

GLOBAL PARTNERS LP
Form 10-K
March 08, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 K

(Mark One)

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____
Commission file number 001 32593

Global Partners LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

74 3140887

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

P.O. Box 9161

800 South Street

Waltham, Massachusetts 02454 9161

(Address of principal executive offices, including zip code)

(781) 894 8800

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Units representing limited partner interests	New York Stock Exchange
9.75% Series A Fixed-to-Floating Cumulative Redeemable Perpetual Preferred Units representing limited partner interests	New York Stock Exchange

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Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

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

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

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

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

The aggregate market value of common units held by non affiliates of the registrant (treating directors and executive officers of the registrant's general partner and their affiliates, for this purpose, as if they were affiliates of the registrant) as of June 29, 2018 was approximately \$453,833,916 based on a price per common unit of \$17.05, the price at which the common units were last sold as reported on the New York Stock Exchange on such date.

As of March 5, 2019, 33,995,563 common units were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Forward Looking Statements

Certain statements and information in this Annual Report on Form 10 K may constitute “forward looking statements.” The words “believe,” “expect,” “anticipate,” “plan,” “intend,” “foresee,” “should,” “would,” “could” or other similar expressions are intended to identify forward looking statements, which are generally not historical in nature. These forward looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Part I, Item 1A. “Risk Factors.” These risks and uncertainties include, among other things:

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

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

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- 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 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 businesses could expose us to litigation and result in an unfavorable outcome or settlement of one or more lawsuits where insurance proceeds are insufficient or otherwise unavailable.
- Adverse developments in the areas where we conduct our businesses could have a material adverse effect on such businesses and could reduce our ability to make distributions to our unitholders.
- A serious disruption to our information technology systems could significantly limit our ability to manage and operate our businesses efficiently.
- We are exposed to performance risk in our supply chain.
- Our businesses are subject to federal, state and municipal environmental and non-environmental regulations which could have a material adverse effect on such businesses.
- Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which could permit them to favor their own interests to the detriment of our unitholders.
- Unitholders have limited voting rights and are not entitled to elect our general partner or its directors or remove our general partner without the consent of the holders of at least 66 2/3% of the outstanding common units (including common units held by our general partner and its affiliates), which could lower the trading price of our units.
- Our tax treatment depends on our status as a partnership for federal income tax purposes.
- Unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.

Readers are cautioned not to place undue reliance on forward looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Available Information

We make available free of charge through our website, www.globalp.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission (“SEC”). These documents are also available at the SEC’s website at www.sec.gov. Our website also includes our Code of Business Conduct and Ethics, our Governance Guidelines and the charters of our Audit Committee and Compensation Committee.

A copy of any of these documents will be provided without charge upon written request to the General Counsel, Global Partners LP, P.O. Box 9161, 800 South Street, Suite 500, Waltham, MA 02454; fax (781) 398-9211.

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PART I

References in this Annual Report on Form 10 K to “Global Partners LP,” “Partnership,” “we,” “our,” “us” or like terms refer to Global Partners LP and its subsidiaries. References to “our general partner” refer to Global GP LLC.

Items 1. and 2. Business and Properties.

Overview

We are a master limited partnership formed in March 2005. We own, control or have access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the “Northeast”). We are one of the region’s largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of December 31, 2018, we had a portfolio of 1,579 owned, leased and/or supplied gasoline stations, including 297 directly operated convenience stores, primarily in the Northeast. We are also one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. We engage in the purchasing, selling, gathering, blending, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane and in the transportation of petroleum products and renewable fuels by rail from the mid continent region of the United States and Canada.

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

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

2018 Events

Series A Preferred Unit Offering—On August 7, 2018, we issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units representing limited partner interests (the “Series A Preferred Units”) for \$25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. We used the proceeds, net of underwriting discount and expenses, of \$66.4 million to reduce indebtedness under our credit agreement. See Note 17 of Notes to Consolidated Financial Statements for additional information.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, we acquired the assets of ten company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC (“Cheshire”) for approximately \$33.4 million, including inventory. See Note 19 of Notes to Consolidated Financial Statements for additional information.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, we acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain”) for approximately \$138.4 million, including inventory. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience

stores in Vermont and New Hampshire and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also included fuel supply agreements for approximately 65 gasoline stations, primarily in Vermont and New Hampshire. See Note 19 of Notes to Consolidated Financial Statements for additional information.

Volumetric Ethanol Excise Tax Credit—In the first quarter of 2018, we recognized a one-time income item of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to the Volumetric Ethanol

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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 (loss) on trustee taxes in the accompanying consolidated statements of operations for the year ended December 31, 2018, did not impact cash flows from operations for the year ended December 31, 2018.

Operating Segments

We purchase refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane primarily from domestic and foreign refiners and ethanol producers, crude oil producers, major and independent oil companies and trading companies. We operate our businesses under three segments: (i) Wholesale, (ii) GDSO and (iii) Commercial. In 2018, our Wholesale, GDSO and Commercial sales accounted for approximately 55%, 35% and 10% of our total sales, respectively.

Wholesale

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

Gasoline Distribution and Station Operations

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

As of December 31, 2018, we had a portfolio of owned, leased and/or supplied gasoline stations, primarily in the Northeast, that consisted of the following:

Company operated	297
Commissioned agents	259
Lessee dealers	237
Contract dealers	786
Total	1,579

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.

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Products

General

The following table presents our product sales and other revenues as a percentage of our consolidated sales for the years ended December 31:

	2018		2017		2016	
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	74	%	65	%	64	%
Crude oil sales and crude oil logistics revenue	1	%	5	%	7	%
Distillates (home heating oil, diesel and kerosene), residual oil, natural gas and propane sales	22	%	26	%	24	%
Convenience store sales, rental income and sundries	3	%	4	%	5	%
Total	100	%	100	%	100	%

Gasoline. We sell all grades of branded and unbranded gasoline and we sell gasoline blendstocks, such as ethanol, that comply with seasonal and geographical requirements in the areas in which we market.

Crude Oil. We engage in the purchasing, selling, storing and logistics of transporting domestic and Canadian crude oil and other products via rail and barge from the mid continent region of the United States and Canada for distribution to refiners and other customers.

