subject to federal, state and local laws and regulations regulating, among other matters, logistics activities, product quality specifications and other environmental matters. The trend in environmental regulation has been towards more restrictions and limitations on activities that may affect the environment over time. Our businesses may be adversely affected by increased costs and liabilities resulting from such stricter laws and regulations. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance. Risks related to our environmental permits, including the risk of noncompliance, permit interpretation, permit modification, renewal of permits on less favorable terms, judicial or administrative challenges to permits by citizens groups or federal, state or local entities or permit revocation are inherent in the operation of our businesses, as it is with other companies engaged in similar businesses. We may not be able to renew the permits necessary for our operations, or we may be forced to accept terms in future permits that limit our operations or result in additional compliance costs. In recent years, the transport of crude oil and ethanol has become subject to additional regulation. The establishment of more stringent design or construction standards, or other requirements for railroad tank cars that are used to transport crude oil and ethanol with too short of a timeframe for compliance may lead to shortages of compliant railcars available to transport crude oil and ethanol, which could adversely affect our businesses. Likewise, in recent years, efforts have commenced to seek to use federal, state and local laws to contest issuance of permits, contest renewal of permits and restrict the types of railroad tanks cars that can be used to deliver products, including, without limitation, crude oil and ethanol to bulk storage terminals. Were such laws to come into effect and were they to survive appeals and judicial review, they would potentially expose our operations to duplicative and possibly inconsistent regulation. There can be no assurances as to the timing and type of such changes in existing laws or the promulgation of new laws or the amount of any required expenditures associated therewith. Climate change continues to attract considerable public and scientific attention. In recent years environmental interest groups have filed suit against companies in the energy industry related to climate change. Should such suits succeed, we could face additional compliance costs or litigation risks.

Results of Operations

Evaluating Our Results of Operations

Our management uses a variety of financial and operational measurements to analyze our performance. These measurements include: (1) product margin, (2) gross profit, (3) earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA, (4) distributable cash flow, (5) selling, general and administrative expenses (“SG&A”), (6) operating expenses, and (7) degree days.

Product Margin

We view product margin as an important performance measure of the core profitability of our operations. We review product margin monthly for consistency and trend analysis. We define product margin as our product sales minus product costs. Product sales primarily include sales of unbranded and branded gasoline, distillates, residual oil, renewable fuels, crude oil and propane, as well as convenience store sales, gasoline station rental income and revenue generated from our logistics activities when we engage in the storage, transloading and shipment of products owned by others. Product costs primarily include the cost of acquiring products and all associated costs including shipping and handling costs to bring such products to the point of sale as well as product costs related to convenience store items and costs associated with our logistics activities. We also look at product margin on a per unit basis (product margin divided by volume). Product margin is a non-GAAP financial measure used by management and external users of our consolidated financial statements to assess our businesses. Product margin should not be considered an alternative to net income, operating income, cash flow from operations, or any other measure of financial performance presented in accordance with GAAP. In addition, our product margin may not be comparable to product margin or a similarly titled measure of other companies.

Gross Profit

We define gross profit as our product margin minus terminal and gasoline station related depreciation expense allocated to cost of sales.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures used as supplemental financial measures by management and may be used by external users of our consolidated financial statements, such as investors, commercial banks and research analysts, to assess:

- our compliance with certain financial covenants included in our debt agreements;
- our financial performance without regard to financing methods, capital structure, income taxes or historical cost basis;
- our ability to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;
- our operating performance and return on invested capital as compared to those of other companies in the wholesale, marketing, storing and distribution of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, and in the gasoline stations and convenience stores business, without regard to financing methods and capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return of alternative investment opportunities.

Adjusted EBITDA is EBITDA further adjusted for gains or losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income, operating income, cash flow from operating activities or any other measure of financial

performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Distributable Cash Flow

Distributable cash flow is an important non-GAAP financial measure for our limited partners since it serves as an indicator of our success in providing a cash return on their investment. Distributable cash flow as defined by our partnership agreement is net income plus depreciation and amortization minus maintenance capital expenditures, as well as adjustments to eliminate items approved by the audit committee of the board of directors of our general partner that are extraordinary or non-recurring in nature and that would otherwise increase distributable cash flow.

Distributable cash flow as used in our partnership agreement also determines our ability to make cash distributions on our incentive distribution rights. The investment community also uses a distributable cash flow metric similar to the metric used in our partnership agreement with respect to publicly traded partnerships to indicate whether or not such partnerships have generated sufficient earnings on a current or historic level that can sustain distributions on preferred or common units or support an increase in quarterly cash distributions on common units. Our partnership agreement does not permit adjustments for certain non-cash items, such as net losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges.

Distributable cash flow should not be considered as an alternative to net income, operating income, cash flow from operations, or any other measure of financial performance presented in accordance with GAAP. In addition, our distributable cash flow may not be comparable to distributable cash flow or similarly titled measures of other companies.

Selling, General and Administrative Expenses

Our SG&A expenses include, among other things, marketing costs, corporate overhead, employee salaries and benefits, pension and 401(k) plan expenses, discretionary bonuses, non-interest financing costs, professional fees and information technology expenses. Employee-related expenses including employee salaries, discretionary bonuses and related payroll taxes, benefits, and pension and 401(k) plan expenses are paid by our general partner which, in turn, are reimbursed for these expenses by us.

Operating Expenses

Operating expenses are costs associated with the operation of the terminals, transload facilities and gasoline stations and convenience stores used in our businesses. Lease payments, maintenance and repair, property taxes, utilities, credit card fees, taxes, labor and labor-related expenses comprise the most significant portion of our operating expenses. The majority of these expenses remains relatively stable independent of the volumes through our system but fluctuate slightly depending on the activities performed during a specific period.

Degree Days

A “degree day” is an industry measurement of temperature designed to evaluate energy demand and consumption. Degree days are based on how far the average temperature departs from a human comfort level of 65°F. Each degree of temperature above 65°F is counted as one cooling degree day, and each degree of temperature below 65°F is counted as one heating degree day. Degree days are accumulated each day over the course of a year and can be compared to a monthly or a long-term (multi-year) average, or normal, to see if a month or a year was warmer or cooler than usual. Degree days are officially observed by the National Weather Service and officially archived by the National Climatic Data Center. For purposes of evaluating our results of operations, we use the normal heating degree day amount as reported by the National Weather Service at its Logan International Airport station in Boston, Massachusetts.

Key Performance Indicators

The following table provides a summary of some of the key performance indicators that may be used to assess our results of operations. These comparisons are not necessarily indicative of future results (gallons and dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss) attributable to Global Partners LP	\$ 15,080	\$ (14,080)	\$ 36,695	\$ 51,375
EBITDA (1)(2)	\$ 65,094	\$ 35,838	\$ 187,105	\$ 194,595
Adjusted EBITDA (1)(2)	\$ 66,060	\$ 37,192	\$ 187,496	\$ 200,849
Distributable cash flow (3)(4)(5)	\$ 30,405	\$ 5,312	\$ 86,281	\$ 106,082
Wholesale Segment:				
Volume (gallons)	995,638	924,609	3,057,823	2,591,816
Sales				
Gasoline and gasoline blendstocks	\$ 1,466,111	\$ 1,594,543	\$ 4,106,434	\$ 3,615,862
Crude oil (6)	13,646	15,643	56,174	74,047
Other oils and related products (7)	312,534	279,467	1,343,417	1,372,042
Total	\$ 1,792,291	\$ 1,889,653	\$ 5,506,025	\$ 5,061,951
Product margin				
Gasoline and gasoline blendstocks	\$ 20,194	\$ 5,586	\$ 76,568	\$ 54,423
Crude oil (6)	(3,019)	(7,606)	(10,043)	2,885
Other oils and related products (7)	17,071	5,175	40,566	31,477
Total	\$ 34,246	\$ 3,155	\$ 107,091	\$ 88,785
Gasoline Distribution and Station Operations Segment:				
Volume (gallons)	423,327	424,111	1,214,077	1,181,294
Sales				
Gasoline	\$ 1,010,655	\$ 1,110,529	\$ 2,866,496	\$ 3,088,906
Station operations (8)	128,942	124,481	354,127	312,455
Total	\$ 1,139,597	\$ 1,235,010	\$ 3,220,623	\$ 3,401,361
Product margin				
Gasoline	\$ 107,620	\$ 91,335	\$ 282,919	\$ 238,434
Station operations (8)	61,109	57,265	169,621	149,479
Total	\$ 168,729	\$ 148,600	\$ 452,540	\$ 387,913
Commercial Segment:				
Volume (gallons)	171,505	166,482	546,261	466,158
Sales	\$ 313,765	\$ 344,172	\$ 1,006,171	\$ 934,989
Product margin	\$ 7,213	\$ 5,478	\$ 18,217	\$ 16,524
Combined sales and product margin:				
Sales	\$ 3,245,653	\$ 3,468,835	\$ 9,732,819	\$ 9,398,301
Product margin (9)	\$ 210,188	\$ 157,233	\$ 577,848	\$ 493,222
Depreciation allocated to cost of sales	(22,419)	(22,259)	(66,092)	(64,657)
Combined gross profit	\$ 187,769	\$ 134,974	\$ 511,756	\$ 428,565
GDSO portfolio as of September 30, 2019 and 2018:				
	2019	2018		
Company operated	295	301		
Commissioned agents	253	259		
Lessee dealers	221	239		
Contract dealers	797	790		
Total GDSO portfolio	1,566	1,589		

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Weather conditions:				
Normal heating degree days	96	96	3,750	3,780
Actual heating degree days	28	29	3,405	3,542
Variance from normal heating degree days	(71)%	(70)%	(9)%	(6)%
Variance from prior period actual heating degree days	(3)%	(41)%	(4)%	2 %

