GLOBAL PARTNERS LP
Form 10-Q
August 09, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

Delaware	74-3140887
(State or other jurisdiction of incorporation or organization)	(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

The issuer had 33,995,563 common units outstanding as of August 7, 2018.

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Item 1.Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 7,482	$ 14,858
Accounts receivable, net	423,225	417,263
Accounts receivable—affiliates	4,057	3,773
Inventories	338,320	350,743
Brokerage margin deposits	6,871	9,681
Derivative assets	12,805	3,840
Prepaid expenses and other current assets	85,117	77,977
Total current assets	877,877	878,135
Property and equipment, net	1,005,929	1,036,667
Intangible assets, net	51,459	56,545
Goodwill	310,855	312,401
Other assets	32,837	36,421
Total assets	$ 2,278,957	$ 2,320,169
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	$ 256,768	$ 313,412
Working capital revolving credit facility—current portion	198,000	126,700
Environmental liabilities—current portion	5,004	5,009
Trustee taxes payable	43,699	110,321
Accrued expenses and other current liabilities	89,789	99,507
Derivative liabilities	14,764	13,708
Total current liabilities	608,024	668,657
Working capital revolving credit facility—less current portion	100,000	100,000
Revolving credit facility	185,000	196,000
Senior notes	663,116	661,774
Environmental liabilities—less current portion	50,333	52,968
Financing obligations	150,223	150,334

Deferred tax liabilities	38,607	40,105
Other long-term liabilities	53,672	56,013
Total liabilities	1,848,975	1,925,851
Partners' equity		
Global Partners LP equity:		
Common unitholders 33,995,563 units issued and 33,652,198 outstanding at June 30, 2018 and 33,995,563 units issued and 33,645,092 outstanding at December 31, 2017)	435,322	399,399
General partner interest (0.67% interest with 230,303 equivalent units outstanding at June 30, 2018 and December 31, 2017)	(2,684)	(2,978)
Accumulated other comprehensive loss	(5,263)	(5,468)
Total Global Partners LP equity	427,375	390,953
Noncontrolling interest	2,607	3,365
Total partners' equity	429,982	394,318
Total liabilities and partners' equity	$ 2,278,957	$ 2,320,169

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sales	$ 3,126,575	$ 2,089,530	$ 5,929,466	$ 4,360,314
Cost of sales	2,977,314	1,954,168	5,635,875	4,084,925
Gross profit	149,261	135,362	293,591	275,389
Costs and operating expenses:				
Selling, general and administrative expenses	39,954	34,679	79,320	71,466
Operating expenses	76,218	71,169	150,267	138,382
Gain on trustee taxes	—	—	(52,627)	—
Amortization expense	2,437	2,260	4,905	4,521
Net loss (gain) on sale and disposition of assets	3,033	2,381	4,900	(9,481)
Total costs and operating expenses	121,642	110,489	186,765	204,888
Operating income	27,619	24,873	106,826	70,501
Interest expense	(21,613)	(21,923)	(43,058)	(45,210)
Income before income tax benefit (expense)	6,006	2,950	63,768	25,291
Income tax benefit (expense)	16	(959)	929	(795)
Net income	6,022	1,991	64,697	24,496
Net loss attributable to noncontrolling interest	391	383	758	824
Net income attributable to Global Partners LP	6,413	2,374	65,455	25,320
Less: General partner’s interest in net income, including incentive distribution rights	110	16	506	170
Limited partners’ interest in net income	$ 6,303	$ 2,358	$ 64,949	$ 25,150
Basic net income per limited partner unit	$ 0.19	$ 0.07	$ 1.93	$ 0.75
Diluted net income per limited partner unit	$ 0.19	$ 0.07	$ 1.92	$ 0.75
Basic weighted average limited partner units outstanding	33,652	33,554	33,652	33,554
Diluted weighted average limited partner units outstanding	33,863	33,652	33,831	33,619

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$ 6,022	$ 1,991	$ 64,697	$ 24,496
Other comprehensive income:				
Change in fair value of cash flow hedges	14	199	223	597
Change in pension liability	333	250	(18)	569
Total other comprehensive income	347	449	205	1,166
Comprehensive income	6,369	2,440	64,902	25,662
Comprehensive loss attributable to noncontrolling interest	391	383	758	824
Comprehensive income attributable to Global Partners LP	$ 6,760	$ 2,823	$ 65,660	$ 26,486

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net income	$ 64,697	$ 24,496
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	51,824	52,913
Amortization of deferred financing fees	2,686	2,955
Amortization of leasehold interests	181	528
Amortization of senior notes discount	744	716
Bad debt expense	450	855
Unit-based compensation expense	2,285	625
Write-off of financing fees	—	573
Gain on trustee taxes	(52,627)	—
Net loss (gain) on sale and disposition of assets	4,900	(9,481)
Changes in operating assets and liabilities, excluding net assets acquired:		
Accounts receivable	(6,412)	159,599
Accounts receivable-affiliate	(284)	(703)
Inventories	12,007	150,762
Broker margin deposits	2,810	18,240
Prepaid expenses, all other current assets and other assets	(5,610)	(37,861)
Accounts payable	(56,644)	(124,527)
Trustee taxes payable	(13,995)	1,164
Change in derivatives	(7,909)	(9,540)
Accrued expenses, all other current liabilities and other long-term liabilities	(15,329)	(21,387)
Net cash (used in) provided by operating activities	(16,226)	209,927
Cash flows from investing activities		
Capital expenditures	(27,168)	(19,308)
Proceeds from sale of property and equipment	7,241	28,238
Net cash (used in) provided by investing activities	(19,927)	8,930
Cash flows from financing activities		
Net borrowings from (payments on) working capital revolving credit facility	71,300	(175,500)
Net payments on revolving credit facility	(11,000)	(16,000)

Noncontrolling interest capital contribution	—	279
Distribution to noncontrolling interest	—	(465)
Distributions to partners	(31,523)	(31,277)
Net cash provided by (used in) financing activities	28,777	(222,963)
Cash and cash equivalents		
Decrease in cash and cash equivalents	(7,376)	(4,106)
Cash and cash equivalents at beginning of period	14,858	10,028
Cash and cash equivalents at end of period	$ 7,482	$ 5,922
Supplemental information		
Cash paid during the period for interest	$ 31,837	$ 22,612

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

(In thousands)

(Unaudited)

	Common Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners' Equity
Balance at December 31, 2017	$ 399,399	$ (2,978)	$ (5,468)	$ 3,365	$ 394,318
Net income (loss)	64,949	506	—	(758)	64,697
Distributions to partners	(31,446)	(212)	—	—	(31,658)
Unit-based compensation	2,285	—	—	—	2,285
Other comprehensive income	—	—	205	—	205
Dividends on repurchased units	135	—	—	—	135
Balance at June 30, 2018	$ 435,322	$ (2,684)	$ (5,263)	$ 2,607	$ 429,982

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

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the "Partnership") is a midstream logistics and marketing master limited partnership formed in March 2005 engaged in the purchasing, selling, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane. The Partnership owns, controls or has access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the "Northeast"). The Partnership is one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. The Partnership is also one of the largest independent owners, suppliers and operators of gasoline stations and convenience stores with locations throughout the New England states and New York. As of June 30, 2018, the Partnership had a portfolio of 1,445 owned, leased and/or supplied gasoline stations, including 256 directly operated convenience stores, in the Northeast, Maryland and Virginia. The Partnership also receives revenue from convenience store sales, rental income and sundries. In addition, the Partnership owns transload and storage terminals in North Dakota and Oregon that extend its origin-to-destination capabilities from the mid-continent region of the United States and Canada.

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

The General Partner, which holds a 0.67% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of June 30, 2018, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,377,738 common units, representing a 21.7% limited partner interest.

Basis of Presentation

The accompanying consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017 reflect the accounts of the Partnership. Upon consolidation, all intercompany balances and transactions have been eliminated.

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

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(Unaudited)

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

Trustee Taxes

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

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

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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 June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	78	%	67	%	71	%	62	%
Crude oil sales and crude oil logistics revenue	1	%	7	%	1	%	6	%
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	18	%	22	%	25	%	28	%
Convenience store sales, rental income and sundries	3	%	4	%	3	%	4	%
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 June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Wholesale segment	23	%	20	%	26	%	26	%
Gasoline Distribution and Station Operations segment	74	%	77	%	71	%	71	%
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 six months ended June 30, 2018 and 2017.

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

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

Update to Revenue Recognition Policy

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

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

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

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

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

Product revenue is not recognized on exchange agreements, which are entered into primarily to acquire various refined petroleum products, renewable fuels and crude oil of a desired quality or to reduce transportation costs by taking delivery of products closer to the Partnership's end markets. The Partnership recognizes net exchange differentials due from exchange partners in sales upon delivery of product to an exchange partner. The Partnership recognizes net exchange differentials due to exchange partners in cost of sales upon receipt of product from an exchange partner.

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

Required Disclosures Under ASC 606

Disaggregation of Revenue

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

	Three Months Ended June 30, 2018			
Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total
Refined petroleum products, renewable fuels, crude oil and propane	$ 293,100	$ 1,086,078	$ 192,046	$ 1,571,224
Station operations	—	82,802	—	82,802
Total revenue from contracts with customers	293,100	1,168,880	192,046	1,654,026
Other sales:				
Revenue originating as physical forward contracts and exchanges	1,324,362	—	129,616	1,453,978
Revenue from leases	1,004	17,567	—	18,571
Total other sales	1,325,366	17,567	129,616	1,472,549
Total sales	$ 1,618,466	$ 1,186,447	$ 321,662	$ 3,126,575

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Six Months Ended June 30, 2018			
Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total
Refined petroleum products, renewable fuels, crude oil and propane	$ 760,110	$ 1,978,377	$ 362,220	$ 3,100,707
Station operations	—	153,007	—	153,007
Total revenue from contracts with customers	760,110	2,131,384	362,220	3,253,714
Other sales:				
Revenue originating as physical forward contracts and exchanges	2,410,679	—	228,597	2,639,276
Revenue from leases	1,509	34,967	—	36,476
Total other sales	2,412,188	34,967	228,597	2,675,752
Total sales	$ 3,172,298	$ 2,166,351	$ 590,817	$ 5,929,466

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 control that 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, lottery and ATM commissions) is recognized at the time of the sale to the customer.

Other Revenue:

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

and sale exemption available under ASC 815, “Derivatives and Hedging,” for its physical forward contracts. This income is recognized under ASC 815 and ASC 845, “Nonmonetary Transactions.”

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

Transaction Price Allocated to Remaining Performance Obligations

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

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GLOBAL PARTNERS LP

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(Unaudited)

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

Contract Balances

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

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

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

Note 3. Net Income Per 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, or limited partners' interest, and to the General Partner's general partner interest.