Distillates. Distillates are primarily divided into home heating oil, diesel and kerosene. In 2018, sales of home heating oil, diesel and kerosene accounted for approximately 48%, 51% and 1%, respectively, of our total volume of distillates sold. The distillates we sell are used primarily for fuel for trucks and off road construction equipment and for space heating of residential and commercial buildings.

We sell generic home heating oil and Heating Oil Plus™, our proprietary premium branded heating oil that is electronically blended at the delivery facility, to wholesale distributors and retailers. In addition, we sell the additive used to create Heating Oil Plus™ to some wholesale distributors, make injection systems available to them and provide technical support to assist them with blending. We also educate the sales force of our customers to better prepare them for marketing our products to their customers.

We have a fixed price sales program that we market primarily to wholesale distributors and retailers which uses the New York Mercantile Exchange (“NYMEX”) heating oil contract as the pricing benchmark and as the vehicle to manage the commodity risk. Please read “—Commodity Risk Management.” In 2018, approximately 28% of our home heating oil volume was sold using forward fixed price contracts. A forward fixed price contract requires our customer to purchase a specific volume at a specific price during a specific period. The remaining home heating oil volume was sold on either a posted price or a price based on various indices which, in both instances, reflect current market conditions.

We sell generic diesel and Diesel One®, our proprietary premium diesel fuel product. We offer marketing and technical support for those customers who purchase Diesel One®.

Residual Oil. We sell residual oil to industrial, commercial and marine customers. We specially blend product for users in accordance with their individual power specifications and for marine transport.

Propane. We sell propane to home heating oil and propane retailers and wholesale distributors primarily from our rail fed propane storage and distribution facility near our Church Street terminal in Albany, New York.

Natural Gas. Prior to the sale of our natural gas marketing and electricity brokerage businesses in February 2017, we sold natural gas to industrial and commercial customers.

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Convenience Store Items and Sundries. We sell a broad selection of food, beverages, snacks, grocery and non food merchandise at our convenience store locations and generate sundry sales, such as car wash sales and lottery and ATM commissions, at our convenience store locations.

Significant Customers

None of our customers accounted for greater than 10% of total sales for years ended December 31, 2018, 2017 and 2016.

Assets

Terminals

As of December 31, 2018, we owned, leased or maintained dedicated storage facilities at 25 bulk terminals, each with the capacity of more than 50,000 barrels, with a collective storage capacity of 11.6 million barrels. Twenty two of these bulk terminals are located throughout the Northeast. Some of our storage tankage is versatile, allowing us to switch tankage from one product to another.

In addition to refined products, we also own or operate two rail facilities in New York and Oregon capable of handling crude oil and ethanol and two rail facilities in North Dakota capable of handling crude oil. At select locations, we have capacity to store renewable fuels, and in Albany, New York, we also have an additional rail fed propane storage terminal.

The bulk terminals and inland storage facilities from which we distribute product are supplied by ship, barge, truck, pipeline and/or rail. The inland storage facilities, which we use primarily to store distillates, are supplied with product delivered by truck from bulk terminals. Our customers receive product from our network of bulk terminals and inland storage facilities via truck, ship, barge, rail and/or pipeline.

In connection with our businesses, we may lease or otherwise secure the right to use certain third-party assets (such as railcars, pipelines and barges). As of December 31, 2018, we supported our rail activity with a fleet of approximately 700 leased railcars. The makeup of this fleet is split between general purpose cars, typically used for light crude oil, ethanol and refined products, and coiled, insulated cars, typically used for heavy crude oil and residual oil. We lease railcars through various lease arrangements with various expiration dates, and we lease barges through various time charter lease arrangements also with various expiration dates. We also have various pipeline connection agreements that extend for three to six years. See Note 10 of Notes to Consolidated Financial Statements for additional information on our railcar leases, barge leases and pipeline commitments.

Many of our bulk terminals operate 24 hours a day and consist of multiple storage tanks and automated truck loading equipment. These automated systems monitor terminal access, volumetric allocations, credit control and carrier certification through the remote identification of customers. In addition, some of the bulk terminals from which we market are equipped with truck loading racks capable of providing automated blending and additive packages which meet our customers' specific requirements.

Throughput arrangements allow storage of product at terminals owned by others. We or our customers can load product at these terminals, and we pay the owners of these terminals fees for services rendered in connection with the receipt, storage and handling of such product. Compensation to the terminal owners may be fixed or based upon the volume of our product that is delivered and sold at the terminal. Logistics agreements may require counterparties to throughput a minimum volume over an agreed-upon period and may include make-up rights if the minimum volume is not met.

We have exchange agreements with customers and suppliers. An exchange is a contractual agreement where the parties exchange product at their respective terminals or facilities. For example, we (or our customers) receive product that is owned by our exchange partner from such party's facility or terminal, and we deliver the same volume of our product to such party (or to such party's customers) out of one of the terminals in our terminal network. Generally, both

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sides of an exchange transaction pay a handling fee (similar to a throughput fee), and often one party also pays a location differential that covers any excess transportation costs incurred by the other party in supplying product to the location at which the first party receives product. Other differentials that may occur in exchanges (and result in additional payments) include product value differentials and timing differentials.

Gasoline Stations

As of December 31, 2018, we had a portfolio of 1,579 owned, leased and/or supplied gasoline stations, including 297 directly operated convenience stores, primarily in the Northeast.

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

Supply

Our products come from some of the major energy companies in the world as well as North American crude oil producers. Products can be sourced from the United States, Canada, South America, Europe, Russia and occasionally from Asia. Most of our products are delivered by water, pipeline, rail or truck. During 2018, we purchased an average of approximately 382,000 barrels per day of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane. We enter into supply agreements with these suppliers on a term basis or a spot basis. With respect to trade terms, our supply purchases vary depending on the particular contract from prompt payment (usually two days) to net 30 days. Please read “—Commodity Risk Management.” We obtain our convenience store inventory from traditional suppliers.