- (1) EBITDA and Adjusted EBITDA are non-GAAP financial measures which are discussed above under “—Evaluating Our Results of Operations.” The table below presents reconciliations of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measures.
- (2) EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2019 include a \$13.1 million loss on the early extinguishment of debt related to our repurchase of our 6.25% senior notes due 2022 (see Note 9 of Notes to Consolidated Financial Statements for additional information). EBITDA and Adjusted EBITDA for the nine months ended September 30, 2018 include a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit (see Note 1 of Notes to Consolidated Financial Statements for additional information).
- (3) Distributable cash flow is a non-GAAP financial measure which is discussed above under “—Evaluating Our Results of Operations.” As defined by our partnership agreement, distributable cash flow is not adjusted for certain non-cash items, such as net losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges. The table below presents reconciliations of distributable cash flow to the most directly comparable GAAP financial measures.
- (4) Distributable cash flow includes a net loss (gain) on sale and disposition of assets and goodwill and long-lived asset impairment of \$0.9 million and \$1.3 million for the three months ended September 30, 2019 and 2018, respectively, and \$0.3 million and \$6.2 million for the nine months ended September 30, 2019 and 2018, respectively. Excluding these charges, distributable cash flow would have been \$31.3 million and \$6.6 million for the three months ended September 30, 2019 and 2018, respectively, and \$86.6 million and \$112.3 million for the nine months ended September 30, 2019 and 2018, respectively.
- (5) Distributable cash flow for the three and nine months ended September 30, 2019 includes a \$13.1 million loss on the early extinguishment of debt related to the repurchase of our 6.25% senior notes due 2022. Distributable cash flow for the nine months ended September 30, 2018 includes a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit.
- (6) Crude oil consists of our crude oil sales and revenue from our logistics activities.
- (7) Other oils and related products primarily consist of distillates, residual oil and propane.
- (8) Station operations consist of convenience stores sales, rental income and sundries.
- (9) Product margin is a non-GAAP financial measure which is discussed above under “—Evaluating Our Results of Operations.” The table above includes a reconciliation of product margin on a combined basis to gross profit, a directly comparable GAAP measure.

The following table presents reconciliations of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measures on a historical basis for each period presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Reconciliation of net income (loss) to EBITDA and Adjusted EBITDA:				
Net income (loss)	\$ 14,893	\$ (14,464)	\$ 36,058	\$ 50,233
Net loss attributable to noncontrolling interest	187	384	637	1,142
Net income (loss) attributable to Global Partners LP	15,080	(14,080)	36,695	51,375
Depreciation and amortization, excluding the impact of noncontrolling interest	27,110	27,310	81,022	78,483
Interest expense, excluding the impact of noncontrolling interest	22,091	22,579	68,113	65,637
Income tax expense (benefit)	813	29	1,275	(900)
EBITDA (1)	65,094	35,838	187,105	194,595
Net loss (gain) on sale and disposition of assets	323	940	(252)	5,840
Goodwill and long-lived asset impairment	643	414	643	414
Adjusted EBITDA (1)	<u>\$ 66,060</u>	<u>\$ 37,192</u>	<u>\$ 187,496</u>	<u>\$ 200,849</u>
Reconciliation of net cash provided by (used in) operating activities to EBITDA and Adjusted EBITDA:				
Net cash provided by (used in) operating activities	\$ 143,017	\$ (29,676)	\$ 109,525	\$ (45,902)
Net changes in operating assets and liabilities and certain non-cash items	(100,890)	42,798	8,077	175,545
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	63	108	115	215
Interest expense, excluding the impact of noncontrolling interest	22,091	22,579	68,113	65,637
Income tax expense (benefit)	813	29	1,275	(900)
EBITDA (1)	65,094	35,838	187,105	194,595
Net loss (gain) on sale and disposition of assets	323	940	(252)	5,840
Goodwill and long-lived asset impairment	643	414	643	414
Adjusted EBITDA (1)	<u>\$ 66,060</u>	<u>\$ 37,192</u>	<u>\$ 187,496</u>	<u>\$ 200,849</u>

- (1) EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2019 include a \$13.1 million loss on the early extinguishment of debt related to our repurchase of our 6.25% senior notes due 2022 (see Note 9 of Notes to Consolidated Financial Statements for additional information). EBITDA and Adjusted EBITDA for the nine months ended September 30, 2018 include a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit (see Note 1 of Notes to Consolidated Financial Statements for additional information).

The following table presents reconciliations of distributable cash flow to the most directly comparable GAAP financial measures on a historical basis for each period presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Reconciliation of net income (loss) to distributable cash flow:				
Net income (loss)	\$ 14,893	\$ (14,464)	\$ 36,058	\$ 50,233
Net loss attributable to noncontrolling interest	187	384	637	1,142
Net income (loss) attributable to Global Partners LP	15,080	(14,080)	36,695	51,375
Depreciation and amortization, excluding the impact of noncontrolling interest	27,110	27,310	81,022	78,483
Amortization of deferred financing fees and senior notes discount	1,352	1,720	4,679	5,150
Amortization of routine bank refinancing fees	(902)	(1,022)	(2,814)	(3,066)
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(12,235)	(8,616)	(33,301)	(25,860)
Distributable cash flow (1)(2)(3)	30,405	5,312	86,281	106,082
Distributions to Series A preferred unitholders (4)	(1,682)	(1,009)	(5,046)	(1,009)
Distributable cash flow after distributions to Series A preferred unitholders	\$ 28,723	\$ 4,303	\$ 81,235	\$ 105,073
Reconciliation of net cash provided by (used in) operating activities to distributable cash flow:				
Net cash provided by (used in) operating activities	\$ 143,017	\$ (29,676)	\$ 109,525	\$ (45,902)
Net changes in operating assets and liabilities and certain non-cash items	(100,890)	42,798	8,077	175,545
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	63	108	115	215
Amortization of deferred financing fees and senior notes discount	1,352	1,720	4,679	5,150
Amortization of routine bank refinancing fees	(902)	(1,022)	(2,814)	(3,066)
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(12,235)	(8,616)	(33,301)	(25,860)
Distributable cash flow (1)(2)(3)	30,405	5,312	86,281	106,082
Distributions to Series A preferred unitholders (4)	(1,682)	(1,009)	(5,046)	(1,009)
Distributable cash flow after distributions to Series A preferred unitholders	\$ 28,723	\$ 4,303	\$ 81,235	\$ 105,073

- (1) Distributable cash flow is a non-GAAP financial measure which is discussed above under “—Evaluating Our Results of Operations.” As defined by our partnership agreement, distributable cash flow is not adjusted for certain non-cash items, such as net losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges.
- (2) Distributable cash flow includes a net loss (gain) on sale and disposition of assets and goodwill and long-lived asset impairment of \$0.9 million and \$1.3 million for the three months ended September 30, 2019 and 2018, respectively, and \$0.3 million and \$6.2 million for the nine months ended September 30, 2019 and 2018, respectively. Excluding these charges, distributable cash flow would have been \$31.3 million and \$6.6 million for the three months ended September 30, 2019 and 2018, respectively, and \$86.6 million and \$112.3 million for the nine months ended September 30, 2019 and 2018, respectively.
- (3) Distributable cash flow for the three and nine months ended September 30, 2019 includes a \$13.1 million loss on the early extinguishment of debt related to the repurchase of our 6.25% senior notes due 2022 (see Note 9 of Notes to Consolidated Financial Statements for additional information). Distributable cash flow for the nine months ended September 30, 2018 includes a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit.
- (4) Distributions to Series A preferred unitholders represent the distributions earned by the preferred unitholders during the period. Distributions on the Series A Preferred Units are cumulative and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2018.

Consolidated Sales

Our total sales were \$3.2 billion and \$3.5 billion for the three months ended September 30, 2019 and 2018, respectively, decreasing \$223.2 million, or 6%, due to a decrease in prices. Our aggregate volume of product sold was 1.6 billion gallons and 1.5 billion gallons for the three months ended September 30, 2019 and 2018, respectively. The increase of approximately 0.1 billion gallons in volume sold includes increases of 71 million gallons in our Wholesale

segment and 5 million gallons in our Commercial segment, offset by a decrease of 1 million gallons in our GDSO segment.

Our total sales were \$9.7 billion and \$9.4 billion for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$0.3 billion, or 3%, due to an increase in volume sold. Our aggregate volume of product sold was 4.8 billion gallons and 4.2 billion gallons for the nine months ended September 30, 2019 and 2018, respectively. The increase of 0.6 billion gallons in volume sold includes increases of 466 million gallons in our Wholesale segment, primarily in gasoline and gasoline blendstocks, 80 million gallons in our Commercial segment and 33 million gallons in our GDSO segment.

Gross Profit

Our gross profit was \$187.8 million and \$135.0 million for three months ended September 30, 2019 and 2018, respectively, an increase of \$52.8 million, or 39%, primarily due to higher fuel margins (cents per gallon) in our GDSO segment and to more favorable market conditions in our Wholesale segment.

Our gross profit was \$511.8 million and \$428.6 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$83.2 million, or 19%, primarily due to more favorable market conditions in gasoline and gasoline blendstocks and other oils and related products in our Wholesale segment and to higher fuel margins (cents per gallon) and the acquisitions of Champlain and Cheshire in July 2018 (collectively our “Recent Acquisitions”) in our GDSO segment. The increase in gross profit was offset by a decline in crude oil product margin in our Wholesale segment, primarily due to \$21.6 million in revenue recognized in the first nine months of 2018 related to a take-or-pay contract with one particular customer which was not recognized for the same period in 2019 as that contract expired in June 2018.