Common units outstanding as reported in the accompanying consolidated financial statements at June 30, 2018 and December 31, 2017 excludes 343,365 and 350,471 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program (see Note 13). These units are not deemed outstanding for purposes of calculating net income per limited partner unit (basic and diluted).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table provides a reconciliation of net income and the assumed allocation of net income to the limited partners' interest for purposes of computing net income per limited partner unit for the periods presented (in thousands, except per unit data):

	Three Months Ended June 30, 2018				Three Months Ended June 30, 2017			
Numerator:	Total	Limited Partner Interest	General Partner Interest	IDRs	Total	Limited Partner Interest	General Partner Interest	IDRs
Net income attributable to Global Partners LP	$ 6,413	$ 6,303	$ 110	$ —	$ 2,374	$ 2,358	$ 16	$ —
Declared distribution	$ 16,325	$ 16,149	$ 109	$ 67	$ 15,829	$ 15,723	$ 106	$ —
Assumed allocation of undistributed net loss	(9,912)	(9,846)	(66)	—	(13,455)	(13,365)	(90)	—
Assumed allocation of net income	$ 6,413	$ 6,303	$ 43	$ 67	$ 2,374	$ 2,358	$ 16	$ —
Denominator:								
Basic weighted average limited partner units outstanding		33,652				33,554		
Dilutive effect of phantom units		211				98		
Diluted weighted average limited partner units outstanding		33,863				33,652		
Basic net income per limited partner unit		$ 0.19				$ 0.07		
Diluted net income per limited partner unit		$ 0.19				$ 0.07		

	Six Months Ended June 30, 2018				Six Months Ended June 30, 2017			
Numerator:	Total	Limited Partner Interest	General Partner Interest	IDRs	Total	Limited Partner Interest	General Partner Interest	IDRs
Net income attributable to Global Partners LP	$ 65,455	$ 64,949	$ 506	$ —	$ 25,320	$ 25,150	$ 170	$ —

Declared distribution	$ 32,154	$ 31,872	$ 215	$ 67	$ 31,658	$ 31,446	$ 212	$ —
Assumed allocation of undistributed net income (loss)	33,301	33,077	224	—	(6,338)	(6,296)	(42)	—
Assumed allocation of net income	$ 65,455	$ 64,949	$ 439	$ 67	$ 25,320	$ 25,150	$ 170	$ —
Denominator:								
Basic weighted average limited partner units outstanding		33,652				33,554		
Dilutive effect of phantom units		179				65		
Diluted weighted average limited partner units outstanding		33,831				33,619		
Basic net income per limited partner unit		$ 1.93				$ 0.75		
Diluted net income per limited partner unit		$ 1.92				$ 0.75		

The board of directors of the General Partner declared the following quarterly cash distributions:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Ended
April 27, 2018	$ 0.4625	March 31, 2018
July 27, 2018	$ 0.4750	June 30, 2018

See Note 14, “Partners’ Equity and Cash Distributions” for further information.

Note 4. Inventories

The Partnership hedges substantially all of its petroleum and ethanol inventory using a variety of instruments, primarily exchange-traded futures contracts. These futures contracts are entered into when inventory is purchased and are either designated as fair value hedges against the inventory on a specific barrel basis for inventories qualifying for fair value hedge accounting or not designated and maintained as economic hedges against certain inventory of the

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Partnership on a specific barrel basis. Changes in fair value of these futures contracts, as well as the offsetting change in fair value on the hedged inventory, are recognized in earnings as an increase or decrease in cost of sales. All hedged inventory designated in a fair value hedge relationship is valued using the lower of cost, as determined by specific identification, or net realizable value, as determined at the product level. All petroleum and ethanol inventory not designated in a fair value hedging relationship is carried at the lower of historical cost, on a first-in, first-out basis, or net realizable value.

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

Inventories consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Distillates: home heating oil, diesel and kerosene	$ 126,860	$ 183,059
Gasoline	126,220	81,504
Gasoline blendstocks	37,257	26,789
Crude oil	11,984	10,809
Residual oil	16,338	28,442
Propane and other	418	1,659
Renewable identification numbers (RINs)	545	380
Convenience store inventory	18,698	18,101
Total	$ 338,320	$ 350,743

In addition to its own inventory, the Partnership has exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to $7.0 million and $9.5 million at June 30, 2018 and December 31, 2017, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $25.6 million and $8.4 million at June 30, 2018 and December 31, 2017, respectively. Exchange transactions are valued using current carrying costs.

Note 5. Goodwill

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

	Goodwill Allocated to Wholesale Reporting Unit	GDSO Reporting Unit	Total
Balance at December 31, 2017	—	312,401	$ 312,401
Change in goodwill from Honey Farms acquisition (Note 17)	—	(139)	(139)
Dispositions (1)	—	(1,407)	(1,407)
Balance at June 30, 2018	$ —	$ 310,855	$ 310,855

(1) Dispositions represent derecognition of goodwill associated with the sale and disposition of certain assets. See Note 7.

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Note 6. Property and Equipment

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

	June 30, 2018	December 31, 2017
Buildings and improvements	$ 1,020,335	$ 1,015,386
Land	404,415	409,146
Fixtures and equipment	43,175	42,959
Idle plant assets	30,500	30,500
Construction in process	28,563	22,403
Capitalized internal use software	30,626	30,626
Total property and equipment	1,557,614	1,551,020
Less accumulated depreciation	551,685	514,353
Total	$ 1,005,929	$ 1,036,667

Property and equipment includes assets held for sale of $9.8 million and $12.4 million at June 30, 2018 and December 31, 2017, respectively.

At June 30, 2018, the Partnership had a $54.1 million remaining net book value of long-lived assets at its West Coast facility, including $30.5 million related to the Partnership's ethanol plant acquired in 2013. In 2016, the Partnership shifted the facility from crude oil to ethanol transloading and began transloading ethanol. The Partnership would need to take certain measures to prepare the facility for ethanol production in order to place the plant into service. Therefore, the $30.5 million related to the ethanol plant was included in property and equipment and classified as idle plant assets at June 30, 2018 and December 31, 2017.

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

Note 7. Sales and Disposition of Assets

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Sale of natural gas brokerage and electricity businesses	$ —	$ —	$ —	$ (14,172)
Periodic divestiture of gasoline stations	(223)	357	(223)	176
Strategic asset divestiture program	1,216	27	1,192	450
Loss on assets held for sale	2,008	1,388	3,534	3,439
Other	32	609	397	626
Total	$ 3,033	$ 2,381	$ 4,900	$ (9,481)

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Sale of Natural Gas and Electricity Brokerage Businesses

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

Periodic Divestiture of Gasoline Stations

As part of the routine course of operations in the GDSO segment, the Partnership may periodically divest certain gasoline stations. The gain or loss on the sale, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations and amounted to a gain of $0.2 million and a loss of $0.4 million for the three months ended June 30, 2018 and 2017, respectively, and a gain of $0.2 million and a loss of $0.2 million for the six months ended June 30, 2018 and 2017, respectively.

Strategic Asset Divestiture Program

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

The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. Six sites and eight sites were sold during the three and six months ended June 30, 2018, respectively. The gain or loss on the sales of these sites, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recognized a loss of $1.2 million on the sales of these sites for each of the three and six months ended June 30, 2018, including the derecognition of GDSO goodwill in the amount of $1.3 million and $1.4 million for the three and six months ended June 30, 2018, respectively.

The Partnership recognized an immaterial loss on the sales of sites for the three months ended June 30, 2017, including the derecognition of GDSO goodwill in the amount of $0.9 million, and a loss of $0.5 million for the six months ended June 30, 2017, including the derecognition of GDSO goodwill in the amount of $2.9 million.

Loss on Assets Held for Sale

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

The Partnership classified 6 sites and 8 sites as held for sale at June 30, 2018 and December 31, 2017, respectively, which are periodic divestiture gasoline station sites. The Partnership recorded impairment charges related to these assets held for sale in the amount of $1.2 million and $2.0 million for the three and six months ended June 30, 2018, which are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at June 30, 2017 of $0.2 million and $0.4 million for the three and six months ended June 30, 2017, respectively.

Additionally, the Partnership classified 14 sites and 18 sites as held for sale at June 30, 2018 and December 31, 2017, respectively, associated with the real estate firm coordinated sales discussed above. The Partnership recorded impairment charges related to these assets held for sale in the amount of $0.8 million and $1.5 million for the three and six months ended June 30, 2018, respectively, which are included in net loss (gain) on sale and disposition of assets in

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the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at June 30, 2017 of $1.2 million and $3.1 million for the three and six months ended June 30, 2017.

Assets held for sale of $9.8 million and $12.4 million at June 30, 2018 and December 31, 2017, respectively, are included in property and equipment in the accompanying consolidated balance sheets. Assets held for sale are expected to be sold within the next 12 months.

Other

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

Note 8. Debt and Financing Obligations

Credit Agreement

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

There are two facilities under the Credit Agreement:

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

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

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

The average interest rates for the Credit Agreement were 4.1% and 3.6% for the three months ended June 30, 2018 and 2017, respectively and 4.0% and 3.5% for the six months ended June 30, 2018 and 2017, respectively. The increase for the three and six months ended June 30, 2018 compared to the three and six months ended June 30, 2017 was due to increases in market interest rates.

The Partnership classifies a portion of its working capital revolving credit facility as a current liability and a portion as a long-term liability. The portion classified as a long-term liability represents the amounts expected to be outstanding during the entire year based on an analysis of historical daily borrowings under the working capital revolving credit facility, the seasonality of borrowings, forecasted future working capital requirements and forward product curves, and because the Partnership has a multi-year, long-term commitment from its bank group. Accordingly, at June 30, 2018, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed $100.0 million over the next twelve months and, therefore, classified $198.0 million as the current portion at June 30, 2018, representing the amount the Partnership expects to pay down over the next twelve months. The long-term portion of the working capital revolving credit facility was $100 million at both June 30, 2018 and December 31, 2017, and the current portion was $198.0 million and $126.7 million at June 30, 2018 and December 31, 2017, respectively. The increase in total borrowings under the working capital revolving credit facility of $71.3 million from December 31, 2017 was in part due to an increase in prices.

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As of June 30, 2018, the Partnership had total borrowings outstanding under the Credit Agreement of $483.0 million, including $185.0 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of $65.7 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $751.3 million and $810.3 million at June 30, 2018 and December 31, 2017, respectively.

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

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

Senior Notes

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

Financing Obligations

Capitol Acquisition

On June 1, 2015, the Partnership acquired retail gasoline stations and dealer supply contracts from Capitol Petroleum Group ("Capitol"). In connection with the acquisition, the Partnership assumed a financing obligation of $89.6 million associated with two sale-leaseback transactions by Capitol for 53 leased sites that did not meet the criteria for sale accounting. During the terms of these leases, which expire in May 2028 and September 2029, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Interest expense of approximately $2.3 million and $2.4 million was recorded for the three months ended June 30, 2018 and 2017, respectively, and $4.7 million and $4.8 million was recorded for the six months ended June 30, 2018 and 2017, respectively, which is included in interest expense in the accompanying consolidated statements of operations. The financing obligation will amortize through expiration of the leases based upon the lease rental payments which were $2.4 million for each of the three months ended June 30, 2018 and 2017 and $4.8 million for each of the six months ended June 30, 2018 and 2017. The financing obligation balance outstanding at June 30, 2018 was $87.7 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").

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As a result of not meeting the criteria for sale accounting for these sites, the Sale-Leaseback Transaction is accounted for as a financing arrangement. As such, the property and equipment sold and leased back by the Partnership has not been derecognized and continues to be depreciated. The Partnership recognized a corresponding financing obligation of $62.5 million equal to the $63.5 million cash proceeds received for the sale of these sites, net of $1.0 million financing fees. During the term of the lease, which expires in June 2031, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Lease rental payments are recognized as both interest expense and a reduction of the principal balance associated with the financing obligation. Interest expense and lease rental payments were $1.1 million for each of the three months ended June 30, 2018 and 2017 and $2.2 million for each of the six months ended June 30, 2018 and 2017. The financing obligation balance outstanding at June 30, 2018 was $62.5 million associated with the Sale-Leaseback Transaction.

Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are capitalized and amortized over the life of the Credit Agreement or other financing arrangements. The Partnership had unamortized deferred financing fees of $13.2 million and $15.9 million at June 30, 2018 and December 31, 2017, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to $7.5 million and $9.6 million at June 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and amounted to $4.8 million and $5.4 million at June 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the Sale-Leaseback Transaction are presented as a direct deduction from the carrying amount of the financing obligation and amounted to $0.9 million at both June 30, 2018 and December 31, 2017.

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

Amortization expense of approximately $1.4 million for each of the three months ended June 30, 2018 and 2017 and $2.7 million and $2.9 million for the six months ended June 30, 2018 and 2017, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Note 9. Derivative Financial Instruments

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

The fair value of exchange-traded derivative transactions reflects amounts that would be received from or paid to the Partnership’s brokers upon liquidation of these contracts. The fair value of these exchange-traded derivative

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

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

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	42,856	Thousands of barrels
Short	(44,344)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	15,046	Thousands of barrels
Short	(9,650)	Thousands of barrels
Interest Rate Swap	$ 100.0	Millions of U.S. dollars

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

Derivatives Accounted for as Hedges

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

Fair Value Hedges

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

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

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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 June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Derivatives in fair value hedging relationship					
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	$ (12,460)	$ 20,224	$ (9,731)	$ 40,920
Hedged items in fair value hedge relationship					
Physical inventory	Cost of sales	$ 12,570	$ (20,937)	$ 11,374	$ (41,782)

Cash Flow Hedges

At June 30, 2018, the Partnership had in place one interest rate swap agreement which is hedging $100.0 million of variable rate debt and continues to be accounted for as a cash flow hedge. This interest rate swap expires on October 2, 2018.

The amount of gain (loss) recognized in other comprehensive income as effective for derivatives designated in cash flow hedging relationships was immaterial and $0.2 million for the three months ended June 30, 2018 and 2017, respectively, and $0.2 million and $0.6 million for the six months ended June 30, 2018 and 2017, respectively. The amount of gain (loss) recognized in income as ineffectiveness for derivatives designated in cash flow hedging relationships was $0 for each of the three and six months ended June 30, 2018 and 2017.

Derivatives Not Accounted for as Hedges

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

Petroleum and Ethanol Commodity Contracts

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

While the Partnership seeks to maintain a position that is substantially balanced within its commodity product purchase and sale activities, it may experience net unbalanced positions for short periods of time as a result of variances in daily purchases and sales and transportation and delivery schedules as well as other logistical issues inherent in the business, such as weather conditions. In connection with managing these positions, the Partnership is aided by maintaining a constant presence in the marketplace. The Partnership also engages in a controlled trading program for up

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to an aggregate of 250,000 barrels of commodity products at any one point in time. Changes in fair value of these derivative instruments are recognized in the consolidated statement of operations through cost of sales.

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

Derivatives not designated as hedging instruments	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Commodity contracts	Cost of sales	$ 1,741	$ 1,188	$ 3,573	$ 2,742

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.

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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 June 30, 2018 and December 31, 2017 (in thousands):

		June 30, 2018		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ —	$ 18,359	$ 18,359
Interest rate swaps	Prepaid expenses and other current assets	—	90	90
Forward derivative contracts (1)	Derivative assets	—	12,805	12,805
Total asset derivatives		$ —	$ 31,254	$ 31,254
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ (7,162)	$ (42,360)	$ (49,522)
Forward derivative contracts (1)	Derivative liabilities	—	(14,764)	(14,764)
Forward foreign currency contracts	Accrued expenses and other current liabilities	—	—	—
Interest rate swap contracts	Other long-term liabilities	—	—	—
Total liability derivatives		$ (7,162)	$ (57,124)	$ (64,286)

		December 31, 2017		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
	Broker margin deposits	$ —	$ 32,483	$ 32,483

Exchange-traded derivative contracts				
Forward derivative contracts (1)	Derivative assets	—	3,840	3,840
Total asset derivatives		$ —	$ 36,323	$ 36,323
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ (7,214)	$ (63,869)	$ (71,083)
Forward derivative contracts (1)	Derivative liabilities	—	(13,708)	(13,708)
Interest rate swap contracts	Other long-term liabilities	—	(134)	(134)
Total liability derivatives		$ (7,214)	$ (77,711)	$ (84,925)

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

Credit Risk

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

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

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Note 10. Fair Value Measurements

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

	Fair Value at June 30, 2018				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	$ —	$ 11,854	$ 951	$ —	$ 12,805
Interest rate swaps	—	90	—	—	90
Exchange-traded/cleared derivative instruments (2)	(31,163)	—	—	38,034	6,871
Pension plans	17,589	—	—	—	17,589
Total assets	$ (13,574)	$ 11,944	$ 951	$ 38,034	$ 37,355
Liabilities:					
Forward derivative contracts (1)	$ —	$ (14,132)	$ (632)	$ —	$ (14,764)

	Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	$ —	$ 3,207	$ 633	$ —	$ 3,840
Exchange-traded/cleared derivative instruments (2)	(38,600)	—	—	48,281	9,681
Pension plans	17,580	—	—	—	17,580
Total assets	$ (21,020)	$ 3,207	$ 633	$ 48,281	$ 31,101

Liabilities:

Forward derivative contracts (1)	$ —	$ (12,671)	$ (1,037)	$ —	$ (13,708)
Interest rate swaps	—	(134)	—	—	(134)
Total liabilities	$ —	$ (12,805)	$ (1,037)	$ —	$ (13,842)

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

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

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

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

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

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

	June 30, 2018		December 31, 2017	
	Face Value	Fair Value	Face Value	Fair Value
6.25% senior notes	$ 375,000	$ 361,875	$ 375,000	$ 383,906
7.00% senior notes	$ 300,000	$ 297,750	$ 300,000	$ 308,250

Level 3 Information

The values of the Level 3 derivative contracts were calculated using market approaches based on a combination of observable and unobservable market inputs, including published and quoted NYMEX, CME, ICE, New York Harbor and third-party pricing information for a component of the underlying instruments as well as internally developed assumptions where there is little, if any, published or quoted prices or market activity. The unobservable inputs used in the measurement of the Level 3 derivative contracts include estimates for location basis, transportation and throughput costs net of an estimated margin for current market participants. The estimates for these inputs for crude oil were ($3.75) to $1.12 per barrel and ($8.50) to ($1.00) per barrel as of June 30, 2018 and December 31, 2017, respectively. The estimates for these inputs for propane were ($7.56) to $6.72 per barrel and ($3.36) to $8.40 per barrel as of June 30, 2018 and December 31, 2017, respectively. Gains and losses recognized in earnings (or changes in net assets) are disclosed in Note 9.

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

Significant	Impact on Fair Value

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

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

Fair value at December 31, 2017	$ (404)
Derivatives entered into during the period	(66)
Derivatives sold during the period	374
Realized gains (losses) recorded in cost of sales	388
Unrealized gains (losses) recorded in cost of sales	27
Fair value at June 30, 2018	$ 319

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.

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Non-Recurring Fair Value Measures

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

Note 11. Environmental Liabilities and Renewable Identification Numbers

Environmental Liabilities

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

Environmental Liability Related to:	Balance at December 31, 2017	Payments 2018	Dispositions 2018	Other Adjustments 2018	Balance at June 30, 2018
Retail gasoline stations	$ 53,569	$ (1,305)	$ (450)	$ (800)	$ 51,014
Terminals	4,408	(85)	—	—	4,323
Total environmental liabilities	$ 57,977	$ (1,390)	$ (450)	$ (800)	$ 55,337
Current portion	$ 5,009				$ 5,004
Long-term portion	52,968				50,333
Total environmental liabilities	$ 57,977				$ 55,337

The Partnership's estimates used in these environmental liabilities are based on all known facts at the time and its assessment of the ultimate remedial action outcomes. Among the many uncertainties that impact the Partnership's

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

Renewable Identification Numbers (RINs)

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

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March 31 of the following year, the settlement of the RVO can occur, under certain EPA deferral actions, more than one year after the close of the compliance period.

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

The Partnership may enter into RIN forward purchase and sales commitments. Total losses from firm non-cancellable commitments were $0.5 million at June 30, 2018. Total losses from firm non-cancellable commitments were immaterial at December 31, 2017.

Note 12. Related Party Transactions

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

The General Partner employs substantially all of the Partnership's employees, except for most of its gasoline station and convenience store employees, who are employed by GMG. The Partnership reimburses the General Partner for expenses incurred in connection with these employees. These expenses, including bonus, payroll and payroll taxes, were $27.3 million and $24.7 million for the three months ended June 30, 2018 and 2017, respectively, and $53.9 million and $49.3 million for the six months ended June 30, 2018 and 2017, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner's 401(k) Savings and Profit Sharing Plans and the General Partner's qualified and non-qualified pension plans.

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

	June 30, 2018	December 31, 2017
Receivables from GPC	$ 266	$ 7
Receivables from the General Partner (1)	3,791	3,766
Total	$ 4,057	$ 3,773

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

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

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Note 13. Long-Term Incentive Plan

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

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

	Number of Non-vested Units	Weighted Average Grant Date Fair Value ($)
Outstanding non—vested phantom units at December 31, 2017	949,217	25.48
Vested	(7,106)	37.53
Forfeited	(25,769)	22.32
Outstanding non—vested phantom units at June 30, 2018	916,342	25.48

The Partnership recorded total compensation expense related to the outstanding LTIP awards of $1.0 million and $0.9 million for the three months ended June 30, 2018 and 2017, respectively, and $2.3 million and $2.0 million for the six months ended June 30, 2018 and 2017, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. For the six months ended June 30, 2017, the Partnership reversed compensation expenses related to forfeitures in the amount of $1.4 million.

The total compensation cost related to the non-vested awards not yet recognized at June 30, 2018 was approximately $11.1 million and is expected to be recognized ratably over the remaining requisite service periods.

Repurchase Program

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

In June 2009, the Partnership and the General Partner entered into the Global GP LLC Compensation Funding Agreement (the "Agreement") whereby the Partnership and the General Partner established obligations and protocol for (i) the funding, management and administration of a compensation funding account and underlying General Partner's Obligations, and (ii) the holding and disposition by the General Partner of common units acquired in accordance with the Agreement for such purposes as otherwise set forth in the Agreement. The Agreement requires the Partnership to fund costs that the General Partner incurs in connection with performance of the Agreement. In accordance with the

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Agreement, the Partnership paid approximately $0.4 million in the aggregate for certain costs in connection with the Agreement for each of the three and six months ended June 30, 2018. For each of the three and six months ended June 30, 2017, the Partnership paid members of the General Partner approximately $0.8 million of these costs.

Note 14. Partners' Equity and Cash Distributions

Partners' Equity

Partners' equity at June 30, 2018 consisted of 33,995,563 common units issued, including 7,377,738 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 partners' equity during the six months ended June 30, 2018.

Cash Distributions

The Partnership intends to make cash distributions to 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 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 unitholders of record on the applicable record date. The amount of Available Cash is all cash on hand on the date of determination of Available Cash for the quarter; less the amount of cash reserves established by the General Partner to provide for the proper conduct of the Partnership's business, to comply with applicable law, any of the Partnership's debt instruments or other agreements or to provide funds for distributions to unitholders and the General Partner for any one or more of the next four quarters.

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

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

Cash Distribution Payment Date	Earned for the Quarter Ended	Per Unit Cash Distribution	Common Units	General Partner	Incentive Distribution	Total Cash Distribution
2/14/2018	12/31/17	$ 0.4625	$ 15,723	$ 106	$ —	$ 15,829
5/15/2018	03/31/18	0.4625	15,723	106	—	15,829

In addition, on July 27, 2018, the board of directors of the General Partner declared a quarterly cash distribution of $0.4750 per unit ($1.90 per unit on an annualized basis) on all of its outstanding common units for the period from April 1, 2018 through June 30, 2018. On August 14, 2018, the Partnership will pay this cash distribution to its unitholders of record as of the close of business on August 9, 2018. This distribution will result in the Partnership reaching its second target level distribution for the quarter ended June 30, 2018.