Seasonality

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

Commodity Risk Management

When we take title to the products that we sell, we are exposed to commodity risk. Commodity risk is the risk of unfavorable market fluctuations in the price of commodities such as refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane. We endeavor to minimize commodity risk in connection with our daily operations through hedging by selling exchange traded futures contracts on regulated exchanges or using other

over the counter derivatives, and then lift hedges as we sell the product for physical delivery to third parties. Products are generally purchased and sold at spot market prices, fixed prices or indexed prices, with certain adjustments based on quality and freight due to location differences and prevailing supply and demand conditions, as well as other factors. While we use these transactions to 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

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variances in daily purchases and sales and transportation and delivery schedules as well as other logistical issues inherent in our businesses, such as weather conditions. In connection with managing these positions, we are aided by maintaining a constant presence in the marketplace. We also engage in a controlled trading program for up to an aggregate of 250,000 barrels of commodity products at any one point in time. 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.

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.

Operating results are sensitive to a number of factors. Such factors include commodity location, grades of product, individual customer demand for grades or location of product, localized market price structures, availability of transportation facilities, daily delivery volumes that vary from expected quantities and timing and costs to deliver the commodity to the customer. Basis risk is the inherent market price risk created when a commodity of a certain grade or location is purchased, sold or exchanged as compared to a purchase, sale or exchange of a commodity at a different time or place, including transportation costs and timing differentials. We attempt to reduce our exposure to basis risk by grouping our purchase and sale activities by geographical region and commodity quality in order to stay balanced within such designated region. However, basis risk cannot be entirely eliminated, and basis exposure, particularly in backward markets (when prices for future deliveries are lower than current prices) or other adverse market conditions, can adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

With respect to the pricing of commodities, 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, the Chicago Mercantile Exchange (“CME”) and the Intercontinental Exchange (“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.

We monitor processes and procedures to prevent unauthorized trading by our personnel and to maintain substantial balance between purchases and sales or future delivery obligations. We can provide no assurance, however, that these steps will eliminate commodity risk or detect and prevent all violations of such trading processes and procedures, particularly if deception or other intentional misconduct is involved.

In our Wholesale segment, we obtain Renewable Identification Numbers (“RINs”) in connection with our purchase of ethanol which is used for our bulk supply requirements 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 and diesel motor vehicle fuels, obligated parties must retire sufficient RINs to cover their Renewable Volume Obligation (“RVO”). Our U.S. Environmental Protection Agency (“EPA”) obligations relative to renewable fuel reporting are comprised of foreign gasoline and diesel that we may import and blending operations at certain facilities. As a wholesaler of transportation fuels through our terminals, we separate RINs from renewable fuel through blending with gasoline and can use those separated RINs to settle our RVO. While the annual compliance period for the RVO is a calendar year and the settlement of the RVO typically

occurs by March 31 of the following year, the settlement of the RVO can occur, under certain EPA deferral actions, more than one year after the close of the compliance period. Our Wholesale segment operating results may be sensitive to the timing associated with our RIN position relative to our RVO at a point in time, and we may recognize a mark to market liability for a shortfall in RINs at the end of each reporting period. To the extent that we do not have a sufficient number of RINs to satisfy our RVO as of the balance sheet date, we charge cost of sales for such deficiency

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based on the market price of the RINs as of the balance sheet date and record a liability representing our obligation to purchase RINs. Our 2016 RIN obligation may change due to a court decision requiring the EPA to revise the calculation methodology for determining the 2016 renewable fuel obligation. We do not believe that any impacts associated with any such change will have a material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders.

For more information about our policies and procedures to minimize our exposure to market risk, including commodity market risk, please read Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk.”

Competition

In each of our operating segments, we encounter varying degrees of competition based on product and geographic locations and available logistics. Our competitors include terminal companies, major integrated oil companies and their marketing affiliates, wholesalers, producers and independent marketers of varying sizes, financial resources and experience. In our Northeast market, we compete in various product lines and for all customers. In the residual oil markets, however, where product is heated when stored and cannot be delivered long distances, we face less competition because of the strategic locations of our residual oil storage facilities. We supply oil to industrial, commercial and marine customers. We compete with other transloaders in our logistics activities including, in part, storage and transportation of crude oil, renewable fuels, gasoline and gasoline blendstocks and the movement of product by alternative means (e.g., pipelines). We also compete with natural gas suppliers and marketers in our home heating oil, residual oil and propane product lines. Bunkering requires facilities at ports to service vessels. In various other geographic markets, particularly with respect to unbranded gasoline and distillates markets, we compete with integrated refiners, merchant refiners and regional marketing companies. Our retail gasoline stations compete with unbranded and branded retail gasoline stations as well as supermarket and warehouse stores that sell gasoline and our convenience stores compete with other convenience store chains independent convenience stores, supermarkets, drugstores, discount warehouse clubs, motor fuel stations, mass merchants, fast food operations and other similar retail outlets.

Employees

To carry out our operations, our general partner and certain of our operating subsidiaries employed approximately 2,500 full time employees as of December 31, 2018, of which approximately 100 employees were represented by labor unions under collective bargaining agreements with various expiration dates. We may not be able to renegotiate the collective bargaining agreements when they expire on satisfactory terms or at all. A failure to do so may increase our costs. In addition, existing labor agreements may not prevent a future strike or work stoppage, and any work stoppage could negatively affect our results of operations and financial condition. We believe we have good relations with our employees.

We have a shared services agreement with GPC. The services provided by employees shared pursuant to this agreement do not limit the ability of such employees to provide all services necessary to properly run our businesses. Please read Part III, Item 13, “Certain Relationships and Related Transactions, and Director Independence—Shared Services Agreement.”

Title to Properties, Permits and Licenses

We believe we have all of the assets needed, including leases, permits and licenses, to operate our businesses in all material respects. With respect to any consents, permits or authorizations that have not been obtained, we believe that the failure to obtain these consents, permits or authorizations will have no material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders.

We believe we have satisfactory title to all of our assets. Title to property, including certain sites within our GDSO segment, may be subject to encumbrances, including repurchase rights and use, operating and environmental covenants and restrictions. We believe that none of these encumbrances will materially detract from the value of our properties or from our interest in these properties, nor will they materially interfere with the use of these properties in the operation of our businesses.