Results for Wholesale Segment

Gasoline and Gasoline Blendstocks. Sales from wholesale gasoline and gasoline blendstocks were \$1.5 billion and \$1.6 billion for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$0.1 billion, or 8%, primarily due to a decrease in prices. Our gasoline and gasoline blendstocks product margin was \$20.2 million and \$5.6 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$14.6 million, or 261%, primarily due to more favorable market conditions in gasoline and gasoline blendstocks compared to the same period in 2018.

Sales from wholesale gasoline and gasoline blendstocks were \$4.1 billion and \$3.6 billion for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$0.5 billion, or 14%, due to an increase in volume sold. Our gasoline and gasoline blendstocks product margin was \$76.5 million and \$54.4 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$22.1 million, or 41%, primarily due to more favorable market conditions in gasoline and gasoline blendstocks during the third quarter of 2019.

Crude Oil. Crude oil sales and logistics revenues were \$13.6 million and \$15.6 million for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$2.0 million, or 13%, due to a decrease in prices. Our crude oil product margin was (\$3.0 million) and (\$7.6 million) for the three months ended September 30, 2019 and 2018, respectively, an increase of \$4.6 million, or 60%, primarily due to lower railcar related expenses.

Crude oil sales and logistics revenues were \$56.1 million and \$74.0 million for the nine months ended September 30, 2019 and 2018, respectively, a decrease of \$17.9 million, or 24%, primarily due to the decrease in take-or-pay contract revenue and to a decrease in prices, partially offset by an increase in volume sold. Our crude oil product margin was (\$10.0 million) and \$2.9 million for the nine months ended September 30, 2019 and 2018, respectively, a decrease of \$12.9 million, or 448%. Our product margin for the first nine months of 2018 was positively impacted by \$21.6 million in revenue recognized related to a take-or-pay contract with one particular customer which was not recognized for the same period in 2019 as that contract expired in June 2018. Our product margin for the first nine months of 2019 was favorably impacted by lower railcar expenses and an increase in volume sold.

Other Oils and Related Products. Sales from other oils and related products (primarily distillates, residual oil and propane) were \$0.3 billion for each of the three months ended September 30, 2019 and 2018. Our product margin from other oils and related products was \$17.1 million and \$5.2 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$11.9 million, or 229%, primarily due to more favorable market conditions in distillates and residual oil.

Sales from other oils and related products were \$1.3 billion and \$1.4 billion for the nine months ended September 30, 2019 and 2018, respectively, decreasing \$28.6 million or 2%, primarily due to a decrease in prices. Our product margin from other oils and related products was \$40.6 million and \$31.5 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$9.1 million, or 29%, primarily due to more favorable market conditions in distillates.

Results for Gasoline Distribution and Station Operations Segment

Gasoline Distribution. Sales from gasoline distribution were \$1.0 billion and \$1.1 billion for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$0.1 billion or 9%, primarily due to a decrease in prices. Our product margin from gasoline distribution was \$107.6 million and \$91.3 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$16.3 million, or 18%, primarily due to higher fuel margins (cents per gallon). Wholesale gasoline prices declined during the quarter. Declining wholesale gasoline prices can improve our gasoline product margin, the extent of which depends on the magnitude and duration of that decline.

Sales from gasoline distribution were \$2.9 billion and \$3.1 billion for the nine months ended September 30, 2019 and 2018, respectively, a decrease of \$0.2 billion, or 7%, primarily due to a decrease in prices. Our product margin from gasoline distribution was \$282.9 million and \$238.4 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$44.5 million, or 19%, primarily due to higher fuel margins (cents per gallon) and our Recent Acquisitions.

Station Operations. Our station operations, which include (i) convenience stores sales at our directly operated stores, (ii) rental income from gasoline stations leased to dealers or from commissioned agents and from cobranding arrangements and (iii) sale of sundries, such as car wash sales and lottery and ATM commissions, collectively generated revenues of \$128.9 million and \$124.5 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$4.4 million, or 4%. Our product margin from station operations was \$61.1 million and \$57.3 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$3.8 million, or 7%, primarily due to our Recent Acquisitions.

Sales from our station operations were \$354.1 million and \$312.5 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$41.6 million, or 13%. Our product margin from station operations was \$169.6 million and \$149.5 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$20.1 million, or 13%, primarily due to our Recent Acquisitions.

Results for Commercial Segment

Our commercial sales were \$313.8 million and \$344.2 million for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$30.4 million, or 9%, due to a decrease in prices. Our commercial product margin was \$7.2 million and \$5.5 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$1.7 million, or 31%.

Our commercial sales were \$1.0 billion and \$0.9 billion for the nine months ended September 30, 2019 and 2018, respectively, increasing \$71.2 million, or 8%, due to an increase in volume sold. Our commercial product margin was \$18.2 million and \$16.5 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$1.7 million, or 10%.

Selling, General and Administrative Expenses

SG&A expenses were \$45.3 million and \$42.1 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$3.2 million, or 8%, including increases of \$5.0 million in incentive compensation and \$2.5 million in wages and benefits, in part, to support our GDSO business, including our Recent Acquisitions, partially offset by \$3.6 million in acquisition costs incurred in the third quarter of 2018 that were not incurred in the same period of 2019 and to a decrease of \$0.7 million in various other SG&A expenses.

SG&A expenses were \$127.4 million and \$121.4 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$6.0 million, or 5%, including increases of \$7.5 million in wages and benefits in part to support our GDSO business, including our Recent Acquisitions, \$4.6 million in incentive compensation and \$1.4 million in license fees, partially offset by \$3.8 million in acquisitions costs incurred in the first nine months of 2018 that were not incurred in the same period of 2019 and to a decrease of \$3.7 million in various other SG&A expenses.

Operating Expenses

Operating expenses were \$87.8 million and \$83.8 million for the three months ended September 30, 2019 and 2018, respectively, an increase of \$4.0 million, or 5%. The increase was primarily due to increases of \$3.1 million associated with our GDSO operations, largely due to our Recent Acquisitions, and \$0.9 million associated with our terminal operations.

Operating expenses were \$257.2 million and \$234.0 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$23.2 million, or 10%. The increase was primarily due to increases of \$20.8 million associated with our GDSO operations, largely due to our Recent Acquisitions, and \$2.4 million associated with our terminal operations.

Gain on Trustee Taxes

During the nine months ended September 30, 2018, we recognized a one-time gain 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 we determined that the liability was no longer required.

Lease Exit and Termination Gain

During the nine months ended September 30, 2019, we were released from certain of our remaining obligations to provide future railcar storage, freight, insurance and other services for railcars under a fleet management services agreement associated with our 2016 voluntary termination of a railcar sublease. The release of certain obligations resulted in a \$0.5 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 nine months ended September 30, 2019.

During the quarter ended September 30, 2018, we were released from certain of our obligations to provide future railcar storage, freight, insurance and other services for railcars under a fleet management services agreement associated with our 2016 voluntary termination of a railcar sublease. The release of certain obligations 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.

Amortization Expense

Amortization expense related to intangible assets was \$2.8 million and \$3.1 million for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$0.3 million, or 10%, primarily due to intangibles that became fully amortized in the third quarter of 2019.

Amortization expense was \$8.7 million and \$8.0 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$0.7 million, or 9%.

Net (Loss) Gain on Sale and Disposition of Assets

Net (loss) gain on sale and disposition of assets was (\$0.3 million) and (\$0.9 million) for the three months ended September 30, 2019 and 2018, respectively, and \$0.3 million and (\$5.8 million) for the nine months ended September 30, 2019 and 2018, respectively, primarily due to the sale of GDSO sites.

Goodwill and Long-Lived Asset Impairment

We recognized a long-lived asset impairment charge of \$0.6 million for each of the three and nine months ended September 30, 2019 and \$0.4 million for each of the three and nine months ended September 30, 2018 relating to long-lived assets used at certain gasoline stations and convenience stores associated with our GDSO segment. See Note 7 of Notes to Consolidated Financial Statements for additional information.

Interest Expense

Interest expense was \$22.1 million and \$22.6 million for the three months ended September 30, 2019 and 2018, respectively, a decrease of \$0.5 million, or 2%, primarily due to lower average balances on our credit facilities.

Interest expense was \$68.1 million and \$65.6 million for the nine months ended September 30, 2019 and 2018, respectively, an increase of \$2.5 million, or 4%, primarily due to higher average balances on our credit facilities and higher interest rates.

Loss on Early Extinguishment of Debt

As a result of the repurchase of our 6.25% senior notes due 2022, we recorded a \$13.1 million loss from early extinguishment of debt for each of the three and nine months ended September 30, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees. Please read “—Liquidity and Capital Resources—Senior Notes” for additional information.

Income Tax (Expense) Benefit

Income tax expense was (\$0.8 million) for the three months ended September 30, 2019 and immaterial for the three months ended September 30, 2018. Income tax (expense) benefit was (\$1.3 million) and \$0.9 million for the nine months ended September 30, 2019 and 2018, respectively. The income tax (expense) benefit recognized primarily reflects the income tax (expense) benefit from the operating results of GMG, which is a taxable entity for federal and state income tax purposes.

Net Loss Attributable to Noncontrolling Interest

In February 2013, we acquired a 60% membership interest in Basin Transload. The net loss attributable to the noncontrolling interest was \$0.2 million and \$0.3 million for the three months ended September 30, 2019 and 2018, respectively, and \$0.6 million and \$1.1 million for the nine months ended September 30, 2019 and 2018, respectively, which represents the 40% noncontrolling ownership of the net loss reported.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs are to fund our working capital requirements, capital expenditures and distributions and to service our indebtedness. Our primary sources of liquidity are cash generated from operations, amounts available

under our working capital revolving credit facility and equity and debt offerings. Please read “—Credit Agreement” for more information on our working capital revolving credit facility.