Note 15. Unitholders' Equity

At-the-Market Offering Program

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

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

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

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

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

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Note 16. Segment Reporting

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Wholesale Segment:				
Sales				
Gasoline and gasoline blendstocks	$ 1,247,949	$ 461,063	$ 2,021,319	$ 966,767
Crude oil (1)	26,969	143,143	58,404	246,671
Other oils and related products (2)	343,548	340,463	1,092,575	957,030
Total	$ 1,618,466	$ 944,669	$ 3,172,298	$ 2,170,468
Product margin				
Gasoline and gasoline blendstocks	$ 23,450	$ 18,608	$ 48,837	$ 33,993
Crude oil (1)	5,418	4,761	10,491	11,653
Other oils and related products (2)	9,615	7,828	26,302	37,701
Total	$ 38,483	$ 31,197	$ 85,630	$ 83,347
Gasoline Distribution and Station Operations Segment:				
Sales				
Gasoline	$ 1,086,078	$ 859,747	$ 1,978,377	$ 1,627,383
Station operations (3)	100,369	87,857	187,974	163,453
Total	$ 1,186,447	$ 947,604	$ 2,166,351	$ 1,790,836
Product margin				
Gasoline	$ 76,954	$ 79,283	$ 147,099	$ 146,438
Station operations (3)	48,680	43,242	92,214	82,137
Total	$ 125,634	$ 122,525	$ 239,313	$ 228,575
Commercial Segment:				
Sales	$ 321,662	$ 197,257	$ 590,817	$ 399,010
Product margin	$ 5,809	$ 4,124	$ 11,046	$ 8,313
Combined sales and Product margin:				
Sales	$ 3,126,575	$ 2,089,530	$ 5,929,466	$ 4,360,314
Product margin (4)	$ 169,926	$ 157,846	$ 335,989	$ 320,235
Depreciation allocated to cost of sales	(20,665)	(22,484)	(42,398)	(44,846)

Combined gross profit	$ 149,261	$ 135,362	$ 293,591	$ 275,389

(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 129 million gallons and 124 million gallons of the GDSO segment's sales for the three months ended June 30, 2018 and 2017, respectively, and 243 million gallons and 238 million gallons of the GDSO segment's sales for the six months ended June 30, 2018 and 2017, respectively, were supplied from petroleum products and renewable fuels sourced by the Wholesale segment. Predominantly all of the Commercial segment's sales were sourced by the Wholesale segment. These intra-segment sales are not reflected as sales in the Wholesale segment as they are eliminated.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Combined gross profit	$ 149,261	$ 135,362	$ 293,591	$ 275,389
Operating costs and expenses not allocated to operating segments:				
Selling, general and administrative expenses	39,954	34,679	79,320	71,466
Operating expenses	76,218	71,169	150,267	138,382
Gain on trustee taxes	—	—	(52,627)	—
Amortization expense	2,437	2,260	4,905	4,521
Net loss (gain) on sale and disposition of assets	3,033	2,381	4,900	(9,481)
Total operating costs and expenses	121,642	110,489	186,765	204,888
Operating income	27,619	24,873	106,826	70,501
Interest expense	(21,613)	(21,923)	(43,058)	(45,210)
Income tax benefit (expense)	16	(959)	929	(795)
Net income	6,022	1,991	64,697	24,496
Net loss attributable to noncontrolling interest	391	383	758	824
Net income attributable to Global Partners LP	$ 6,413	$ 2,374	$ 65,455	$ 25,320

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

Segment Assets

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

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

	Wholesale	Commercial	GDSO	Unallocated	Total
June 30, 2018	$ 579,993	$ —	$ 1,261,871	$ 437,093	$ 2,278,957
December 31, 2017	$ 613,764	$ 100	$ 1,281,370	$ 424,935	$ 2,320,169

Note 17. Business Combination

2017 Acquisition

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

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

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

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

During the quarter ended June 30, 2018, the Partnership recorded a change to the preliminary purchase accounting, specifically related to the value assigned to the environmental liabilities. The impact of this change decreased goodwill to $21.5 million at June 30, 2018 from $21.6 million at March 31, 2018.

The following presents the change in goodwill from March 31, 2018 to June 30, 2018 (in thousands):

Goodwill – March 31, 2018	$ 21,630
Decrease in environmental liabilities	(139)
Goodwill – June 30, 2018	$ 21,491

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

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

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

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

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

As part of the purchase price allocation, identifiable intangible assets include in-place leases, favorable leasehold interests and franchise rights that are being amortized over one, three and three years, respectively. Amortization expense related to the intangible assets was $0.2 million and $0.4 million for the three and six months ended June 30, 2018, respectively. The in-place leases, favorable leasehold interests and franchise rights have a weighted average term of approximately three, two and four years, respectively, prior to their next renewal.

Supplemental Pro Forma Information—Revenues and net income not included in the Partnership’s consolidated operating results for Honey Farms from January 1, 2017 through October 18, 2017, the acquisition date, were immaterial.

Note 18. Income Taxes

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

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

One of the Partnership's wholly owned subsidiaries, GMG, is a taxable entity for federal and state income tax purposes. Current and deferred income taxes are recognized on the separate earnings of GMG. The after-tax earnings of GMG are included in the earnings of the Partnership. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes for GMG. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their

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respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership calculates its current and deferred tax provision based on estimates and assumptions that could differ from actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

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

The Partnership recognizes deferred tax assets to the extent that the recoverability of these assets satisfies the "more likely than not" criteria in accordance with the FASB's accounting guidance regarding income taxes. The Partnership concluded, based upon an evaluation of future operating results and reversal of existing taxable temporary differences, that a portion of these assets will not be realized in a future period. The valuation allowance increased by $0.2 million for the six months ended June 30, 2018.

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

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

GMG files income tax returns in the United States and various state jurisdictions. With few exceptions, the Partnership is subject to income tax examination by tax authorities for all years dated back to 2014.

Tax Cuts and Jobs Act

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

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

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Note 19. Changes in Accumulated Other Comprehensive Loss

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

Three Months Ended June 30, 2018	Pension Plan	Derivatives	Total
Balance at March 31, 2018	$ (5,684)	$ 74	$ (5,610)
Other comprehensive income before reclassifications of gain (loss)	349	14	363
Amount of (loss) gain reclassified from accumulated other comprehensive income	(16)	—	(16)
Total comprehensive (loss) income	333	14	347
Balance at June 30, 2018	$ (5,351)	$ 88	$ (5,263)

Six Months Ended June 30, 2018	Pension Plan	Derivatives	Total
Balance at December 31, 2017	$ (5,333)	$ (135)	$ (5,468)
Other comprehensive income before reclassifications of gain (loss)	14	223	237
Amount of (loss) gain reclassified from accumulated other comprehensive income	(32)	—	(32)
Total comprehensive income	(18)	223	205
Balance at June 30, 2018	$ (5,351)	$ 88	$ (5,263)

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

Note 20. Supplemental Cash Flow Information

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

	Six Months Ended June 30,	
	2018	2017
Borrowings from working capital revolving credit facility	$ 1,076,700	$ 592,100
Payments on working capital revolving credit facility	(1,005,400)	(767,600)
Net borrowings from (payments on) working capital revolving credit facility	$ 71,300	$ (175,500)
Payments on revolving credit facility	(11,000)	(16,000)
Net payments on revolving credit facility	$ (11,000)	$ (16,000)

Note 21. Legal Proceedings

General

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

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

Other

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

On August 2, 2016, the Partnership received a Notice of Violation ("NOV") from the EPA, alleging that permits for the Partnership's petroleum product transloading facility in Albany, New York (the "Albany Terminal"), issued by the New York State Department of Environmental Conservation ("NYSDEC") between August 9, 2011 and November 7, 2012, violated the Clean Air Act (the "CAA") and the federally enforceable New York State Implementation Plan ("SIP") by increasing throughput of crude oil at the Albany Terminal without complying with the New Source Review ("NSR") requirements of the SIP. The Albany Terminal is a 63-acre licensed, permitted and operational stationary bulk petroleum storage and transfer terminal that currently consists of petroleum product storage tanks, along with truck, rail and marine loading facilities, for the storage, blending and distribution of various petroleum and related products, including gasoline, ethanol, distillates, heating and crude oils. The applicable permits issued by the NYSDEC to the Partnership in 2011 and 2012 specifically authorize the Partnership to increase the throughput of crude oil at the Albany Terminal. According to the allegations in the NOV, the NYSDEC permit actions should have been treated as a major modification under the NSR program, requiring additional emission control measures and compliance with other NSR requirements. The NYSDEC has not alleged that the Partnership's permits were subject to the NSR program. The CAA authorizes the EPA to take enforcement action in response to violations of the New York SIP seeking compliance and penalties. The Partnership believes that the permits issued by the NYSDEC comply with the CAA and applicable state air permitting requirements and that no material violation of law has occurred. The Partnership disputes the claims alleged in the NOV and responded to the EPA in September 2016. The Partnership met with the EPA and provided additional information at the agency's request. On December 16, 2016, the EPA proposed a Settlement Agreement in a letter to the Partnership relating to the allegations in the NOV. On January 17, 2017, the Partnership responded to the EPA indicating that the EPA had failed to explain or provide support for its allegations and that the EPA needed to better explain its positions and the evidence on which it was relying. The EPA did not respond with such evidence, but instead requested that the Partnership enter into a further tolling agreement. The Partnership has signed a number of tolling agreements with respect to this matter, as requested by the EPA, and such agreements currently extend through December 31, 2018. To date, the EPA has not taken any further formal action with respect to the NOV.

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

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

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

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

The Partnership received letters from the EPA dated November 2, 2011 and March 29, 2012, containing requirements and testing orders (collectively, the "Requests for Information") for information under the CAA. The Requests for Information were part of an EPA investigation to determine whether the Partnership has violated sections of the CAA at certain of its terminal locations in New England with respect to residual oil and asphalt. On June 6, 2014, a NOV was received from the EPA, alleging certain violations of its Air Emissions License issued by the Maine Department of Environmental Protection, based upon the test results at the South Portland, Maine terminal. The Partnership met with and provided additional information to the EPA with respect to the alleged violations. On April 7, 2015, the EPA issued a Supplemental Notice of Violation (the "Supplemental NOV") modifying the allegations of violations of the terminal's Air Emissions License. The Partnership has responded to the Supplemental NOV and is engaged in further negotiations with the EPA. A tolling agreement was executed with the United States on December 1, 2015, which has currently been extended through September 28, 2018. While the Partnership does not believe that a material violation has occurred, and it contests the allegations presented in the NOV and Supplemental NOV, the Partnership does not believe any adverse determination in connection with the NOV would have a material impact on its operations.

Note 22. New Accounting Standards

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

Accounting Standards or Updates Recently Adopted

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

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

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

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

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

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

Accounting Standards or Updates Not Yet Effective

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

In February 2016, the FASB issued ASU 2016-02, “Leases,” and has modified the standard thereafter through a series of amendments. This standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. This standard is effective beginning in the first quarter of 2019. Early adoption of this standard is permitted. The standard allows for two adoptions methods, a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief, and an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the financial statements. The Partnership continues to evaluate the impact of this standard on its financial statements and disclosures, internal

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controls and accounting policies. The Partnership believes that the new standard will have a material impact on its consolidated balance sheet. The evaluation process includes reviewing all forms of leases, performing a completeness assessment over the lease population and analyzing the practical expedients in order to determine the best path of implementing changes to existing processes and controls.