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The name GLOBAL®, our Global logos and the name Global Petroleum Corp.® are our trademarks. In addition, we have trademarks for our premium fuels and additives: Diesel One® and the Diesel One® logo, Heating Oil Plus™ and the Heating Oil Plus® logo, SubZero® and the SubZero® logo, and our pending trademarks Diesel 1™, the Diesel 1™ logo and the tagline Legacy.Technology.Performance.™.

We also use the following trademarks for our convenience store business: ALLTOWN®, ALLTOWN ADVANTAGE™, ALLTOWN FRESH™ and the ALLTOWN FRESH™ logos, YOUR TOWN.MYTOWN.ALLTOWN!®, ALLTOWN MARKET®, CENTRE ST. KITCHEN®, Buck Stop®, Fast Freddie's®, Mr. Mike's®, Deli Joe's® and the Deli Joe's® logo, Diamond Fuels®, Xtra® and the XtraCafé® logo, Xtra Mart® and the Xtramart® logo, the Honey Farms® logo, Honey Money® and the Honey Money® logo.

Facilities

We lease office space for our principal executive office in Waltham, Massachusetts. This lease expires on July 31, 2026 with extension options through July 31, 2036. In addition, we lease office space in Branford, Connecticut. This lease expires on July 31, 2024 with extension options through July 31, 2034.

Environmental

General

Our businesses of supplying refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane involve a number of activities that are subject to extensive and stringent environmental laws. In addition, these laws are frequently modified or revised to impose new obligations.

Our operations also use a number of petroleum storage and distribution facilities, including rail transloading facilities and gasoline stations that we do not own or operate, but at which refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane are stored. We use these facilities through several different contractual arrangements, including leases and throughput and terminalling services agreements. If facilities with which we contract that are owned and operated by third parties fail to comply with environmental laws, they could be shut down or their operations could be compromised, requiring us to incur costs to use alternative facilities.

State, federal, and municipal laws and regulations, including, without limitation, those governing environmental matters can restrict or impact our business activities in many ways, such as:

- requiring remedial action to mitigate releases of hydrocarbons, hazardous substances or wastes caused by our operations or attributable to former operators;
- requiring our operations to obtain, maintain and renew permits which can obligate us to incur capital expenditures to comply with environmental control requirements and which may restrict our operations;
- enjoining the operations of facilities found to be noncompliant with applicable laws and regulations; and
- inability to renew permits on satisfactory terms and conditions.

Any such failures to comply may also trigger administrative, civil and possibly criminal enforcement measures, including monetary penalties and remedial requirements. Certain statutes impose strict, joint and several liability for costs required to clean up and restore sites where hydrocarbons, hazardous substances or wastes have been released or disposed of. Moreover, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the release of hydrocarbons, hazardous substances or other wastes into the environment.

Our operating permits are subject to modification, renewal and revocation. We regularly monitor and review our operations, procedures and policies for compliance with permits, laws and regulations. Risk of noncompliance,

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permit interpretation, permit modification, renewal of permits on less favorable terms, judicial or administrative challenges of permits or permit revocation are inherent in the operation of our businesses, as it is with other companies engaged in similar businesses.

The trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment over time. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. 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 minimize the costs of such compliance.

We do not believe that compliance with federal, state or local laws, including environmental laws and regulations will have a material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders. We can provide no assurance, however, that future events, such as changes in existing laws (including changes in the interpretation of existing laws), the promulgation of new laws, or the development or discovery of new facts or conditions will not cause us to incur significant costs or will not have a material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders.

For additional information concerning certain environmental proceedings, please read Notes 13 and 22 of Notes to Consolidated Financial Statements.

Hazardous Material Releases and Waste Handling

Our businesses are subject to laws that relate to the release of hazardous substances into the water or soils and require, among other things, measures to control pollution of the environment. For instance, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, also known as CERCLA or the Superfund law, and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of hazardous substances into the environment. Under the Superfund law, these persons may be subject to joint and several liability for the costs of cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In the course of our ordinary operations, we may generate, store or otherwise handle materials and wastes that fall within the Superfund law's definition of a hazardous substance and, as a result, we may be jointly and severally liable under the Superfund law for all or part of the costs required to clean up sites at which those hazardous substances have been released into the environment. Under these laws, we could be required to remove or remediate previously disposed wastes, including wastes disposed of or released by prior owners or operators, clean up contaminated property, including groundwater contaminated by prior owners or operators, or make capital improvements to prevent future contamination.

Our operations generate a variety of wastes, including some hazardous wastes that are subject to the federal Resource Conservation and Recovery Act, as amended ("RCRA") and comparable state laws. These regulations impose detailed requirements for the handling, storage, treatment and disposal of hazardous waste. Our operations also generate solid wastes which are regulated under state law or the less stringent solid waste requirements of the federal Solid Waste Disposal Act. We believe that our operations are in substantial compliance with the existing requirements of RCRA, the Solid Waste Disposal Act and similar state and local laws, and the cost involved in complying with these requirements is not material. We also incur ongoing costs for monitoring groundwater and/or remediation of contamination at several facilities that we operate.

Above Ground Storage Tanks

Above ground tanks that contain petroleum and other hazardous substances are subject to comprehensive regulation under environmental and other laws. Generally, these laws require secondary containment systems for tanks or that the operators take alternative precautions to ensure that no contamination results from tank leaks or spills and impose liability for releases from the tanks. We believe we are in substantial compliance with environmental laws and regulations applicable to above ground storage tanks.

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Under the Oil Pollution Act of 1990 (“OPA”) and comparable state laws, responsible parties for a regulated facility from which oil products so regulated are discharged may be subject to strict, joint and several liability for removal costs and certain other consequences of an oil spill such as natural resource damages, where the spill is into navigable waters or along shorelines.

Under the authority of the federal Clean Water Act, the EPA imposes specific requirements for Spill Prevention, Control and Countermeasure plans that are designed to prevent, and minimize the impacts of, releases of oil and other products from above ground storage tanks. We believe we are in substantial compliance with regulations pursuant to OPA, the Clean Water Act and similar state laws. We follow the American Petroleum Institute’s inspection, maintenance and repair standard applicable to our above ground storage tanks.