Working capital was \$250.8 million and \$292.2 million at September 30, 2019 and December 31, 2018, respectively, a decrease of \$41.4 million, primarily due to an increase of \$65.3 million in the current portion of our lease liability related to the adoption of ASC 842 (see Note 2 of Notes to Consolidated Financial Statements).

Cash Distributions

Common Units

During 2019, we paid the following cash distributions to our common unitholders and our general partner:

Cash Distribution Payment Date	Total Paid	Distribution Paid for the Quarterly Period Ended
February 14, 2019	\$ 17.3 million	Fourth quarter 2018
May 15, 2019	\$ 17.7 million	First quarter 2019
August 14, 2019	\$ 17.9 million	Second quarter 2019

In addition, on October 25, 2019, the board of directors of our general partner declared a quarterly cash distribution of \$0.52 per unit (\$2.08 per unit on an annualized basis) on all of our outstanding common units for the period from July 1, 2019 through September 30, 2019 to our common unitholders of record as of the close of business November 8, 2019. We expect to pay the total cash distribution of approximately \$18.1 million on November 14, 2019.

Preferred Units

During 2019, we paid the following cash distributions to holders of the Series A Preferred Units:

Cash Distribution Payment Date	Total Paid	Distribution Paid for the Quarterly Period Covering
February 15, 2019	\$ 1.7 million	November 15, 2018 - February 14, 2019
May 15, 2019	\$ 1.7 million	February 15 - May 14, 2019
August 15, 2019	\$ 1.7 million	May 15 - August 14, 2019

In addition, on October 22, 2019, the board of directors of our general partner declared a quarterly cash distribution of \$0.609375 per unit (\$2.4375 per unit on an annualized basis) on our Series A Preferred Units for the period from August 15, 2019 through November 14, 2019 to our preferred unitholders of record as of the opening of business on November 1, 2019. We expect to pay the total cash distribution of approximately \$1.7 million on November 15, 2019.

Contractual Obligations

We have contractual obligations that are required to be settled in cash. The amounts of our contractual obligations at September 30, 2019 were as follows (in thousands):

Contractual Obligations	Payments Due by Period					Total
	Remainder of 2019	2020	2021	2022	2023 and Thereafter	
Credit facility obligations (1)	\$ 107,988	\$ 155,441	\$ 155,441	\$ 51,814	\$ —	\$ 470,684
Senior notes obligations (2)	2,625	49,000	49,000	49,000	850,500	1,000,125
Operating lease obligations (3)	22,356	80,824	70,717	51,589	141,076	366,562
Other long-term liabilities (4)	10,567	26,874	24,479	21,067	53,465	136,452
Financing obligations (5)	3,743	15,094	15,426	15,766	121,177	171,206
Total	<u>\$ 147,279</u>	<u>\$ 327,233</u>	<u>\$ 315,063</u>	<u>\$ 189,236</u>	<u>\$ 1,166,218</u>	<u>\$ 2,145,029</u>

- (1) Includes principal and interest on our working capital revolving credit facility and our revolving credit facility at September 30, 2019 and assumes a ratable payment through the expiration date. Our credit agreement has a contractual maturity of April 29, 2022 and no principal payments are required prior to that date. However, we repay amounts outstanding and reborrow funds based on our working capital requirements. Therefore, the current portion of the working capital revolving credit facility included in the accompanying consolidated balance sheets is the amount we expect to pay down during the course of the year, and the long-term portion of the working capital revolving credit facility is the amount we expect to be outstanding during the entire year. Please read “—Credit Agreement” for more information on our working capital revolving credit facility.
- (2) Includes principal and interest on our senior notes. No principal payments are required prior to maturity. See Note 7 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on our 7.00% senior notes due 2023 and see “—Liquidity and Capital Resources—Senior Notes” for additional information on our 7.00% senior notes due 2027.
- (3) Includes operating lease obligations related to leases for office space and computer equipment, land, terminals and dedicated storage facilities, gasoline stations, railcars and barges.
- (4) Includes amounts related to our 15-year brand fee agreement entered into in 2010 with ExxonMobil and amounts related to our pipeline connection agreements, natural gas transportation and reservation agreements, access right agreements and our pension and deferred compensation obligations.
- (5) Includes lease rental payments in connection with (i) the acquisition of Capitol related to properties previously sold by Capitol in two sale-leaseback transactions; and (ii) the sale of real property assets at 30 gasoline stations and convenience stores. These transactions did not meet the criteria for sale accounting and the lease rental payments are classified as interest expense on the respective financing obligation and the pay-down of the related financing obligation. See Note 9 of Notes to Consolidated Financial Statement for additional information.

Capital Expenditures

Our operations require investments to maintain, expand, upgrade and enhance existing operations and to meet environmental and operational regulations. We categorize our capital requirements as either maintenance capital expenditures or expansion capital expenditures. Maintenance capital expenditures represent capital expenditures to repair or replace partially or fully depreciated assets to maintain the operating capacity of, or revenues generated by, existing assets and extend their useful lives. Maintenance capital expenditures also include expenditures required to maintain equipment reliability, tank and pipeline integrity and safety and to address certain environmental regulations. We anticipate that maintenance capital expenditures will be funded with cash generated by operations. We had approximately \$33.3 million and \$25.9 million in maintenance capital expenditures for the nine months ended September 30, 2019 and 2018, respectively, which are included in capital expenditures in the accompanying consolidated statements of cash flows, of which approximately \$30.8 million and \$22.3 million for the nine months ended September 30, 2019 and 2018, respectively, are related to our investments in our gasoline station business. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

Expansion capital expenditures include expenditures to acquire assets to grow our businesses or expand our existing facilities, such as projects that increase our operating capacity or revenues by, for example, increasing dock capacity and tankage, diversifying product availability, investing in raze and rebuilds and new-to-industry gasoline stations and convenience stores, increasing storage flexibility at various terminals and by adding terminals to our storage

network. We have the ability to fund our expansion capital expenditures through cash from operations or our credit agreement or by issuing debt securities or additional equity.

We had approximately \$19.2 million and \$17.6 million in expansion capital expenditures for the nine months ended September 30, 2019 and 2018, respectively, primarily related to investments in our gasoline station business. In addition, for the nine months ended September 30, 2018, expansion capital expenditures also includes approximately \$120.1 million in property and equipment associated with the acquisitions of Cheshire and Champlain.

We currently expect maintenance capital expenditures of approximately \$45.0 million to \$55.0 million and expansion capital expenditures, excluding acquisitions, of approximately \$35.0 million to \$45.0 million in 2019, relating primarily to investments in our gasoline station business. These current estimates depend, in part, on the timing of completion of projects, availability of equipment, weather and unanticipated events or opportunities requiring additional maintenance or investments.

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

Cash Flow

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

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by (used in) operating activities	\$ 109,525	\$ (45,902)
Net cash used in investing activities	\$ (41,140)	\$ (203,417)
Net cash (used in) provided by financing activities	\$ (70,726)	\$ 246,912

Operating Activities

Cash flow from operating activities generally reflects our net income, balance sheet changes arising from inventory purchasing patterns, the timing of collections on our accounts receivable, the seasonality of parts of our businesses, fluctuations in product prices, working capital requirements and general market conditions.

Net cash provided by (used in) operating activities was \$109.5 million and (\$45.9 million) for the nine months ended September 30, 2019 and 2018, respectively, for a period-over-period increase in cash flow from operating activities of \$155.6 million. For the nine months ended September 30, 2018, cash flow from operating activities was not impacted by the non-cash gain of \$52.6 million as a result of the extinguishment of a contingent liability related to the Volumetric Ethanol Excise Tax Credit. This gain was included in net income and offset by the corresponding decrease in the liability (see Note 1 of Notes to Consolidated Financial Statements). The primary drivers of the changes in operating activities include the following (in thousands):

	Nine Months Ended September 30,		Period over Period Change
	2019	2018	
(Increase) decrease in accounts receivable	\$ (1,492)	\$ 9,301	\$ (10,793)
(Increase) in inventories	\$ (7,724)	\$ (124,537)	\$ 116,813
Increase in accounts payable	\$ 1,389	\$ 23,118	\$ (21,729)
Increase (decrease) in change in derivatives	\$ 20,606	\$ (3,205)	\$ 23,811

For the nine months ended September 30, 2019, the increases in accounts receivable and inventories were primarily due to an increase in prices. The increase in cash flow from operating activities was also impacted by the year-over-year change in derivatives of \$23.8 million due to market direction.

For the nine months ended September 30, 2018, the decrease in accounts receivable and accounts payable was in part due to the change in activity related to the heating season. The increase in inventories was primarily due to an increase in prices but also due to higher inventory volume.

Investing Activities

Net cash used in investing activities was \$41.1 million for the nine months ended September 30, 2019 and included \$33.3 million in maintenance capital expenditures, \$19.2 million in expansion capital expenditures and \$0.6 million in seller note issuances, offset by \$12.0 million in proceeds from the sale of property and equipment. The seller note issuances represent notes we received from buyers in connection with the sale of certain of our gasoline stations.

Net cash used in investing activities was \$203.4 million for the nine months ended September 30, 2018 and included cash used to fund the acquisitions of Cheshire and Champlain in the preliminary amounts of \$138.4 million and \$33.4 million, respectively, \$25.9 million in maintenance capital expenditures, \$17.6 million in expansion capital expenditures and \$3.0 million in seller note issuances, offset by \$14.9 million in proceeds from the sale of property and equipment.

Please read “—Capital Expenditures” for a discussion of our capital expenditures for the nine months ended September 30, 2019 and 2018.