Note 23. Subsequent Events

Series A Preferred Units Offering—On August 7, 2018, the Partnership closed an offering of 2,760,000 of its 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference of $25.00 per unit (the "Series A Preferred Units"), for $25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. Distributions on the Series A Preferred Units are payable quarterly and are cumulative from and including the date of original issue to, but excluding, August 15, 2023 at a fixed rate of 9.75% per annum of the stated liquidation preference of $25.00. On and after August 15, 2023, distributions on the Series A Preferred Units will accumulate for each distribution period at an annual floating rate equal to the three-month LIBOR plus a spread of 6.774%. The Partnership used the proceeds, net of underwriting discount, of $66.8 million, excluding expenses, to reduce indebtedness under its Credit Agreement.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, the Partnership acquired the assets of ten company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC for approximately $32.0 million, excluding inventory, funded with borrowings under the Partnership's revolving credit facility. The portfolio consists of nine stores in New Hampshire and one in Brattleboro, Vermont. All of the locations are branded T-Bird Mini Marts and market Citgo fuel.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired the retail fuel and convenience store assets of Vermont-based Champlain Oil Company, Inc for approximately $134.0 million, excluding inventory, funded with borrowings under the Partnership's revolving credit facility. The acquisition includes 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire, and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also includes 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.

Distribution—On July 27, 2018, the board of directors of the General Partner declared a quarterly cash distribution of $0.4750 per unit ($1.90 per unit on an annualized basis) for the period from April 1, 2018 through June 30, 2018. On August 14, 2018, the Partnership will pay this cash distribution to its unitholders of record as of the close of business on August 9, 2018.

Sale of Gasoline Stations—Beginning in April 2016, the Partnership retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. Through July 31, 2018, the criteria to be presented as held for sale was met for 12 additional sites with a net book value of $7.6 million at June 30, 2018. Assets held for sale are expected to be sold within the next 12 months.

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Note 24. Supplemental Guarantor Condensed Consolidating Financial Statements

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

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

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Condensed Consolidating Balance Sheet

June 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$ 6,079	$ 1,403	$ —	$ 7,482
Accounts receivable, net	423,206	6	13	423,225
Accounts receivable - affiliates	4,039	31	(13)	4,057
Inventories	338,320	—	—	338,320
Brokerage margin deposits	6,871	—	—	6,871
Derivative assets	12,805	—	—	12,805
Prepaid expenses and other current assets	84,974	143	—	85,117
Total current assets	876,294	1,583	—	877,877
Property and equipment, net	1,000,754	5,175	—	1,005,929
Intangible assets, net	51,459	—	—	51,459
Goodwill	310,855	—	—	310,855
Other assets	32,837	—	—	32,837
Total assets	$ 2,272,199	$ 6,758	$ —	$ 2,278,957
Liabilities and partners' equity				
Current liabilities:				
Accounts payable	$ 256,729	$ 39	$ —	$ 256,768
Working capital revolving credit facility - current portion	198,000	—	—	198,000
Environmental liabilities - current portion	5,004	—	—	5,004
Trustee taxes payable	43,699	—	—	43,699
Accrued expenses and other current liabilities	89,664	125	—	89,789
Derivative liabilities	14,764	—	—	14,764
Total current liabilities	607,860	164	—	608,024
Working capital revolving credit facility - less current portion	100,000	—	—	100,000
Revolving credit facility	185,000	—	—	185,000

Senior notes	663,116	—	—	663,116
Environmental liabilities - less current portion	50,333	—	—	50,333
Financing obligations	150,223	—	—	150,223
Deferred tax liabilities	38,607	—	—	38,607
Other long-term liabilities	53,672	—	—	53,672
Total liabilities	1,848,811	164	—	1,848,975
Partners' equity				
Global Partners LP equity	423,388	3,987	—	427,375
Noncontrolling interest	—	2,607	—	2,607
Total partners' equity	423,388	6,594	—	429,982
Total liabilities and partners' equity	$ 2,272,199	$ 6,758	$ —	$ 2,278,957

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(Unaudited)

Condensed Consolidating Balance Sheet

December 31, 2017

(In thousands)

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 3,126,449	$ 215	$ (89)	$ 3,126,575
Cost of sales	2,976,691	712	(89)	2,977,314
Gross profit	149,758	(497)	—	149,261
Costs and operating expenses:				
Selling, general and administrative expenses	39,854	100	—	39,954
Operating expenses	75,837	381	—	76,218
Amortization expense	2,437	—	—	2,437
Net loss on sale and disposition of assets	3,033	—	—	3,033
Total costs and operating expenses	121,161	481	—	121,642
Operating income (loss)	28,597	(978)	—	27,619
Interest expense	(21,613)	—	—	(21,613)
Income (loss) before income tax benefit	6,984	(978)	—	6,006
Income tax benefit	16	—	—	16
Net income (loss)	7,000	(978)	—	6,022
Net loss attributable to noncontrolling interest	—	391	—	391
Net income (loss) attributable to Global Partners LP	7,000	(587)	—	6,413
Less: General partners' interest in net income, including incentive distribution rights	110	—	—	110
Limited partners' interest in net income (loss)	$ 6,890	$ (587)	$ —	$ 6,303

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Condensed Consolidating Statement of Operations

Three Months Ended June 30, 2017

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 2,088,877	$ 752	$ (99)	$ 2,089,530
Cost of sales	1,953,006	1,261	(99)	1,954,168
Gross profit	135,871	(509)	—	135,362
Costs and operating expenses:				
Selling, general and administrative expenses	34,557	122	—	34,679
Operating expenses	70,843	326	—	71,169
Amortization expense	2,260	—	—	2,260
Net loss on sale and disposition of assets	2,381	—	—	2,381
Total costs and operating expenses	110,041	448	—	110,489
Operating income (loss)	25,830	(957)	—	24,873
Interest expense	(21,923)	—	—	(21,923)
Income (loss) before income tax expense	3,907	(957)	—	2,950
Income tax expense	(959)	—	—	(959)
Net income (loss)	2,948	(957)	—	1,991
Net loss attributable to noncontrolling interest	—	383	—	383
Net income (loss) attributable to Global Partners LP	2,948	(574)	—	2,374
Less: General partners' interest in net income, including incentive distribution rights	16	—	—	16
Limited partners' interest in net income (loss)	$ 2,932	$ (574)	$ —	$ 2,358

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 5,928,948	$ 693	$ (175)	$ 5,929,466
Cost of sales	5,634,066	1,634	175	5,635,875
Gross profit	294,882	(941)	(350)	293,591
Costs and operating expenses:				
Selling, general and administrative expenses	79,129	191	—	79,320
Operating expenses	149,504	763	—	150,267
Gain on trustee taxes	(52,627)	—	—	(52,627)
Amortization expense	4,905	—	—	4,905
Net loss on sale and disposition of assets	4,900	—	—	4,900
Total costs and operating expenses	185,811	954	—	186,765
Operating income (loss)	109,071	(1,895)	(350)	106,826
Interest expense	(43,058)	—	—	(43,058)
Income before income tax benefit	66,013	(1,895)	(350)	63,768
Income tax benefit	929	—	—	929
Net income (loss)	66,942	(1,895)	(350)	64,697
Net loss attributable to noncontrolling interest	—	758	—	758
Net income (loss) attributable to Global Partners LP	66,942	(1,137)	(350)	65,455
Less: General partners' interest in net income, including incentive distribution rights	506	—	—	506
Limited partners' interest in net income (loss)	$ 66,436	$ (1,137)	$ (350)	$ 64,949

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement of Operations

Six Months Ended June 30, 2017

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
Sales	$ 4,358,998	$ 1,603	$ (287)	$ 4,360,314
Cost of sales	4,082,658	2,554	(287)	4,084,925
Gross profit	276,340	(951)	—	275,389
Costs and operating expenses:				
Selling, general and administrative expenses	71,483	(17)	—	71,466
Operating expenses	137,492	890	—	138,382
Amortization expense	4,285	236	—	4,521
Net gain on sale and disposition of assets	(9,481)	—	—	(9,481)
Total costs and operating expenses	203,779	1,109	—	204,888
Operating income (loss)	72,561	(2,060)	—	70,501
Interest expense	(45,210)	—	—	(45,210)
Income (loss) before income tax expense	27,351	(2,060)	—	25,291
Income tax expense	(795)	—	—	(795)
Net income (loss)	26,556	(2,060)	—	24,496
Net loss attributable to noncontrolling interest	—	824	—	824
Net income (loss) attributable to Global Partners LP	26,556	(1,236)	—	25,320
Less: General partners' interest in net income, including incentive distribution rights	170	—	—	170
Limited partners' interest in net income (loss)	$ 26,386	$ (1,236)	$ —	$ 25,150

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement Cash Flows

Six Months Ended June 30, 2018

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash used in operating activities	$ (15,806)	$ (420)	$ (16,226)
Cash flows from investing activities			
Capital expenditures	(27,168)	—	(27,168)
Proceeds from sale of property and equipment	7,241	—	7,241
Net cash used in investing activities	(19,927)	—	(19,927)
Cash flows from financing activities			
Net borrowings from working capital revolving credit facility	71,300	—	71,300
Net payments on revolving credit facility	(11,000)	—	(11,000)
Distributions to partners	(31,523)	—	(31,523)
Net cash provided by financing activities	28,777	—	28,777
Cash and cash equivalents			
Decrease in cash and cash equivalents	(6,956)	(420)	(7,376)
Cash and cash equivalents at beginning of period	13,035	1,823	14,858
Cash and cash equivalents at end of period	$ 6,079	$ 1,403	$ 7,482

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Condensed Consolidating Statement Cash Flows

Six Months Ended June 30, 2017

(In thousands)

	(Issuer) Guarantor Subsidiaries	Non-Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash provided by operating activities	$ 209,298	$ 629	$ 209,927
Cash flows from investing activities			
Capital expenditures	(19,308)	—	(19,308)
Proceeds from sale of property and equipment	28,218	20	28,238
Net cash provided by investing activities	8,910	20	8,930
Cash flows from financing activities			
Net payments on working capital revolving credit facility	(175,500)	—	(175,500)
Net payments on revolving credit facility	(16,000)	—	(16,000)
Noncontrolling interest capital contribution	279	—	279
Distribution to noncontrolling interest	—	(465)	(465)
Distributions to partners	(31,277)	—	(31,277)
Net cash used in financing activities	(222,498)	(465)	(222,963)
Cash and cash equivalents			
(Decrease) increase in cash and cash equivalents	(4,290)	184	(4,106)
Cash and cash equivalents at beginning of period	9,373	655	10,028
Cash and cash equivalents at end of period	$ 5,083	$ 839	$ 5,922

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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 statem 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 maintain distributions 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.

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- 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 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 business 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 crude oil, refined products and renewable fuels.

- Increases and/or decreases in the prices of the products we sell could adversely impact the amount of borrowing available for 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 business.

- 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.

- Regulations restricting the sale of tobacco products by the Food and Drug Administration, as well as national, state and local campaigns to discourage smoking, tax increases on tobacco products and increasing regulations

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restricting the sale of e cigarettes and vapor products, have and could result in reduced consumption levels and higher costs which we may not be able to pass on to our customers. These factors could materially affect the sales of cigarettes, or other tobacco products, and customer traffic, which in turn could have a negative impact on our financial condition, results of operations and cash available for distribution to our unitholders.