Underground Storage Tanks

We are required to make financial expenditures to comply with regulations governing underground storage tanks (“USTs”) which store gasoline or other regulated substances adopted by federal, state and local regulatory agencies. Pursuant to RCRA, the EPA has established a comprehensive regulatory program for the detection, prevention, investigation and cleanup of leaking USTs. State or local agencies may be delegated the responsibility for implementing the federal program or developing and implementing equivalent or stricter state or local regulations. We have a comprehensive program in place for performing routine tank testing and other compliance activities which are intended to promptly detect and investigate any potential releases. We believe we are in substantial compliance with applicable environmental requirements, including those applicable to our USTs. Compliance with existing and future environmental laws regulating UST systems of the kind we use may require significant capital expenditures in the future. These expenditures may include upgrades, modifications, and the replacement of USTs and related piping to comply with current and future regulatory requirements designed to ensure the detection, prevention, investigation and remediation of leaks and spills.

Water Discharges

The federal Clean Water Act imposes restrictions regarding the discharge of pollutants, including oil and refined petroleum products, gasoline blendstocks, renewable fuels and crude oil, into navigable waters. This law and comparable state laws may require permits for discharging pollutants into state and federal waters and impose substantial liabilities and remedial obligations for noncompliance. We hold these discharge permits for our facilities. Certain waters and wetlands, known as waters of the United States, are also subject to the protections and requirements of the Clean Water Act. Considerable legal uncertainty currently exists surrounding what standard should be used to identify waters of the United States as a result of legal challenges to a rulemaking by the former administration and proposed rulemaking by the current administration that is also likely to be subject to legal challenges. This uncertainty and the outcome of these legal challenges may result in a need for such permits in areas that were not formerly subject to the Clean Water Act, which may delay, limit or increase the costs of the exploration and production of crude oil and other materials we transport and may also adversely affect shippers who use our transportation assets. Any resulting restriction of supply could adversely affect our financial position, results of operations or cash available for distribution to our unitholders.

EPA regulations also may require us to obtain permits to discharge certain storm water runoff. Storm water discharge permits also may be required by certain states in which we operate. We believe that we hold the required permits and operate in material compliance with those permits. While we have experienced permit discharge exceedences at some of our terminals, we do not expect any noncompliance with existing permits and foreseeable new permit requirements to have a material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders.

Air Emissions

Under the federal Clean Air Act (the “CAA”) and comparable state and local laws, permits are typically required to emit regulated air pollutants into the atmosphere above certain thresholds. We believe that we currently hold or have applied for all necessary air permits and that we are in substantial compliance with applicable air laws and regulations. Although we can give no assurances, we are aware of no changes to air quality regulations that will have a

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material adverse effect on our financial condition, results of operations or cash available for distribution to our unitholders.

Various federal, state and local agencies have the authority to prescribe product quality specifications for the petroleum products and renewable fuels that we sell, largely in an effort to reduce air pollution. Failure to comply with these regulations can result in substantial penalties. Although we can give no assurances, we believe we are currently in substantial compliance with these regulations.

Changes in product quality specifications could require us to incur additional handling costs or reduce our throughput volume. For instance, different product specifications for different markets could require the construction of additional storage. Also, many states where we sell heating oil, including New York, Massachusetts, Connecticut, Maine, and Vermont, have limited the sulfur content of home heating oil.

In addition, the CAA and similar state laws impose requirements on emissions to the air from motor fueling activities in certain areas of the country, including those that do not meet state or national ambient air quality standards. These laws may require the installation of vapor recovery systems to control emissions of volatile organic compounds to the air during the motor fueling process.

In November 2015, the EPA also revised the existing National Ambient Air Quality Standards (“NAAQS”) for ground level ozone, which made the standard more stringent. Nitrogen oxides and volatile organic compounds are recognized as pre cursors of ozone, and emissions of those materials are associated with mobile sources and the petroleum industry. A designation of nonattainment can lead the governing state to issue more stringent limits on existing sources of those precursor pollutants within the designated nonattainment area. Also, a nonattainment designation may increase the burdens on permitting new activities in those areas. The EPA completed area designations for the 2015 ozone standards in July 2018. States with areas designated nonattainment have at least two years from the effective date of the nonattainment designation to submit any required State Implementation Plan revisions. While we are not able to determine the extent to which this new standard, or the finalized nonattainment designations, will impact our businesses at this time, it does have the potential to have a material impact on our operations and cost structure.

Climate Change

Federal climate change legislation in the United States appears unlikely in the near term. As a result, domestic efforts to curb greenhouse gas (“GHG”) emissions continue to be led by the EPA GHG regulations and the efforts of states. To the extent that our operations are subject to the EPA’s GHG regulations, we may face increased capital and operating costs associated with new or expanded facilities. Significant expansions of our existing facilities or construction of new facilities may be subject to the CAA’s requirements for review of pollutants regulated under the Prevention of Significant Deterioration and Title V programs. Some of our facilities and operations are also subject to the EPA’s Mandatory Reporting of Greenhouse Gases rule, and any further regulation may increase our operational costs. Some states in which we do business, including New York, have enacted measures requiring regulatory agencies to consider potential sea level rise in the performance of their regulatory duties.

In May 2016, the EPA finalized New Source Performance Standards (“NSPS”) for methane and volatile organic compound emissions from certain activities in the oil and gas production sector, not including crude oil or refined product transportation. This rule is currently subject to a pending judicial challenge in the D.C. Circuit. The EPA also released new control guidance for reducing volatile organic compound emissions from existing oil and gas sources in certain ozone non attainment areas. However, the EPA announced in April 2017 that it intends to reconsider certain aspects of the 2016 NSPS, and in June 2017, the EPA issued an administrative stay of key provisions of the rule, but was promptly ordered by the D.C. Circuit to implement the rule. The EPA also proposed 60-day and two-year stays of

certain provisions in June 2017 and published a Notice of Data Availability in November 2017 seeking comment and providing clarification regarding the agency's legal authority to stay the rule. In March 2018, the EPA announced amendments to two narrow provisions of the 2016 NSPS and in October 2018, the EPA proposed broader amendments to the 2016 NSPS including those related to fugitive emissions requirements and alternative means of emissions limitations provisions. If the proposed rule is finalized, it will likely be subject to judicial challenge. Collectively, these rules could impose new compliance costs and additional permitting burdens on upstream oil and gas operations, which could in turn

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affect the companies that produce the crude oil that we transport. Currently, however, it is not possible to estimate the likely financial impact of potential future regulation on our operations.