Financing Activities

Net cash used in financing activities was \$70.7 million for the nine months ended September 30, 2019 and included \$381.9 million in payments in connection with the repurchase of the 2022 Notes and the issuance of the 2027 Notes, \$57.4 million in cash distributions to our limited partners (preferred and common unitholders) and our general partner, \$23.0 million in net payments on our revolving credit facility, \$0.6 million in LTIP units withheld for tax obligations related to awards that vested in 2019 and \$0.4 million in net payments on our working capital revolving credit facility. Net cash used in financing activities was offset by \$392.6 million in proceeds in connection with the issuance of the 2027 Notes.

Net cash provided by financing activities was \$246.9 million for the nine months ended September 30, 2018 and included \$181.0 million in net borrowing from our revolving credit facility, \$66.4 million in net proceeds from the issuance of the Series A Preferred Units and \$48.2 million in borrowings from our working capital revolving credit facility, offset by \$47.8 million in cash distributions to our common unitholders and our general partner and \$0.8 million in LTIP units withheld for tax obligations related to awards that vested in 2018.

See Note 9 of Notes to Consolidated Financial Statement for supplemental cash flow information related to our working capital revolving credit facility and revolving credit facility.

Credit Agreement

Certain subsidiaries of ours, as borrowers, and we and certain of our subsidiaries, as guarantors, have a \$1.3 billion senior secured credit facility. We repay amounts outstanding and reborrow funds based on our working capital requirements and, therefore, classify as a current liability the portion of the working capital revolving credit facility we expect to pay down during the course of the year. The long-term portion of the working capital revolving credit facility is the amount we expect to be outstanding during the entire year. On April 19, 2019, we entered into the third amendment to third amended and restated credit agreement which, among other things, extended the maturity date to April 29, 2022 from April 30, 2020 and reduced by 0.25% the applicable rate under the revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit.

All other material terms of the credit agreement remain substantially the same as disclosed in Note 7 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018.

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 our borrowing base and \$850.0 million; and
- a \$450.0 million revolving credit facility to be used for 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 our control, such as changes in petroleum product prices, collection cycles, counterparty performance, advance rates and limits and general economic conditions.

The average interest rates for the Credit Agreement were 4.3% for each of the three months ended September 30, 2019 and 2018 and 4.5% and 4.1% for the nine months ended September 30, 2019 and 2018, respectively.

As of September 30, 2019, we had total borrowings outstanding under the Credit Agreement of \$449.9 million, including \$197.0 million outstanding on the revolving credit facility. In addition, we had outstanding letters of credit of \$68.7 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$781.4 million and \$770.7 million at September 30, 2019 and December 31, 2018, respectively.

The credit agreement imposes financial covenants that require us 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. We were in compliance with the foregoing covenants at September 30, 2019. 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 us to our unitholders to the amount of Available Cash (as defined in the partnership agreement).

Please read Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Credit Agreement” in our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on the credit agreement.

Senior Notes

We had 7.00% senior notes due 2027 (discussed below) and 7.00% senior notes due 2023 outstanding at September 30, 2019. Please read Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Credit Agreement” in our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on the 7.00% senior notes due 2023.

7.00% Senior Notes Due 2027

On July 31, 2019, the Issuers issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 to the 2027 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 2027 Notes were resold by the 2027 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering to fund the repurchase of our 2022 Notes in a tender and to repay a portion of the borrowings outstanding under our credit agreement.

On July 31, 2019, the Issuers delivered a Notice of Full Redemption for all of the outstanding 2022 Notes to Deutsche Bank Trust Company Americas, as trustee. The redemption of the 2022 Notes occurred on August 30, 2019.

As a result of the repurchase of the 2022 Notes, we recorded a \$13.1 million loss from early extinguishment of debt for each of the three and nine months ended September 30, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees.

2027 Note Indenture

In connection with the private placement of the 2027 Notes on July 31, 2019, the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “2027 Notes Indenture”).

The 2027 Notes will mature on August 1, 2027 with interest accruing at a rate of 7.00% per annum and payable semi-annually in arrears on August 1 and February 1 of each year, commencing February 1, 2020. The 2027 Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the 2027 Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 2027 Notes may declare the 2027 Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of ours that is a significant subsidiary or any group of our restricted subsidiaries that, taken together, would constitute a significant subsidiary of ours, will automatically cause the 2027 Notes to become due and payable.

The Issuers will have the option to redeem up to 35% of the 2027 Notes prior to August 1, 2022 at a redemption price (expressed as a percentage of principal amount) of 107% plus accrued and unpaid interest, if any. The Issuers will have the option to redeem the 2027 Notes, in whole or in part, at any time on or after August 1, 2022, at the redemption prices of 103.500% for the twelve-month period beginning on August 1, 2022, 102.333% for the twelve-month period beginning August 1, 2023, 101.167% for the twelve-month period beginning August 1, 2024, and 100% beginning on August 1, 2025 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before August 1, 2022, the Issuers may redeem all or any part of the 2027 Notes at a redemption price equal to the sum of the principal amount thereof, plus a make whole premium, plus accrued and unpaid interest, if any, to the redemption date. The holders of the 2027 Notes may require the Issuers to repurchase the 2027 Notes following certain asset sales or a Change of Control Triggering Event (as defined in the 2027 Notes Indenture) at the prices and on the terms specified in the 2027 Notes Indenture.

The 2027 Notes Indenture contains covenants that will limit our ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by our subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the 2027 Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 2027 Notes, (ii) breach of our covenants under the 2027 Notes Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of ours or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$50.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$50.0 million.

2027 Notes Registration Rights Agreement

On July 31, 2019, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the “2027 Notes Registration Rights Agreement”) with the 2027 Notes Initial Purchasers in connection with the Issuers’ private placement of the 2027 Notes. Under the 2027 Notes Registration Rights Agreement, the Issuers and the subsidiary guarantors have agreed to file and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the 2027 Notes for an issue of notes with terms identical to the 2027 Notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with the 2027 Notes Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by September 23, 2020. Under specified circumstances, the Issuers and the subsidiary guarantors have also agreed to use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the 2027 Notes. If the exchange offer is not completed on or before

September 23, 2020, the annual interest rate borne by the 2027 Notes will be increased by 1.0% per annum until the exchange offer is completed or the shelf registration statement is declared effective (or automatically becomes effective).

Financing Obligations

Capitol Acquisition

On June 1, 2015, we acquired retail gasoline stations and dealer supply contracts from Capitol Petroleum Group (“Capitol”). In connection with the acquisition, we 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, we incur interest expense associated with the financing obligation. Interest expense of approximately \$2.3 million was recorded for each of the three months ended September 30, 2019 and 2018, and \$7.0 million was recorded for each of the nine months ended September 30, 2019 and 2018, 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 \$2.5 million and \$2.4 million for the three months ended September 30, 2019 and 2018, respectively, and \$7.4 million and \$7.2 million for the nine months ended September 30, 2019 and 2018, respectively. The financing obligation balance outstanding at September 30, 2019 was \$87.1 million associated with the Capitol acquisition.

Sale-Leaseback Transaction

On June 29, 2016, we 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, we 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 us has not been derecognized and continues to be depreciated. We 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, we incur 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 was \$1.1 million for each of the three months ended September 30, 2019 and 2018 and \$3.3 million for each of the nine months ended September 30, 2019 and 2018. Lease rental payments were \$1.2 million and \$1.1 million for the three months ended September 30, 2019 and 2018, respectively, and \$3.5 million and \$3.3 million for the nine months ended September 30, 2019 and 2018, respectively. The financing obligation balance outstanding at September 30, 2019 was \$62.4 million associated with the Sale-Leaseback Transaction.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

These estimates are based on our knowledge and understanding of current conditions and actions that we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial condition and results of operations and are recorded in the period in which they become known. We have identified the following estimates that, in our opinion, are subjective in nature, require the exercise of judgment, and involve complex analysis: inventory, leases, revenue recognition, trustee taxes, derivative financial instruments, goodwill, evaluation of long-lived asset impairment and environmental and other liabilities.

The significant accounting policies and estimates that we have adopted and followed in the preparation of our consolidated financial statements are detailed in Note 2 of Notes to Consolidated Financial Statements, “Summary of Significant Accounting Policies” included in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no subsequent changes in these policies and estimates that had a significant impact on our financial condition and results of operations for the periods covered in this report, except as described in Note 2 of Notes to Consolidated Financial Statements herein for the adoption of ASU 2016-02, “Leases,” including modifications to that standard thereafter, and now codified as ASC 842 which we adopted on January 1, 2019.

Recent Accounting Pronouncements

A description and related impact expected from the adoption of certain new accounting pronouncements is provided in Note 21 of Notes to Consolidated Financial Statements included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. The principal market risks to which we are exposed are interest rate risk and commodity risk. We currently utilize various derivative instruments to manage exposure to commodity risk.

Interest Rate Risk

We utilize variable rate debt and are exposed to market risk due to the floating interest rates on our credit agreement. Therefore, from time to time, we utilize interest rate collars, swaps and caps to hedge interest obligations on specific and anticipated debt issuances.

As of September 30, 2019, we had total borrowings outstanding under our credit agreement of \$449.9 million. Please read Part I, Item 2. “Management’s Discussion and Analysis—Liquidity and Capital Resources—Credit Agreement,” for information on interest rates related to our borrowings. The impact of a 1% increase in the interest rate on this amount of debt would have resulted in an increase in interest expense, and a corresponding decrease in our results of operations, of approximately \$4.5 million annually, assuming, however, that our indebtedness remained constant throughout the year.