- Our business 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 business 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 business 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, 2017 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 midstream logistics and marketing company engaged in the purchasing, selling, 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. 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 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 are also one of the largest independent owners, suppliers and operators of gasoline stations and convenience stores in these areas. As of

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June 30, 2018, we had a portfolio of 1,445 owned, leased and/or supplied gasoline stations, including 256 directly operated convenience stores, in the Northeast, Maryland and Virginia. We also receive revenue from convenience store sales, rental income and sundries. In addition, we own transload and storage terminals in North Dakota and Oregon that extend our origin to destination capabilities from the mid continent region of the United States and Canada.

Collectively, we sold approximately $3.0 billion and $5.7 billion of refined petroleum products, renewable fuels, crude oil and propane for the three and six months ended June 30, 2018, respectively. In addition, we had other revenues of approximately $0.1 billion and $0.2 billion for the three and six months ended June 30, 2018, 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.

2018 Developments

Series A Preferred Units Offering—On August 7, 2018, we closed an offering of 2,760,000 of our 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference of $25.00 per unit (the "Series A Preferred Units"), for $25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. Distributions on the Series A Preferred Units are payable quarterly and are cumulative from and including the date of original issue to, but excluding, August 15, 2023 at a fixed rate of 9.75% per annum of the stated liquidation preference of $25.00. On and after August 15, 2023, distributions on the Series A Preferred Units will accumulate for each distribution period at an annual floating rate equal to the three-month LIBOR plus a spread of 6.774%. We used the proceeds, net of underwriting discount, of $66.8 million, excluding expenses, to reduce indebtedness under our credit agreement.

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 for approximately $32.0 million, excluding inventory, funded with borrowings under our revolving credit facility. The portfolio consists of nine stores in New Hampshire and one in Brattleboro, Vermont. All of the locations are branded T-Bird Mini Marts and market Citgo fuel.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, we acquired the retail fuel and convenience store assets of Vermont-based Champlain Oil Company, Inc for approximately $134.0 million, excluding inventory, funded

with borrowings under our revolving credit facility. The acquisition includes 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire, and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also includes 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.

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 six months ended June 30, 2018, did not impact cash flows from operations for the six months ended June 30, 2018 and will not impact cash flows from operations for the year ending December 31, 2018.

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2017 Transactions

Acquisition of Gasoline and Convenience Store Assets—On October 18, 2017, we completed the acquisition of retail gasoline and convenience store assets from Honey Farms in a cash transaction. The acquisition included 11 company-operated retail sites with gasoline and convenience stores and 22 company-operated stand-alone convenience stores. All of the sites are located in the greater Worcester, Massachusetts area. See Note 17 of Notes to Consolidated Financial Statements for additional information.

Sale of Natural Gas and Electricity Brokerage Businesses—On February 1, 2017, we completed the sale of our natural gas marketing and electricity brokerage businesses for a purchase price of approximately $17.3 million, subject to customary closing adjustments. Proceeds from the sale amounted to approximately $16.3 million, and we realized a gain on the sale of $14.2 million. Prior to the sale, the results of the natural gas marketing and electricity brokerage businesses were included in the Commercial segment.

Operating Segments

We purchase refined petroleum products, 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 business under three segments: (i) Wholesale, (ii) GDSO and (iii) Commercial.

Wholesale

In our Wholesale segment, we engage in the logistics of selling, gathering, storage and transportation of refined petroleum products, 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's ("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, lottery and ATM commissions).

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As of June 30, 2018, we had a portfolio of owned, leased and/or supplied gasoline stations, primarily in the Northeast, that consisted of the following:

Company operated	256
Commissioned agents	264
Lessee dealers	226
Contract dealers	699
Total	1,445

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 and Mid-Atlantic 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 business 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 business is influenced by the overall markets for refined petroleum products, 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 and selling operations are influenced by prices for refined petroleum products, 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

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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 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 businesses. 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 business.

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· 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 business 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

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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 business 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 business, 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, 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 business. 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.

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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 day.

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 include the cost of acquiring the refined petroleum products, renewable fuels, crude oil and propane 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 business. 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, 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

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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 Day

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.

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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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to Global Partners LP	$ 6,413	$ 2,374	$ 65,455	$ 25,320
EBITDA (1)	$ 53,064	$ 51,292	$ 158,757	$ 123,212
Adjusted EBITDA (1)(2)	$ 56,097	$ 53,673	$ 163,657	$ 113,731
Distributable cash flow (3)(4)	$ 21,000	$ 21,789	$ 100,770	$ 65,963
Wholesale Segment:				
Volume (gallons)	766,469	638,630	1,630,853	1,416,910
Sales				
Gasoline and gasoline blendstocks	$ 1,247,949	$ 461,063	$ 2,021,319	$ 966,767
Crude oil (5)	26,969	143,143	58,404	246,671
Other oils and related products (6)	343,548	340,463	1,092,575	957,030
Total	$ 1,618,466	$ 944,669	$ 3,172,298	$ 2,170,468
Product margin				
Gasoline and gasoline blendstocks	$ 23,450	$ 18,608	$ 48,837	$ 33,993
Crude oil (5)	5,418	4,761	10,491	11,653
Other oils and related products (6)	9,615	7,828	26,302	37,701
Total	$ 38,483	$ 31,197	$ 85,630	$ 83,347
Gasoline Distribution and Station Operations Segment:				
Volume (gallons)	415,204	405,437	793,537	771,536
Sales				
Gasoline	$ 1,086,078	$ 859,747	$ 1,978,377	$ 1,627,383
Station operations (7)	100,369	87,857	187,974	163,453
Total	$ 1,186,447	$ 947,604	$ 2,166,351	$ 1,790,836
Product margin				
Gasoline	$ 76,954	$ 79,283	$ 147,099	$ 146,438
Station operations (7)	48,680	43,242	92,214	82,137
Total	$ 125,634	$ 122,525	$ 239,313	$ 228,575
Commercial Segment:				
Volume (gallons)	155,493	130,942	299,676	262,465
Sales	$ 321,662	$ 197,257	$ 590,817	$ 399,010
Product margin	$ 5,809	$ 4,124	$ 11,046	$ 8,313
Combined sales and product margin:				
Sales	$ 3,126,575	$ 2,089,530	$ 5,929,466	$ 4,360,314
Product margin (8)	$ 169,926	$ 157,846	$ 335,989	$ 320,235
Depreciation allocated to cost of sales	(20,665)	(22,484)	(42,398)	(44,846)

Combined gross profit	$ 149,261	$ 135,362	$ 293,591	$ 275,389

GDSO portfolio as of June 30, 2018 and 2017:	2018	2017
Company operated	256	239
Commissioned agents	264	269
Lessee dealers	226	237
Contract dealers	699	698
Total GDSO portfolio	1,445	1,443

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weather conditions:				
Normal heating degree days	784	784	3,654	3,654
Actual heating degree days	792	767	3,513	3,426
Variance from normal heating degree days	1 %	(2) %	(4) %	(6) %
Variance from prior period actual heating degree days	3 %	(2) %	3 %	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) Adjusted EBITDA for the six months ended June 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 (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 on sale and disposition of assets of $3.0 million and $2.4 million for the three months ended June 30, 2018 and 2017, respectively, and $4.9 million and $4.7 million for the six months ended June 30, 2018 and 2017, respectively. Excluding the loss on sale and disposition of assets, distributable cash flow would have been $24.0 million and $24.2 million for the three months ended June 30, 2018 and 2017, respectively, and $105.7 million and $70.7 million for the six months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018, distributable cash flow also 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. For the six months ended June 30, 2017, distributable cash flow also includes a $14.2 million gain on the sale of our natural gas marketing and electricity brokerage businesses in February 2017.

(5) Crude oil consists of our crude oil sales and revenue from our logistics activities.

(6) Other oils and related products primarily consist of distillates, residual oil and propane.

(7) Station operations consist of convenience stores sales, rental income and sundries.

(8) 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.

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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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Reconciliation of net income to EBITDA and Adjusted EBITDA:				
Net income	$ 6,022	$ 1,991	$ 64,697	$ 24,496
Net loss attributable to noncontrolling interest	391	383	758	824
Net income attributable to Global Partners LP	6,413	2,374	65,455	25,320
Depreciation and amortization, excluding the impact of noncontrolling interest	25,054	26,036	51,173	51,887
Interest expense, excluding the impact of noncontrolling interest	21,613	21,923	43,058	45,210
Income tax (benefit) expense	(16)	959	(929)	795
EBITDA	53,064	51,292	158,757	123,212
Net loss (gain) on sale and disposition of assets	3,033	2,381	4,900	(9,481)
Adjusted EBITDA (1)	$ 56,097	$ 53,673	$ 163,657	$ 113,731
Reconciliation of net cash provided by (used in) operating activities to EBITDA and Adjusted EBITDA:				
Net cash provided by (used in) operating activities	$ 87,488	$ 92,362	$ (16,226)	$ 209,927
Net changes in operating assets and liabilities and certain non-cash items	(56,124)	(63,822)	132,747	(132,518)
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	103	(130)	107	(202)
Interest expense, excluding the impact of noncontrolling interest	21,613	21,923	43,058	45,210
Income tax (benefit) expense	(16)	959	(929)	795
EBITDA	53,064	51,292	158,757	123,212
Net loss (gain) on sale and disposition of assets	3,033	2,381	4,900	(9,481)
Adjusted EBITDA (1)	$ 56,097	$ 53,673	$ 163,657	$ 113,731

(1) Adjusted EBITDA for the six months ended June 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 (see Note 1 of Notes to Consolidated Financial Statements for additional information).

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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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Reconciliation of net income to distributable cash flow:				
Net income	$ 6,022	$ 1,991	$ 64,697	$ 24,496
Net loss attributable to noncontrolling interest	391	383	758	824
Net income attributable to Global Partners LP	6,413	2,374	65,455	25,320
Depreciation and amortization, excluding the impact of noncontrolling interest	25,054	26,036	51,173	51,887
Amortization of deferred financing fees and senior notes discount	1,717	1,780	3,430	3,671
Amortization of routine bank refinancing fees	(1,022)	(1,063)	(2,044)	(2,230)
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(11,162)	(7,338)	(17,244)	(12,685)
Distributable cash flow (1)(2)	$ 21,000	$ 21,789	$ 100,770	$ 65,963
Reconciliation of net cash provided by (used in) operating activities to distributable cash flow:				
Net cash provided by (used in) operating activities	$ 87,488	$ 92,362	$ (16,226)	$ 209,927
Net changes in operating assets and liabilities and certain non-cash items	(56,124)	(63,822)	132,747	(132,518)
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	103	(130)	107	(202)
Amortization of deferred financing fees and senior notes discount	1,717	1,780	3,430	3,671
Amortization of routine bank refinancing fees	(1,022)	(1,063)	(2,044)	(2,230)
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(11,162)	(7,338)	(17,244)	(12,685)
Distributable cash flow (1)(2)	$ 21,000	$ 21,789	$ 100,770	$ 65,963

(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 on sale and disposition of assets of $3.0 million and $2.4 million for the three months ended June 30, 2018 and 2017, respectively, and $4.9 million and $4.7 million for the six months ended June 30, 2018 and 2017, respectively. Excluding the loss on sale and disposition of assets, distributable cash flow would have been $24.0 million and $24.2 million for the three months ended June 30, 2018 and 2017, respectively, and $105.7 million and $70.7 million for the six months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018, distributable cash flow also 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. For the six months ended June 30, 2017, distributable cash flow also includes a $14.2 million gain on the sale of our natural gas marketing and electricity brokerage businesses in February 2017.