Under Subpart MM of the Mandatory Greenhouse Gas Reporting Rule (“MRR”), importers and exporters of petroleum products, including distillates and natural gas liquids, must report the GHG emissions that would result from the complete combustion of all imported and exported products if such combustion would result in the emission of at least 25,000 metric tons of carbon dioxide equivalent per year. We currently report under Subpart MM because of the volume of petroleum products we typically import. Compliance with the MRR does not substantially impact our operations. However, any change in regulations based on GHG emissions reported in compliance with MRR may limit our ability to import petroleum products or increase our costs to import such products.

Overall, there has been a trend towards increased regulation of GHGs and initiatives, both domestically and internationally, to limit GHG emissions. Future efforts to limit emissions associated with transportation fuels and heating fuels could reduce the market for, or pricing of, our products, and thus adversely impact our businesses. For example, at the 2015 United Nations Framework Convention on Climate Change in Paris, the United States and nearly 200 other nations entered into an international climate agreement. Although this agreement does not create any binding obligations for nations to limit their GHG emissions, it does include pledges to voluntarily limit or reduce future emissions. The Paris Agreement became effective in November 2016. The United States was one of over 100 nations that indicated an intent to comply with the agreement; however, in August 2017, the U.S. State Department officially informed the United Nations of the intent of the U.S. to withdraw from the agreement, with the earliest possible effective date of withdrawal being November 4, 2020. In addition, it should be noted that some scientists have concluded that increasing concentrations of GHG in the earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any of those effects were to occur, they could have an adverse effect on our assets and operations.

Activists concerned about the potential effects of climate change have, in certain instances, directed their attention at sources of funding for fossil-fuel energy companies. This could make it more difficult to secure funding for projects.

Convenience Store Regulations

Our convenience store operations are subject to extensive governmental laws and regulations that include legal restrictions on the sale of alcohol, tobacco and lottery products, food labelling, safety and health requirements and public accessibility, as well as sanitation, environmental, safety and fire standards. State and local regulatory agencies have the authority to approve, revoke, suspend or deny applications for, and renewals of, permits and licenses. Our operations are also subject to federal and state laws governing matters such as wage rates, overtime, working conditions and citizenship requirements. At the federal level, there are proposals under consideration from time to time to increase minimum wage rates and to introduce a system of mandated health insurance, each of which could adversely affect our results of operations. In June 2009, Congress passed the Family Smoking Prevention and Tobacco Control Act (“FSPTCA”) which gave the Food and Drug Administration (“FDA”) broad authority to regulate tobacco products. Under the FSPTCA, the FDA has passed regulations that, among other things, prohibit the sale of cigarettes or smokeless tobacco to anyone under the age of 18 years (state laws are permitted to set a higher minimum age); prohibit the sale of single cigarettes or packs with less than 20 cigarettes; and prohibit the sale or distribution of non tobacco items such as hats and t shirts with tobacco brands, names or logos. Governmental actions and regulations, such as these, could materially impact our retail price of cigarettes, cigarette unit volume and revenues, merchandise gross profit and overall customer traffic, which could in turn have a material adverse effect on our results of operations.

Ethanol Market

The market for ethanol is dependent on several economic incentives and regulatory mandates for blending ethanol into gasoline, including the availability of federal tax incentives, ethanol use mandates and oxygenate blending requirements. For instance, the Renewable Fuels Standard (“RFS”) requires that a certain amount of renewable fuels, such as ethanol, be utilized in transportation fuels, including gasoline, in the United States each year. Additionally, the EPA imposes oxygenate blending requirements for reformulated gasoline that are best met with ethanol blending.

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Gasoline marketers may also choose to discretionally blend ethanol into conventional gasoline for economic reasons. A change or waiver of the RFS mandate or the reformulated gasoline oxygenate blending requirements could adversely affect the availability and pricing of ethanol. Any change in the RFS mandate could also result in reduced discretionary blending of ethanol into conventional gasoline. Discretionary blending is when gasoline blenders use ethanol to reduce the cost of blended gasoline.

Environmental Insurance

We maintain insurance which may cover, in whole or in part, certain costs relating to environmental matters associated with the releases of the products we store, sell and/or ship. We maintain insurance policies with insurers in amounts and with coverage and deductibles as we believe are reasonable and prudent. These policies may not cover all environmental risks and costs and may not provide sufficient coverage in the event an environmental claim is made against us.

Security Regulation

Since the September 11, 2001 terrorist attacks on the United States, the U.S. government has issued warnings that energy infrastructure assets may be future targets of terrorist organizations. These developments have subjected our operations to increased risks. Increased security measures taken by us as a precaution against possible terrorist attacks have resulted in increased costs to our businesses. Where required by federal or local laws, we have prepared security plans for the storage and distribution facilities we operate. Terrorist attacks aimed at our facilities and any global and domestic economic repercussions from terrorist activities could adversely affect our financial condition, results of operations and cash available for distribution to our unitholders. For instance, terrorist activity could lead to increased volatility in prices for home heating oil, gasoline and other products we sell.

Insurance carriers are currently required to offer coverage for terrorist activities as a result of the federal Terrorism Risk Insurance Act of 2002 (“TRIA”). We purchased this coverage with respect to our property and casualty insurance programs, which resulted in additional insurance premiums. Pursuant to the Terrorism Risk Insurance Program Reauthorization Act of 2015, TRIA has been extended through December 31, 2020. Although we cannot determine the future availability and cost of insurance coverage for terrorist acts, we do not expect the availability and cost of such insurance to have a material adverse effect on our financial condition, results of operations or cash available for distribution to our unitholders.