Commodity Risk

We hedge our exposure to price fluctuations with respect to refined petroleum products, renewable fuels, crude oil and gasoline blendstocks in storage and expected purchases and sales of these commodities. The derivative instruments utilized consist primarily of exchange-traded futures contracts traded on the NYMEX, CME and ICE and over-the-counter transactions, including swap agreements entered into with established financial institutions and other credit-approved energy companies. Our policy is generally to purchase only products for which we have a market and to structure our sales contracts so that price fluctuations do not materially affect our profit. While our policies are designed to minimize market risk, as well as inherent basis risk, exposure to fluctuations in market conditions remains. Except for the controlled trading program discussed below, we do not acquire and hold futures contracts or other derivative products for the purpose of speculating on price changes that might expose us to indeterminable losses.

While we seek to maintain a position that is substantially balanced within our commodity product purchase and sales activities, we 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 our businesses, such as weather conditions. In connection with managing these positions, we are aided by maintaining a constant presence in the marketplace. We also engage 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 the fair value of these derivative instruments are recognized in the consolidated statements of operations through cost of sales. In addition, because a portion of our crude oil business may be conducted in Canadian dollars, we may use foreign currency derivatives to minimize the risks of unfavorable exchange rates. These instruments may include foreign currency exchange contracts and forwards. In conjunction with entering into the commodity derivative, we may enter into a foreign currency derivative to hedge the resulting foreign currency risk. These foreign currency derivatives are generally short-term in nature and not designated for hedge accounting.

We utilize exchange-traded futures contracts and other derivative instruments to minimize or hedge the impact of commodity price changes on our inventories and forward fixed price commitments. Any hedge ineffectiveness is reflected in our results of operations. We utilize regulated exchanges, including the NYMEX, CME and ICE, which are exchanges for the respective commodities that each trades, thereby reducing potential delivery and supply risks. Generally, our practice is to close all exchange positions rather than to make or receive physical deliveries. With respect to other products such as ethanol, which may not have a correlated exchange contract, we enter into derivative agreements with counterparties that we believe have a strong credit profile, in order to hedge market fluctuations and/or lock-in margins relative to our commitments.

At September 30, 2019, the fair value of all of our commodity risk derivative instruments and the change in fair value that would be expected from a 10% price increase or decrease are shown in the table below (in thousands):

	Fair Value at September 30, 2019	Gain (Loss)	
		Effect of 10% Price Increase	Effect of 10% Price Decrease
Exchange traded derivative contracts	\$ 33,493	\$ (31,686)	\$ 31,686
Forward derivative contracts	1,289	(3,217)	3,217
Total	\$ 34,782	\$ (34,903)	\$ 34,903

The fair values of the futures contracts are based on quoted market prices obtained from the NYMEX, CME and ICE. The fair value of the swaps and option contracts are estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at September 30, 2019. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All hedge positions offset physical exposures to the physical market; none of these offsetting physical exposures are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10% increase or decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10% change in prompt month prices, the fair value of our derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices. We have a daily margin requirement to maintain a cash deposit with our brokers based on the prior day's market results on open futures contracts. The balance of this deposit will fluctuate based on our open market positions and the commodity exchange's requirements. The brokerage margin balance was \$24.7 million at September 30, 2019.

We are exposed to credit loss in the event of nonperformance by counterparties to our exchange-traded derivative contracts, physical forward contracts, and swap agreements. We anticipate some nonperformance by some of these counterparties which, in the aggregate, we do not believe at this time will have a material adverse effect on our financial condition, results of operations or cash available for distribution to our unitholders. Exchange-traded derivative contracts, the primary derivative instrument utilized by us, are traded on regulated exchanges, greatly reducing potential credit risks. We utilize major financial institutions as our clearing brokers for all NYMEX, CME and ICE derivative transactions and the right of offset exists with these financial institutions. Accordingly, the fair value of our exchange-

traded derivative instruments is presented on a net basis in the consolidated balance sheet. Exposure on physical forward contracts and swap agreements is limited to the amount of the recorded fair value as of the balance sheet dates.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our principal executive officer and principal financial officer, management evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were operating and effective as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is included in Note 20 of Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, which, as updated below, could materially affect our business, financial condition or future results.

Tax Risks

The tax treatment of publicly traded partnerships or an investment in our units generally could be negatively impacted by future legislative, judicial or administrative changes in applicable tax laws or differing interpretations thereof, possibly applied on a retroactive basis.

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our units, may be negatively impacted by future administrative, legislative or judicial changes or differing interpretations thereof at any time. For example, from time to time, members of Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect publicly traded partnerships, including elimination of partnership tax treatment for publicly traded partnerships. For example, the “Clean Energy for America Act”, which is similar to legislation that was commonly proposed during the Obama Administration, was introduced in the Senate on May 2, 2019. If enacted, this proposal would, among other things, repeal Section 7704(d)(1)(E) of the Internal Revenue Code upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to U.S. federal income tax laws or the Treasury Department’s interpretation of such laws in a manner that could impact our ability to qualify as a publicly traded partnership in the future. Any modification to the U.S. federal income tax laws may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any changes or other proposals will ultimately be enacted.

In addition, there can be no assurance that there will not be any legislative, judicial or administrative changes in tax law generally that would negatively impact the value of an investment in our units. You are urged to consult with your own tax advisor with respect to the status of legislative, regulatory and administrative developments and proposals in tax law generally and their potential effect on your investment in our units.

Item 6. Exhibits

(a) Exhibits

- 3.1 — [Certificate of Limited Partnership of Global Partners LP \(incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on May 10, 2005\).](#)
- 3.2 — [Fourth Amended and Restated Agreement of Limited Partnership of Global Partners LP dated as of August 7, 2018 \(incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 7, 2018\).](#)
- 4.1 — [Indenture, dated as of June 24, 2014, among the Issuers, the Guarantors, and Deutsche Bank Trust Company Americas, as trustee \(incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on June 25, 2014\).](#)

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4.2	—	Indenture, dated as of June 4, 2015, among the Issuers, the Guarantors, and Deutsche Bank Trust Company Americas, as trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on June 4, 2015).
4.3	—	Indenture, dated July 31, 2019, among the Issuers, the Guarantors and Deutsche Bank Trust Company Americas, as trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on July 31, 2019).
4.4	—	Registration Rights Agreement, dated July 31, 2019, among the Issuers, the Guarantors and the Initial Purchasers (incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on July 31, 2019).
10.1	—	Purchase Agreement, dated July 24, 2019, among the Issuers, the Guarantors and the Initial Purchasers (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 25, 2019).
10.2*^	—	Global Partners LP 2018 Long-Term Cash Incentive Plan Award Agreement
31.1*	—	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer of Global GP LLC, general partner of Global Partners LP.
31.2*	—	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer of Global GP LLC, general partner of Global Partners LP.
32.1†	—	Section 1350 Certification of Chief Executive Officer of Global GP LLC, general partner of Global Partners LP.
32.2†	—	Section 1350 Certification of Chief Financial Officer of Global GP LLC, general partner of Global Partners LP.
101.INS*	—	XBRL Instance Document.
101.SCH*	—	XBRL Taxonomy Extension Schema Document.
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	—	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document.
101.PRE*	—	XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith.

^ Management contract or compensatory plan or arrangement.

† Not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section.

SIGNATURES

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

GLOBAL PARTNERS LP

By: Global GP LLC,
its general partner

Dated: November 7, 2019

By: /s/ Eric Slifka
Eric Slifka
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 7, 2019

By: /s/ Daphne H. Foster
Daphne H. Foster
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.2

Global Partners LP

2018 Long-Term Cash Incentive Plan Award Agreement

Grantee: _____ (the “*Grantee*”)

Grant Date: _____ (the “*Grant Date*”)

1. Grant of Cash Incentive Award. Global GP LLC (“*GPLLC*”) hereby grants to you a cash incentive award under the Global Partners LP 2018 Long-Term Cash Incentive Plan (the “*Plan*”) of _____ (the “*Award*”), such grant to be on the terms and conditions set forth herein and in the Plan, which is incorporated herein by reference as a part of this award agreement (“*Agreement*”).

2. Vesting/Forfeitures. Except as otherwise provided in this Agreement or the Plan, the Award will vest in accordance with the vesting schedule set forth in the following table, so long as you continue to provide services to GPLLC or its Affiliates continuously from the Grant Date through each vesting date set forth below (each, a “*Vesting Date*”):

Vesting Date	Vested Percentage
_____, 20__	33.4%
_____, 20__	33.3%
_____, 20__	33.3%

Except as otherwise provided in this Agreement or the Plan, on the date you cease providing services to GPLLC or its Affiliates, any unvested portion of the Award shall automatically terminate and cease to be outstanding.

3. **Events Occurring Prior to Vesting.** Notwithstanding Paragraph 2 to the contrary,

(a) **Death or Disability.** If you cease providing services to GPLLC or its Affiliates as a result of your death or a “disability,” as defined in Section 409A(a)(2)(C) of the Code, the Board, in its sole discretion, shall determine whether the Award or any unvested portion thereof shall become vested, shall be forfeited, or shall continue to vest pursuant to its terms as if your service had continued through the last Vesting Date.

(b) **Resignation and Other Terminations of Service.** If you voluntarily resign from providing services to GPLLC or its Affiliates or if your services are terminated by GPLLC or its Affiliates, the Compensation Committee shall determine whether the Award or any unvested portion thereof shall (i) remain outstanding and continue to vest on each remaining Vesting Date

in accordance with the vesting schedule set forth in Paragraph 2 as if you continued to provide services to GPLLC and its Affiliates, (ii) become immediately vested, or (iii) be forfeited.

(c) **Change of Control.** Any unvested portion of the Award held by you automatically shall become fully vested upon a Change of Control.

4. **Payments.** As soon as administratively practicable after a Vesting Date, or, if vesting occurs upon a Change of Control as provided in Section 5(e) of the Plan, as soon as administratively practicable on or following such Change of Control, but in all events not later than 2½ months following the vesting of the Award, you shall be paid the portion of the Award that vested on such date.