Consolidated Sales

Our total sales were $3.1 billion and $2.1 billion for the three months ended June 30, 2018 and 2017, respectively, an increase of $1.0 billion or 50%, due to increases in prices and in volume sold. Our aggregate volume of product sold was 1.3 billion gallons and 1.2 billion gallons for the three months ended June 30, 2018 and 2017, respectively, an increase of 0.1 billion gallons. The increase in volume sold includes increases of 128 million gallons in our Wholesale segment, reflecting increases in gasoline and gasoline blendstocks, offset by declines in volume sold in crude oil and distillates, and increases of 24 million gallons in our Commercial segment and 10 million gallons in our GDSO segment.

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Our total sales were $5.9 billion and $4.4 billion for the six months ended June 30, 2018 and 2017, respectively, an increase of $1.5 billion or 34%, due to increases in prices and in volume sold. Our aggregate volume of product sold was 2.7 billion gallons and 2.5 billion gallons for the six months ended June 30, 2018 and 2017, respectively, an increase of 0.2 billion gallons. The increase in volume sold includes increases of 214 million gallons in our Wholesale segment, primarily in gasoline, offset by declines in volume sold in crude oil and distillates, 37 million gallons in our Commercial segment and 22 million gallons in our GDSO segment.

Gross Profit

Our gross profit was $149.3 million and $135.4 million for three months ended June 30, 2018 and 2017, respectively, an increase of $13.9 million, or 10%, primarily due to improved product margins in gasoline in our Wholesale segment and station operations in our GDSO segment, partially offset by a decrease in product margin in gasoline distribution in our GDSO segment.

Our gross profit was $293.6 million and $275.4 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $18.2 million, or 7%, primarily due to improved product margins in gasoline and gasoline blendstocks in our Wholesale segment and station operations in our GDSO segment, partially offset by a decrease in product margin in distillates in our Wholesale segment.

Results for Wholesale Segment

Gasoline and Gasoline Blendstocks. Sales from wholesale gasoline and gasoline blendstocks were $1.2 billion and $0.5 billion for the three months ended June 30, 2018 and 2017, respectively, an increase of $0.7 billion, or 170%, due to increases in prices and volume sold, largely in gasoline. Our gasoline and gasoline blendstocks product margin was $23.4 million and $18.6 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $4.8 million, or 26%, primarily due to more favorable market conditions in gasoline. Our product margin was negatively impacted during the second quarter of 2018 due to less favorable market conditions in gasoline blendstocks, primarily ethanol.

Sales from wholesale gasoline and gasoline blendstocks were $2.0 billion and $0.9 billion for the six months ended June 30, 2018 and 2017, respectively, an increase of $1.1 billion, or 109%, due to increases in prices and volume sold, largely in gasoline. Our gasoline and gasoline blendstocks product margin was $48.8 million and $34.0 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $14.8 million, or 44%, primarily due to more favorable market conditions in gasoline blendstocks, primarily ethanol, in the first quarter of 2018 and in gasoline in the second quarter of 2018.

Crude Oil. Crude oil sales and logistics revenues were $27.0 million and $143.1 million for the three months ended June 30, 2018 and 2017, respectively, decreasing by $116.1 million, or 81%, due to a decline in volume sold as crude by rail differentials continue to be challenged. Our crude oil product margin was $5.4 million and $4.8 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $0.6 million, or 13%, due in part to lower railcar lease expense and lower terminal lease expense associated with the expiration of a terminal lease in the fourth quarter of 2017, partially offset by lower sales volume.

Crude oil sales and logistics revenues were $0.1 billion and $0.2 billion for the six months ended June 30, 2018 and 2017, respectively, decreasing by $188.3 million, or 76%, due to a decline in volume sold as crude by rail differentials continue to be challenged. Our crude oil product margin was $10.5 million and $11.6 million for the six ended June 30, 2018 and 2017, respectively, a decrease of $1.1 million, or 10%, due in part to lower sales volume.

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 June 30, 2018 and 2017. Our product margin from other oils and related products was $9.6 million and $7.8 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $1.8 million, or 23%, due in part to improved margins in residual oil.

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Sales from other oils and related products were $1.1 billion and $0.9 billion for the six months ended June 30, 2018 and 2017, respectively, increasing by $135.5 million, or 14%, due to an increase in prices, partially offset by a decline in distillate volume sold. Our product margin from other oils and related products was $26.3 million and $37.7 million for the six months ended June 30, 2018 and 2017, respectively, a decrease of $11.4 million, or 30%, primarily due to less favorable market conditions in distillates in the first quarter of 2018. Although temperatures were colder in the first quarter of 2018 as compared to the first quarter of 2017, warmer-than-normal temperatures in each of the first quarters of 2018 and 2017 negatively impacted our product margin in other oils and related products for the six months ended June 30, 2018 and 2017.

Results for Gasoline Distribution and Station Operations Segment

Gasoline Distribution. Sales from gasoline distribution were $1.1 billion and $0.8 billion for the three months ended June 30, 2018 and 2017, respectively, increasing by $226.3 million, or 26%, primarily due to an increase in prices and also an increase in volume sold due in part to the Honey Farms acquisition in October 2017. Our product margin from gasoline distribution was $76.9 million and $79.3 million for the three months ended June 30, 2018 and 2017, respectively, a decrease of $2.4 million, or 3%, primarily due to lower fuel margins, partially offset by an increase in product margin due to the Honey Farms acquisition.

Sales from gasoline distribution were $1.9 billion and $1.6 billion for the six months ended June 30, 2018 and 2017, respectively, an increase of $0.3 billion, or 19%, primarily due to an increase in prices and also an increase in volume sold due in part to the Honey Farms acquisition in October 2017. Our product margin from gasoline distribution was $147.1 million and $146.4 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $0.7 million, in part due to the Honey Farms acquisition, partially offset by a decrease in product margin primarily due to lower fuel margins. Our product margin for the first six months of 2018 was negatively impacted by rising wholesale gasoline prices.

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, lottery and ATM commissions, collectively generated revenues of $0.1 billion for each of the three months ended June 30, 2018 and 2017. Our product margin from station operations was $48.7 million and $43.2 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $5.5 million, or 13%, largely due to the Honey Farms acquisition.

Sales from our station operations were approximately $0.2 billion for each of the six months ended June 30, 2018 and 2017. Our product margin from station operations was $92.2 million and $82.1 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $10.1 million, or 12%, largely due to the Honey Farms acquisition.

Results for Commercial Segment

Our commercial sales were $0.3 billion and $0.2 billion for the three months ended June 30, 2018 and 2017, respectively, an increase of $0.1 million, or 50%, due to increases in prices and in volume sold. Our commercial product margin was $5.8 million and $4.1 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $1.7 million, or 41%, primarily due to an increase in bunkering activity.

Our commercial sales were $0.6 billion and $0.4 billion for the six months ended June 30, 2018 and 2017, respectively, an increase of $0.2 billion, or 50%, due to increases in prices and in volume sold. Our commercial product margin was $11.0 million and $8.3 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $2.7 million, or 33%, primarily due to an increase in bunkering activity and colder temperatures early in the first quarter of 2018 compared to the first quarter of 2017.

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Selling, General and Administrative Expenses

SG&A expenses were $40.0 million and $34.7 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $5.3 million, or 15%, including increases of $1.8 million in professional fees, $0.9 million in wages and benefits, $0.6 million in advertising costs, $0.4 million in depreciation, $0.3 million in license fees, $0.2 million in acquisition related costs and $1.1 million in other SG&A expenses.

SG&A expenses were $79.3 million and $71.5 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $7.8 million, or 11%, including increases of $1.7 million accrued incentive compensation, $1.4 million in professional fees, $1.2 million in wages and benefits, $1.0 million in depreciation, $0.6 million in license fees, $0.5 million in advertising costs, $0.2 million in acquisition related costs and $1.2 million in various SG&A expenses. The increase in accrued incentive compensation is primarily due to an increase in LTIP expense for the first six months of 2018 compared to the same period in 2017 as we reversed compensation expenses related to forfeitures during that period in the amount of $1.4 million.

Operating Expenses

Operating expenses were $76.2 million and $71.2 million for the three months ended June 30, 2018 and 2017, respectively, an increase of $5.0 million, or 7%, primarily due to an increase of $5.7 million associated with our GDSO operations, largely due to the Honey Farms acquisition and to increases in credit card fees due to higher wholesale gasoline prices, partially offset by a decrease in expenses due to the sale of sites. The increase in operating expenses in our GDSO operations was partially offset by a decrease of $0.7 million associated with our terminal operations.

Operating expenses were $150.3 million and $138.4 million for the six months ended June 30, 2018 and 2017, respectively, an increase of $11.9 million, or 9%, primarily due to an increase of $11.8 million associated with our GDSO operations, largely due to the Honey Farms acquisition and to increases in credit card fees due to higher wholesale gasoline prices, partially offset by a decrease in expenses due to the sale of sites, and $0.1 million associated with our terminal operations.

Gain on Trustee Taxes

During the six months ended June 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. See Note 1 of Notes to Consolidated Financial Statements for additional information.

Amortization Expense

Amortization expense related to intangible assets was $2.4 million and $2.2 million for the three months ended June 30, 2018 and 2017, respectively, and $4.9 million and $4.5 million for the six months ended June 30, 2018 and 2017, respectively. The increases of $0.2 million and $0.4 million for the three and six months ended June 30, 2018, respectively, are due to the intangibles acquired in the Honey Farms acquisition in October 2017.

Net (Loss) Gain on Sale and Disposition of Assets

Net (loss) gain on sale and disposition of assets was ($3.0 million) and ($2.4 million) for three months ended June 30, 2018 and 2017, respectively, and ($4.9 million) and $4.7 million for the six months ended June 30, 2018 and 2017, primarily due to the sale of GDSO sites. For the six months ended June 30, 2017, we recorded a $14.2 million gain associated with the sale of our natural gas marketing and electricity brokerage businesses in February 2017. See Note 7 of Notes to Consolidated Financial Statements for additional information.

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Interest Expense

Interest expense was $21.6 million and $21.9 million for the three months ended June 30, 2018 and 2017, respectively, a decrease of $0.3 million, or 1%, in part due to a $0.6 million write-off of a portion of our deferred financing fees associated with the amendment of our credit agreement in April 2017, partially offset by an increase in interest rates for the second quarter of 2018 compared to the second quarter of 2017.

Interest expense was $43.0 million and $45.2 million for the six months ended June 30, 2018 and 2017, respectively, a decrease of $2.2 million, or 5%, in part due to a $0.6 million write-off of a portion of our deferred financing fees associated with the amendment of our credit agreement in April 2017. The decrease in interest expense was offset by an increase in interest rates for the first six months of 2018 compared to the same period in 2017.

Income Tax Benefit (Expense)

Income tax benefit was immaterial for the three months ended June 30, 2018 and $0.9 million for the six months ended June 30, 2018. Income tax expense was ($0.9 million) and ($0.8 million) for the three and six months June 30, 2017, respectively. The income tax benefit (expense) recognized primarily reflect the income tax benefit (expense) 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 $0.4 million for each of the three months ended June 30, 2018 and 2017, and $0.8 million for each of the six months ended June 30, 2018 and 2017, which represents the 40% noncontrolling ownership of the reported net loss.