Hazardous Materials Transportation

Our operations include the preparation and shipment of some hazardous materials by truck, rail, marine vessel and pipeline. We are subject to regulations promulgated under the Hazardous Materials Transportation Act (and subsequent amendments) and administered by the U.S. Department of Transportation (“DOT”) under the Federal Highway Administration, the Federal Railroad Administration (“FRA”), the United States Coast Guard and the Pipeline and Hazardous Materials Safety Administration (“PHMSA”).

We conduct loading and unloading of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane to and from cargo transports, including tanker trucks, railcars, marine vessels and pipeline. In large part, the cargo transports are owned and operated by third parties. In addition, we lease a fleet of railcars and charter barges associated with the shipment of refined petroleum products, gasoline blendstocks, renewable fuels and crude oil. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable regulations.

The trend in hazardous material transportation is to increase oversight and regulation of these operations. High-profile derailments of freight trains carrying hazardous materials, including the tragic events in July 2013 in Lac Mégantic

and other subsequent events, have led federal and state regulators to introduce a number of new requirements regulating the transportation of hazardous materials including crude oil and other products. These regulations address the testing and ensuing designations of crude oil; the safety of tank cars that are used in transporting crude oil and other flammable or petroleum type liquids by rail, including a requirement to phase out certain older DOT-111 tank cars; braking standards for certain trains; and new operational protocols for trains transporting large volumes of flammable

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liquids, such as routing requirements, speed restrictions and the provision of information to local government agencies. In July 2016, PHMSA also proposed a new rule that would expand the applicability of comprehensive oil spill response plans so that any railroad that transports a single train carrying 20 or more loaded tank cars of liquid petroleum oil in a continuous block or a single train carrying 35 or more loaded tank cars of liquid petroleum oil throughout the train must have a current, comprehensive, written plan. In January 2017, PHMSA issued an Advance Notice of Proposed Rulemaking announcing that it is considering revising the Hazardous Materials Regulations to establish vapor pressure limits for the transportation of crude oil and potentially all Class 3 flammable liquid hazardous materials. It remains to be seen how the current administration may act on these proposals. In addition to action taken or proposed by federal agencies, a number of states proposed or enacted laws in recent years that encourage safer rail operations or urge the federal government to strengthen requirements for these operations.

Canadian regulators have also taken measures to assess and address risks from the transport of crude oil by rail. Transport Canada phased out the use of DOT-111 tank cars in crude oil service as of November 1, 2016. Transport Canada has also implemented regulations imposing a 40 mile per hour speed limit on certain trains carrying hazardous materials in highly populated areas, requiring railways to give municipalities and first responders more information about the hazardous materials they carry, requiring that approved Emergency Response Assistance Plans be in place prior to transporting certain quantities of hazardous materials, and requiring railways to carry minimum levels of insurance depending on the quantity of crude oil or dangerous goods that they transport.

We believe we are in substantial compliance with applicable hazardous materials transportation requirements related to our operations. We do not believe that compliance with federal, state or local hazardous materials transportation regulations will have a material adverse effect on our financial position, results of operations or cash available for distribution to our unitholders. However, these and future statutes, regulatory changes or initiatives regarding hazardous material transportation, could directly and indirectly increase our operation, compliance and transportation costs and lead to shortages in availability of tank cars. We cannot assure that costs incurred to comply with standards and regulations emerging from these and future rulemakings will not be material to our businesses, financial condition or results of operations. Furthermore, we can provide no assurance that future events, such as changes in existing laws (including changes in the interpretation of existing laws), the promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport crude oil, or, or the development or discovery of new facts or conditions will not cause us to incur significant costs. Any such requirements would apply to the industry as a whole.

Employee Safety

We are subject to the requirements of the Occupational Safety and Health Act (“OSHA”) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, OSHA’s hazard communication standards require that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that we are in substantial compliance with the applicable OSHA requirements.

Item 1A. Risk Factors.

Risks Related to Our Business

We may not have sufficient cash from operations to enable us to pay distributions on our Series A Preferred Units or maintain distributions on our common units at current levels following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

We may not have sufficient available cash each quarter to pay distributions on our Series A Preferred Units and maintain distributions on our common units at current levels. The amount of cash we can distribute on our units

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principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- competition from other companies that sell refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane and convenience store items and sundries;
- demand for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane in the markets we serve;
- absolute price levels, as well as the volatility of prices, of refined petroleum products, gasoline blendstocks, renewable fuels, RINs, crude oil and propane in both the spot and futures markets;
- supply, extreme weather and logistics disruptions;
- seasonal variation in temperatures, which affects demand for home heating oil and residual oil to the extent that it is used for space heating;
- the level of our operating costs, including payments to our general partner; and
- prevailing economic conditions.

In addition, the actual amount of cash we have available for distribution will depend on other factors such as:

- the level of capital expenditures we make;
- the restrictions contained in our credit agreement and the indentures governing our senior notes, including financial covenants, borrowing base limitations and advance rates;
- distributions paid on our Series A Preferred Units;
- our debt service requirements;
- the cost of acquisitions;
- fluctuations in our working capital needs;
- our ability to borrow under our credit agreement to make distributions to our unitholders; and
- the amount of cash reserves established by our general partner.

The amount of cash we have available for distribution to unitholders depends on our cash flow and not solely on profitability.

The amount of cash we have available for distribution depends primarily on our cash flow, including borrowings, and not solely on profitability, which will be affected by non cash items. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

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

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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.

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 parcel(s) of real estate 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.

Even if we consummate acquisitions 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. Any acquisition involves potential risks, including:

- performance from the acquired assets and businesses that is below the forecasts we used in evaluating the acquisition;
- mistaken assumptions about price, demand, volumes, revenues and costs, including synergies;
- a significant increase in our indebtedness and working capital requirements;
- an inability to hire, train or retain qualified personnel to manage and operate our businesses and newly acquired assets;
- the inability to timely and effectively integrate the operations of recently acquired businesses or assets, particularly those in new geographic areas or in new lines of business;
- mistaken assumptions about the overall costs of equity or debt;
- the assumption of substantial unknown or unforeseen environmental and other liabilities arising out of the acquired businesses or assets, including liabilities arising from the operation of the acquired businesses or assets prior to our acquisition, for which we are not indemnified or for which the indemnity is inadequate;
- limitations on rights to indemnity from the seller;
- customer or key employee loss from the acquired businesses;
- unforeseen difficulties operating in new and existing product areas or new and existing geographic areas; and
 - diversion of our management's and employees' attention from other business concerns.