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

6. **Taxes and Withholding.** The Company or any Affiliate is authorized to withhold from any Award, from any payment due or transfer made under any Award or from any compensation or other amount owing to you (including, if applicable, the Garden Leave Payment described under the Confidentiality, Non-Competition, and Non-Solicitation Agreement that is attached hereto as **Exhibit A** (the “**Non-Competition Agreement**”)), the amount of any applicable taxes payable in respect of an Award, any compensation or other amount owing to you, and to take such other action as may be necessary in the opinion of the Company to satisfy its withholding obligations for the payment of such taxes.

7. **Restrictive Covenants.** As a condition of your receipt of this Award, you agree to execute, and abide by the terms of, the Non-Competition Agreement. You acknowledge and agree that the restrictions set forth in the Non-Competition Agreement are reasonable in all respects and no greater than necessary to protect GPLLC’s and its Affiliates’ legitimate business interests, including the protection of their confidential information, trade secrets and goodwill. You also acknowledge that in receiving this Award, you are receiving new consideration above and beyond any consideration to which you were entitled but for your entry into the Non-Competition Agreement, and if you fail to execute the Non-Competition Agreement and deliver it to the Company on or _____, but in no event later than _____, you shall forfeit the Award granted hereunder.

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

9. **Entire Agreement.** The Plan and this Agreement (including the Non-Competition Agreement) constitute the entire agreement of the parties with regard to the Award granted hereby, and contain all the covenants, promises, representations, warranties and agreements between the parties with respect to the Award granted hereby. This Agreement is in addition to and does not

supersede or replace any prior or contemporaneous agreement between you and GPLLC, the Partnership, or any of their Affiliates relating to confidentiality, non-disclosure, non-competition, or non-solicitation.

10. Modifications. Except as provided below, any modification of this Agreement shall be effective only if it is in writing and signed by both you and an authorized officer of GPLLC.

11. Conflicts and Governing Law. In the event of any conflict between the terms of this Agreement and the Plan, the Plan shall control; provided, however, any dispute arising out of or relating to the Non-Competition Agreement shall be subject to the dispute resolution provisions set forth in the Non-Competition Agreement. Capitalized terms used in this Agreement but not defined herein shall have the meanings ascribed to such terms in the Plan, unless the context requires otherwise. This grant (other than the Non-Competition Agreement) shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

GLOBAL GP LLC

By: _____
Name: Eric Slifka
Title: President and CEO

By: _____
Name: Edward J. Faneuil
Title: Executive Vice President, General
Counsel and Secretary

GRANTEE

Name:
Title:

[Signature Page to Long-Term Cash Incentive Award Agreement – *[Date]*]

EXHIBIT A

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT

This Confidentiality, Non-Solicitation and Non-Competition Agreement (this “**Agreement**”) is executed and agreed to on _____, 20__ by and between _____ (“**Employee**”), an individual, and **Global GP LLC**, together with any successor or assign (the “**Company**”). Employee’s obligations under this Agreement survive the termination of Employee’s employment with the Company or any Affiliate regardless of the reason for such termination. As a condition of the Company’s entry into the Grant of Phantom Unit agreement (the “**Grant Agreement**”) to which this Agreement is attached, and as a condition of Employee’s receipt of any benefit set forth in the Grant Agreement, Employee knowingly and voluntarily enters into this Agreement.

1. Protection of Confidential Information; Unauthorized Disclosure.

(a) For purposes of this Agreement, “**Confidential Information**” means any and all confidential or proprietary information and materials, as well as all trade secrets, belonging to the Company or any of its Affiliates. Confidential Information includes, regardless of whether such information or materials are expressly identified or marked as confidential or proprietary, and whether or not patentable: (i) technical information and materials of the Company or its Affiliates; (ii) non-public business information and materials of the Company or its Affiliates; (iii) any information or material that gives the Company or its Affiliates an advantage with respect to its competitors by virtue of not being known by those competitors; (iv) potential expansion and development plans; projections, forecasts and budgets; growth strategies; business plans; marketing plans and strategies; pricing information; customer and supplier information; and (v) other valuable, confidential information and materials or trade secrets of the Company or its Affiliates.

(b) Notwithstanding the foregoing, Confidential Information shall not include information that (i) is already properly in the public domain or enters the public domain with the express consent of the Company or its Affiliates, or (ii) is intentionally made available by the Company or its Affiliates to third parties without any expectation of confidentiality. Employee acknowledges and agrees that Confidential Information has been and will be developed or acquired by the Company or its Affiliates through the expenditure of substantial time, effort and money and provides the Company and its Affiliates with an advantage over competitors who do not know or use such Confidential Information. Employee further acknowledges and agrees that the nature of the Confidential Information which the Company has provided Employee and shall provide Employee during Employee’s continued employment would make it difficult, if not impossible, for Employee to perform in a similar capacity for a business competitive with the Company during the Restricted Period without disclosing or utilizing Confidential Information. During and following Employee’s employment by the Company, Employee shall hold in confidence and not directly or indirectly disclose or use or copy any Confidential Information except to the extent necessary to carry out Employee’s duties on behalf of the Company or any of its Affiliates.

(c) Notwithstanding the foregoing, nothing herein (or in any other agreement between Employee and the Company or any of its Affiliates) shall prevent Employee from lawfully, and without obtaining prior authorization from the Company or any of its Affiliates: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by the U.S. Securities and Exchange Commission (the “**SEC**”) or any other governmental or regulatory agency, entity, or official(s) (collectively, “**Governmental Authorities**”) regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to an employee individually from any Governmental Authority; (iii) testifying, participating or otherwise assisting in an action or proceeding by any Governmental Authorities relating to a possible violation of law, including providing documents or other confidential information to Governmental Authorities; or (iv) receiving an award for information provided to the SEC or any other Governmental Authority. This Agreement shall not be construed or applied to require Employee to obtain prior authorization from the Company or any of its Affiliates before engaging in any of the foregoing conduct referenced in this Section 1(c), or to notify the Company or any of its Affiliates of having engaged in any such conduct. Further, Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is: (A) made (x) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (y) solely for the purpose of reporting or investigating a suspected violation of law; (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (C) protected under the whistleblower provisions of applicable law. In the event Employee files a lawsuit for retaliation by the Company or any of its Affiliates for Employee’s reporting of a suspected violation of law, Employee may (1) disclose a trade secret to Employee’s attorney and (2) use the trade secret information in the court proceeding related to such lawsuit, in each case, if Employee (A) files any document containing such trade secret under seal; and (B) does not otherwise disclose such trade secret, except pursuant to court order.

(d) Upon the termination of Employee’s employment by the Company (and, as applicable, any of its Affiliates), Employee promises to promptly return to the Company all property belonging to the Company or any of its Affiliates and all documents and materials (including all electronically stored information) in Employee’s possession, custody or control that constitutes or reflects Confidential Information.

2. Non-Competition and Other Restrictive Covenants.

(a) During the remaining term that Employee is employed by the Company or any of its Affiliates, and continuing through the date that is one (1) year after the date that Employee is no longer employed by the Company or any of its Affiliates (the “**Restricted Period**”), Employee shall be prohibited from directly or indirectly: (i) acquiring or managing any business engaged in (or actively considering engagement in) the following businesses within the Restricted Area (defined below): (A) wholesale or retail marketing, sale, distribution and transportation of refined petroleum products, crude oil, renewable fuels (including ethanol and biofuels), and natural gas liquids (including ethane, butane, propane and condensates); (B) the storage of refined petroleum products and/or any of the other products identified in clause (A) of this paragraph in connection with any of the activities described in said clause (A); (C) the retail sale of convenience store items and sundries and related food service, whether or not related to the retail sale of refined petroleum products including, without limitation, gasoline; (D) bunkering; and (E) any other business in

which the Company or its Affiliates (x) becomes engaged during the period Employee is employed by the Company or any of its Affiliates, or (y) is preparing to become engaged as of the time that Employee's employment with the Company or any of its Affiliates ends and, with respect to parts (x) and (y) of this clause (E), Employee has participated in or obtained Confidential Information about such business or anticipated business (such business activities referenced in parts (A) through (E) are referred to as the "**Restricted Business**"); or (ii) within the Restricted Area, working (as an employee, consultant, advisor, director or otherwise) for or on behalf of a Restricted Business in any capacity, regardless of the nature of the commodities, in which Employee provides any of the types of services provided by Employee within the last two years of Employee's employment with the Company or any of its Affiliates.

(b) Notwithstanding the foregoing, the prohibitions set forth in this Section 2(a) shall not apply following the date that Employee is no longer employed by the Company or any of its Affiliates if Employee's termination of employment results from a termination by the Company (or its Affiliate, if applicable) without Cause or due to a Company layoff. As used herein, "**Cause**" has the meaning given to it in Employee's employment agreement with the Company or its Affiliate, or in the absence of such an agreement, Cause shall be defined to mean Employee's continual disregard of or failure to follow any written rules or policies of the Company or any of its Affiliates,

Employee's repeated failure or refusal to perform Employee's duties to, or on behalf of, the Company or any of its Affiliates, Employee's embezzlement, misappropriation of assets or property (tangible or intangible) of the Company or any of its Affiliates, Employee's gross negligence, misconduct, neglect of duties, theft, fraud, or breach of fiduciary duty to the Company or any of its Affiliates, Employee's unauthorized disclosure of any trade secret or confidential information of the Company or any of its Affiliates or any other act of disloyalty to the Company or any of its Affiliates, the commission of an act which causes economic harm to the Company or any of its Affiliates, an act by Employee which creates adverse publicity for the Company or any of its Affiliates, Employee's conviction of a felony, including a plea of guilty or no contest, or (ix) Employee's breach of this Agreement.