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 $269.9 million and $209.5 million at June 30, 2018 and December 31, 2017, respectively, an increase of $60.4 million, primarily due to decreases of $66.6 million in trustee taxes payable, largely attributable to the $52.6 million extinguishment of a contingent liability related to the Volumetric Ethanol Excise Tax Credit and the settlement of a trustee tax loss recognized in the fourth quarter of 2017 (see Note 1 of Notes to Consolidated Financial Statements) and $56.6 million in accounts payable, primarily due to the change in activity as we exited the heating season. The impact of these decreases on working capital were partially offset by a decrease of $12.4 million in inventories, in part due to carrying lower levels of volume, and an increase of $71.3 million in the current portion of our working capital revolving credit facility, which represents the amount we expect to pay down during the course of the year (see Note 8 of Notes to Consolidated Financial Statements).

Cash Distributions

During 2018, 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, 2018	$ 15.8 million	Fourth quarter 2017
May 15, 2018	$ 15.8 million	First quarter 2018

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In addition, on July 27, 2018, the board of directors of our general partner declared a quarterly cash distribution of $0.4750 per unit ($1.90 per unit on an annualized basis) on all of our outstanding common units for the period from April 1, 2018 through June 30, 2018 to our unitholders of record as of the close of business on August 9, 2018. This distribution will result in reaching our second target level distribution for the quarter ended June 30, 2018. We expect to pay the total cash distribution of approximately $16.3 million on August 14, 2018.

Contractual Obligations

We have contractual obligations that are required to be settled in cash. The amounts of our contractual obligations at June 30, 2018 were as follows (in thousands):

	Payments due by period					
Contractual Obligations	Remainder of 2018	2019	2020	2021	2022 and Thereafter	Total
Credit facility obligations (1)	$ 207,649	$ 222,291	$ 72,199	$ —	$ —	$ 502,139
Senior notes obligations (2)	22,219	44,438	44,438	44,438	718,320	873,853
Operating lease obligations (3)	48,282	71,536	45,672	38,686	167,828	372,004
Capital lease obligations	32	—	—	—	—	32
Other long-term liabilities (4)	12,885	25,105	25,633	23,291	52,709	139,623
Financing obligations (5)	7,280	14,769	15,094	15,426	136,943	189,512
Total	$ 298,347	$ 378,139	$ 203,036	$ 121,841	$ 1,075,800	$ 2,077,163

(1) Includes principal and interest on our working capital revolving credit facility and our revolving credit facility at June 30, 2018 and assumes a ratable payment through the expiration date. Our credit agreement has a contractual maturity of April 30, 2020 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.

(3) Includes operating lease obligations related to leases for office space and computer equipment, land, terminals and throughputs, gasoline stations, railcars, mobile equipment, access rights 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 and our natural gas transportation and reservation agreements and 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 within 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 8 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 $17.2 million and $12.7 million in maintenance capital expenditures for the six months ended June 30, 2018 and 2017, respectively, which are included in capital expenditures in the accompanying consolidated statements of cash flows, of which approximately $14.7 million and $9.8 million for the six months ended June 30, 2018 and 2017, respectively, are related to our investments in our gasoline stations. 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.

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Expansion capital expenditures include expenditures to acquire assets to grow our business 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 $9.9 million and $6.6 million in expansion capital expenditures for the six months ended June 30, 2018 and 2017, respectively, which are included in capital expenditures in the accompanying consolidated statements of cash flows.

For the six months ended June 30, 2018, the $9.9 million in expansion capital expenditures primarily related to investments in our gasoline stations.

For the six months ended June 30, 2017, the $6.6 million in expansion capital expenditures primarily related to investments in information technology and related equipment and, to a lesser extent, raze and rebuilds and improvements at retail gasoline stations.

We currently expect maintenance capital expenditures of approximately $40.0 million to $50.0 million and expansion capital expenditures, excluding acquisitions, of approximately $30.0 million to $40.0 million in 2018, 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 common units and/or debt securities.

Cash Flow

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

	Six Months Ended June 30,	
	2018	2017
Net cash (used in) provided by operating activities	$ (16,226)	$ 209,927
Net cash (used in) provided by investing activities	$ (19,927)	$ 8,930
Net cash provided by (used in) financing activities	$ 28,777	$ (222,963)

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 business, fluctuations in product prices, working capital requirements and general market conditions.

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Net cash (used in) provided by operating activities was ($16.2 million) and $209.9 million for the six months ended June 30, 2018 and 2017, respectively, for a period-over-period decrease in cash flow from operating activities of $226.1 million. For the six months ended June 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 which had historically been included in trustee taxes (see Note 1). The primary drivers of the changes in operating activities include the following (in thousands):

	Six Months Ended June 30,		Period over Period
	2018	2017	Change
(Increase) decrease in accounts receivable	$ (6,412)	$ 159,599	$ (166,011)
Decrease in inventories	$ 12,007	$ 150,762	$ (138,755)
Decrease in accounts payable	$ (56,644)	$ (124,527)	$ 67,883

For the six months ended June 30, 2018, the increase in accounts receivable was in part due to an increase in prices. The decreases in inventories and account payable were primarily due to the change in activity as we exited the heating season and to reduced inventory volume.

For the six months ended June 30, 2017, the decreases in accounts receivable, inventories and accounts payable were primarily due to the change in activity as we exited the heating season, reduced inventory volume and a decline in prices.

Investing Activities

Net cash used in investing activities was $19.9 million for the six months ended June 30, 2018 and included $17.2 million in maintenance capital expenditures and $9.9 million in expansion capital expenditures, offset by $7.2 million in proceeds from the sale of property and equipment.

Net cash provided by investing activities was $8.9 million for the six months ended June 30, 2017 and included $28.2 million in proceeds from the sale of property and equipment ($16.3 million from the sale of our natural gas marketing and electricity brokerage businesses, less $0.5 million in related transaction costs, and $12.4 million primarily from the sales of GDSO sites), offset by $12.7 million in maintenance capital expenditures and $6.6 million in expansion capital expenditures.

Please read "—Capital Expenditures" for a discussion of our expansion capital expenditures for the six months ended June 30, 2018 and 2017.

Financing Activities

Net cash provided by financing activities was $28.8 million for the six months ended June 30, 2018 and included $71.3 million in net borrowing from our working capital revolving credit facility, offset by $31.5 million in cash distributions to our common unitholders and our general partner and $11.0 million in net payments on our revolving credit facility.

Net cash used in financing activities was $223.0 million for the six months ended June 30, 2017 and included $175.5 million in net payments on our working capital revolving credit facility, $31.3 million in cash distributions to our common unitholders and our general partner, $16.0 million in net payments on our revolving credit facility and $0.5 million in distributions to our noncontrolling interest at Basin Transload, offset by $0.3 million in capital contributions from our noncontrolling interest at Basin Transload.

See Note 20 of Notes to Consolidated Financial Statement for supplemental cash flow information related to our working capital revolving credit facility and revolving credit facility.

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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. The credit agreement matures on April 30, 2020.

There are two facilities under the credit agreement:

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

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

Availability under the working capital revolving credit facility is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. Availability under the borrowing base may be affected by events beyond 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 4.1% and 3.6% for the three months ended June 30, 2018 and 2017, respectively and 4.0% and 3.5% for the six months ended June 30, 2018 and 2017, respectively. The increase for the three and six months ended June 30, 2018 compared to the three and six months ended June 30, 2017 was due to increases in market interest rates.

As of June 30, 2018, we had total borrowings outstanding under the credit agreement of $483.0 million, including $185.0 million outstanding on the revolving credit facility. In addition, we had outstanding letters of credit of $65.7 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $751.3 million and $810.3 million at June 30, 2018 and December 31, 2017, 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 June 30, 2018. The credit agreement also

contains a representation whereby there can be no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect (as defined in the credit agreement). In addition, the credit agreement limits distributions by 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, 2017 for additional information on the credit agreement.

Senior Notes

We had 6.25% senior notes due 2022 and 7.00% senior notes due 2023 outstanding at June 30, 2018. 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, 2017 for additional information on these senior notes.

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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 and $2.4 million was recorded for the three months ended June 30, 2018 and 2017, respectively, and $4.7 million and $4.8 million was recorded for the six months ended June 30, 2018 and 2017, respectively, which is included in interest expense in the accompanying consolidated statements of operations. The financing obligation will amortize through expiration of the leases based upon the lease rental payments which were $2.4 million for each of the three months ended June 30, 2018 and 2017 and $4.8 million for each of the six months ended June 30, 2018 and 2017. The financing obligation balance outstanding at June 30, 2018 was $87.7 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 and lease rental payments were $1.1 million for each of the three months ended June 30, 2018 and 2017 and $2.2 million for each of the six months ended June 30, 2018 and 2017. The financing obligation balance outstanding at June 30, 2018 was $62.5 million associated with the Sale-Leaseback Transaction.

Deferred Financing Fees

We incur bank fees related to our 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. We had unamortized deferred financing fees of $13.2 million and $15.9 million at June 30, 2018 and December 31, 2017, respectively.

Unamortized fees related to the credit agreement are included in other current assets and other long-term assets and amounted to $7.5 million and $9.6 million at June 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and amounted to $4.8 million and $5.4 million at June 30, 2018 and December 31, 2017, respectively. Unamortized fees related to the Sale-Leaseback Transaction are presented as a direct deduction from the carrying amount of the financing obligation and amounted to $0.9 million at both June 30, 2018 and December 31, 2017.

On April 25, 2017, we entered into the credit agreement, a new facility that extended the maturity date and reduced the total commitment of the prior credit agreement. As a result, we incurred expenses of approximately $0.6 million associated with the write-off of a portion of the related deferred financing fees. These expenses are

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included in interest expense in the accompanying consolidated statements of operations for each of the three and six months ended June 30, 2017.

Amortization expense of approximately $1.4 million for each of the three months ended June 30, 2018 and 2017 and $2.7 million and $2.9 million for the six months ended June 30, 2018 and 2017, respectively, is included in interest expense in the accompanying consolidated statements of operations.

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, derivative financial instruments, goodwill, evaluation of intangibles, evaluation of long-lived assets, environmental and other liabilities and related party transactions.

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, 2017. 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 1 of Notes to Consolidated Financial Statements herein for trustee taxes and in Note 2 of Notes to Consolidated Financial Statements herein for the adoption of ASU 2014-09, "Revenue from Contracts with Customers," including

modifications to that standard thereafter, and now codified as ASC 606 which we adopted on January 1, 2018.

Recent Accounting Pronouncements

A description and related impact expected from the adoption of certain new accounting pronouncements is provided in Note 22 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 an interest rate swap to manage exposure to interest rate risk and 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.

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As of June 30, 2018, we had total borrowings outstanding under our credit agreement of $483.0 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 $4.8 million annually, assuming, however, that our indebtedness remained constant throughout the year.

At June 30, 2018, we had in place one interest rate swap agreement which is hedging $100.0 million of variable rate debt and continues to be accounted for as a cash flow hedge. This interest rate swap expires on October 2, 2018.

See Note 9 of Notes to Consolidated Financial Statements for additional information on our derivative instruments.

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 the business, 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.

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At June 30, 2018, 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 June 30, 2018	Gain (Loss) Effect of 10% Price Increase	Effect of 10% Price Decrease
Exchange traded derivative contracts	$ (31,163)	$ (28,565)	$ 28,565
Forward derivative contracts	(1,959)	2,072	(2,072)
Total	$ (33,122)	$ (26,493)	$ 26,493

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 June 30, 2018. 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 $6.9 million at June 30, 2018.

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 primarily three clearing brokers, all major financial institutions, 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 June 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1.Legal Proceedings

The information required by this item is included in Note 21 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, 2017, which could materially affect our business, financial condition or future results.

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).
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).
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.

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

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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: August 9, 2018

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

Dated: August 9, 2018

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