(c) During the Restricted Period, within the Restricted Area, Employee also shall not directly or indirectly solicit any employees, contractors, vendors, suppliers or customers of the Company or its Affiliates to cease to be employed by or otherwise do business with the Company or its Affiliates, or to reduce the same, or to be employed by or otherwise do business with any person or entity (other than the Company or its Affiliate) engaged in the Restricted Business.

(d) As used herein, the "**Restricted Area**" consists of any geographic area where the Company conducts business during the period of Employee's employment with the Company or its Affiliates and for which, during any time within the last two years of Employee's employment with the Company or its Affiliates, Employee provided material services or had a material presence or influence.

(e) If any court construes any of the provisions of this Section 2, or any part thereof, to be unreasonable because of the duration of such provision or the geographic scope thereof, such court shall have the power to reduce the duration or restrict the geographic scope of such provision and to enforce such provision as so reduced or restricted, and the parties hereby request such reformation.

(f) Employee expressly acknowledges and agrees that the restrictions set forth in this Agreement are consonant with public policy, reasonable in all respects and no greater than necessary to protect the Company's legitimate business interests, including the protection of its Confidential Information, trade secrets, and goodwill. Employee acknowledges and agrees that this Section 2 is reasonable in geographic reach and in the scope of proscribed activities in relation to the interests protected herein. Employee further represents that enforcement of this Agreement is in the public interest and that Employee would not suffer undue hardship as the result of such enforcement, and that the Company's need for the protections afforded by this Agreement is greater than any hardship Employee might experience by complying with its terms. Employee also agrees that the Company's legitimate business interests could not be adequately protected through an alternative restrictive covenant other than the non-competition restrictions set forth in this Section 2.

3. Payments During Post-Employment Restricted Period. As further consideration for the covenants made by Employee in Section 2(a) of this Agreement, the Company agrees that, during the portion of the Restricted Period that follows the date that Employee is no longer employed by the Company or any of its Affiliates (so long as Employee's employment does not terminate due to the Employee's death or a termination of Employee's employment by the Company or its Affiliate without Cause or due to a Company layoff), the Company will provide Employee with a total payment equal to fifty percent (50%) of Employee's highest annualized base salary paid by the Company within the two years preceding the date Employee's employment terminates (the "**Garden Leave Payment**"), which Garden Leave Payment will be divided into twelve (12) substantially equal installments, with the first installment being paid on the Company's first monthly pay date that follows the date Employee's employment terminates and the remaining eleven (11) installments being paid on the Company's monthly pay dates that follow thereafter; *provided, however*, the Company shall have no obligation to provide any installments of the Garden Leave Payment in the event that the Executive breaches any of the terms of Section 2(a) above. The Garden Leave Payment is intended to comply with Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. If Employee is deemed to be a "specified employee" within the meaning of Section 409A of the Code, as determined by the Compensation Committee, at a time when the first installment of the Garden Leave Payment is due to Employee, then to the extent necessary to prevent any accelerated or additional tax under Section 409A of the Code, the payment of all installments of the Garden Leave Payment shall be delayed until the earlier of: (a) the date that is six months following Employee's separation from service and (b) the Participant's death (as applicable, the "**Delayed Payment Date**"); *provided that*, any installments that would, but for this Section 3, have become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date and no interest shall be paid by the Company with respect to such delayed payments. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the Garden Leave Payment complies with Section 409A of the Code and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A of the Code.

4. Right to Injunction. Employee acknowledges that Employee's violation or threatened or attempted violation of the covenants contained in this Agreement will cause irreparable harm to the Company and that money damages would not be sufficient remedy for any

breach of these sections. Employee agrees that the Company shall be entitled as a matter of right to specific performance of the covenants in this Agreement, including entry of an *ex parte* temporary restraining order in state or federal court, preliminary and permanent injunctive relief against activities in violation of this Agreement, or both, or other appropriate judicial remedy, writ or order, in any court of competent jurisdiction, restraining any violation or further violation of such agreements by Employee or others acting on Employee's behalf, without any showing of irreparable harm and without any showing that the Company or its Affiliates do not have an adequate remedy at law. Such remedies shall be in addition to all other remedies available to the Company and its Affiliates, both at law and equity.

5. Long Term Cash Incentive Plan Award Agreement. Employee acknowledges that Employee's entry into, and compliance with the terms of, this Agreement is a condition of the Company's grant of the _____, 20__ cash incentive award under the 2018 Global Partners LP Long-Term Cash Incentive Plan to which this Agreement is attached. Employee acknowledges and agrees that, in entering into this Agreement, Employee is receiving new consideration to which Employee was not otherwise entitled but for Employee's entry into this Agreement.

6. Miscellaneous.

(a) **Modification**. Subject to the provisions of Section 2(d), both parties agree that neither has the authority to modify or amend this Agreement unless the modification or amendment is in writing and signed by both of them.

(b) **Right to Consult Counsel**. Employee has the right to consult with counsel prior to signing this Agreement and entering into the non-competition restrictions set forth herein, and Employee expressly acknowledges and agrees that Employee has had sufficient opportunity to do so prior to his entry into this Agreement.

(c) **Severability**. If any term, provision, covenant or condition of this Agreement (or part thereof) is held by a court of competent jurisdiction to be illegal, invalid, unenforceable or void, the validity and enforceability of the remainder of this Agreement shall not in any way be affected, impaired or invalidated.

(d) **Survival**. Employee's obligations under this Agreement shall survive the termination for whatever reason of Employee's employment.

(e) **Assignment**. Employee shall not assign, pledge or encumber any interest in this Agreement or any part thereof without the express written consent of the Company, this Agreement being personal to Employee. The Company may assign this Agreement to, and shall bind, a successor to its business without the requirement of a consent by Employee. If the Company shall merge or consolidate with or into, or transfer substantially all of its assets to, another corporation or other form of business organization, then this Agreement shall bind the successor of the Company resulting from such merger, consolidation or transfer.

(f) **Third Party Beneficiaries**. Each Affiliate of the Company shall be a third party beneficiary of Employee's obligations under the provisions of this Agreement and shall have the right to enforce this Agreement as if a party hereto. As used herein the term "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly through one or more

intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term “**control**” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. “**Person**” means any individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

7. Employee’s Representations.

(a) Employee represents and warrants to the Company that (i) Employee does not have any agreement with any prior employer or other third party that will prohibit Employee from working for the Company or fulfilling the Employee’s duties and obligations to the Company, and (ii) Employee has complied (and will in the future comply) with all non-competition, non-solicitation, confidentiality and other duties imposed on Employee with respect to Employee’s former employers and other third parties.

(b) Employee is a sophisticated individual, has had sufficient time (and at least 10 business days before this Agreement became effective) to carefully consider the terms of this Agreement including any future restraints that entering into this Agreement may cause, has had sufficient opportunity to consult an attorney, and enters into this Agreement knowingly and voluntarily with full understanding of this Agreement’s terms. Employee expressly acknowledges and agrees that the restrictions set forth herein are compliant in all respects with the Massachusetts Noncompetition Agreement Act, M.G.L. c. 149, §24L.

8. Choice of Law; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the substantive laws of the Commonwealth of Massachusetts. Any dispute arising out of, or relating to this Agreement shall be subject to the exclusive jurisdiction of the state or federal courts, as applicable, in Suffolk County, Massachusetts.

9. At-Will Employment. Nothing in this Agreement will alter the at-will nature of Employee’s employment, as either Employee or the Company may terminate Employee’s employment at any time.

10. Entire Agreement. This Agreement represents the entire agreement between the parties regarding the subject matter herein. Notwithstanding the foregoing, this Agreement is in addition to, and shall complement (and not supersede or replace) any other agreement between Employee and the Company that creates obligations for Employee with respect to confidentiality or non-disclosure.

[Signature page follows]

I HAVE READ THIS AGREEMENT CAREFULLY, AND I UNDERSTAND AND ACCEPT THE OBLIGATIONS THAT IT IMPOSES UPON ME WITHOUT RESERVATION. I SIGN THIS AGREEMENT VOLUNTARILY AND FREELY.

COMPANY:

EMPLOYEE:

By:

By:

Name:

Date:

Title:

Date:

[Signature Page to Confidentiality, Non-Solicitation and Non-Competition Agreement]

Exhibit 31.1

CERTIFICATION

I, Eric Slifka, President and Chief Executive Officer of Global GP LLC, the general partner of Global Partners LP, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of Global Partners LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2019

By: /s/ Eric Slifka

Eric Slifka
President and Chief Executive Officer
of Global GP LLC, general partner
of Global Partners LP

Exhibit 31.2

CERTIFICATION

I, Daphne H. Foster, Chief Financial Officer of Global GP LLC, the general partner of Global Partners LP, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2019 of Global Partners LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 7, 2019

By: /s/ Daphne H. Foster
Daphne H. Foster
Chief Financial Officer
of Global GP LLC, general partner
of Global Partners LP

Exhibit 32.1

**CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER OF
GLOBAL PARTNERS LP
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying report on Form 10-Q for the period ended September 30, 2019 of Global Partners LP (the "Partnership") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Slifka, President and Chief Executive Officer of Global GP LLC, the general partner of the Partnership, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: November 7, 2019

By: /s/ Eric Slifka
Eric Slifka
President and Chief Executive Officer
of Global GP LLC, general partner
of Global Partners LP

Exhibit 32.2

**CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER OF
GLOBAL PARTNERS LP
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying report on Form 10-Q for the period ended September 30, 2019 of Global Partners LP (the "Partnership") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daphne H. Foster, Chief Financial Officer of Global GP LLC, the general partner of the Partnership, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: November 7, 2019

By: /s/ Daphne H. Foster
Daphne H. Foster
Chief Financial Officer
of Global GP LLC, general partner
of Global Partners LP