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If any acquisitions we ultimately consummate do not generate expected increases in cash available for distribution to our unitholders, our ability to increase or maintain distributions on our common units may be reduced.

Our gasoline financial results, with particular impact to our GDSO segment, are seasonal and can be lower in the first and fourth quarters of the calendar year.

Due to the nature of our businesses and our reliance, in part, on consumer travel and spending patterns, we may experience more demand for gasoline during the late spring and summer months than during the fall and winter. Travel and recreational activities are typically higher in these months in the geographic areas in which we operate, increasing the demand for gasoline that we sell. Therefore, our results of operations in gasoline can be lower in the first and fourth quarters of the calendar year.

Our heating oil and residual oil financial results are seasonal and can be lower in the second and third quarters of the calendar year.

Demand for some refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally higher during November through March than during April through October. We obtain a significant portion of these sales during the winter months. Therefore, our results of operations in heating oil and residual oil for the first and fourth calendar quarters can be better than for the second and third quarters.

Warmer weather conditions could adversely affect our results of operations and financial condition.

Weather conditions generally have an impact on the demand for both home heating oil and residual oil. Because we supply distributors whose customers depend on home heating oil and residual oil for space heating purposes during the winter, warmer than normal temperatures during the first and fourth calendar quarters in the Northeast can decrease the total volume we sell and the gross profit realized on those sales. Therefore, our results of operations in heating oil and residual oil for the first and fourth calendar quarters can be better than for the second and third quarters.

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 distributions to our unitholders.

A significant decrease in price or demand for the products we sell or a significant decrease in demand for our logistics activities could reduce our revenues and, therefore, reduce our ability to make distributions to our unitholders or increase distributions to our common unitholders. Factors that could lead to a decrease in market demand for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane include:

- a recession or other adverse economic conditions or an increase in the market price or of an oversupply of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane or higher fuel taxes or other governmental or regulatory actions that increase, directly or indirectly, the cost of gasoline or other refined petroleum products, gasoline blendstocks, renewable fuels crude oil and propane;
- a shift by consumers to more fuel efficient or alternative fuel vehicles or an increase in fuel economy of vehicles, whether as a result of technological advances by manufacturers, governmental or regulatory actions or otherwise; and
- conversion from consumption of home heating oil or residual oil to natural gas and utilization of propane and/or natural gas (instead of heating oil) as primary fuel sources.

Certain of our operating costs and expenses are fixed and do not vary with the volumes we store and distribute. Should we experience a reduction in our volumes stored, distributed and sold and in our related logistics activities, such costs and expenses may not decrease ratably or at all. As a result, we may experience declines in our margin if our volumes

decrease.

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Our businesses are influenced by the overall markets for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane and increases and/or decreases in the prices of these products may adversely impact our financial condition, results of operations and cash available for distribution to our unitholders and the amount of borrowing available for working capital under our credit agreement.

Results from our purchasing, storing, terminalling, transporting, selling and blending operations are influenced by prices for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, price volatility and the market for such products. Prices in the overall markets for these products may affect our financial condition, results of operations and cash available for distribution to our unitholders. Our margins can be significantly impacted by the forward product pricing curve, often referred to as the futures market. We typically hedge our exposure to petroleum product and renewable fuel price moves with futures contracts and, to a lesser extent, swaps. In markets where future prices are higher than current prices, referred to as contango, we may use our storage capacity to improve our margins by storing products we have purchased at lower prices in the current market for delivery to customers at higher prices in the future. In markets where future prices are lower than current prices, referred to as backwardation, inventories can depreciate in value and hedging costs are more expensive. For this reason, in these backward markets, we attempt to reduce our inventories in order to minimize these effects.

When prices for the products we sell rise, some of our customers may have insufficient credit to purchase supply from us at their historical purchase volumes, and their customers, in turn, may adopt conservation measures which reduce consumption, thereby reducing demand for product. Furthermore, when prices increase rapidly and dramatically, we may be unable to promptly pass our additional costs on to our customers, resulting in lower margins which could adversely affect our results of operations. Higher prices for the products we sell may (1) diminish our access to trade credit support and/or cause it to become more expensive and (2) decrease the amount of borrowings available for working capital under our credit agreement as a result of total available commitments, borrowing base limitations and advance rates thereunder.

When prices for the products we sell decline, our exposure to risk of loss in the event of nonperformance by our customers of our forward contracts may be increased as they and/or their customers may breach their contracts and purchase the products we sell at the then lower market price from a competitor. A significant decrease in the price for crude oil could adversely affect the economics of domestic crude oil production which, in turn, could have an adverse effect on our crude oil logistics activities and sales. A significant decrease in crude oil differentials could also have an adverse effect on our crude oil logistics activities and sales. The prolonged decline in crude oil prices and crude oil differentials has indicated an impairment of our long-lived assets at our terminals in North Dakota. As a result of these events, we recognized a goodwill and long-lived asset impairment of \$149.9 million for year ended December 31, 2016.

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.

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.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2018, our total debt, including amounts outstanding under our credit agreement and senior notes, was approximately \$1.1 billion. We have the ability to incur additional debt, including the capacity to borrow up

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to \$1.3 billion under our credit agreement, subject to limitations in our credit agreement. Our level of indebtedness could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;
- covenants contained in our existing and future credit and debt arrangements will require us to meet financial tests that may affect our flexibility in planning for and reacting to changes in our businesses, including possible acquisition opportunities;
- we will need a substantial portion of our cash flow to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our businesses or the economy generally; and
- our debt level may limit our flexibility in responding to changing businesses and economic conditions.

Our ability to service our indebtedness depends upon, among other things, our financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions, such as reducing or eliminating distributions, reducing or delaying our business activities, acquisitions, investments and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms or at all.

A significant increase in interest rates could adversely affect our ability to service our indebtedness.

The interest rates on our credit agreement are variable; therefore, we have exposure to movements in interest rates. A significant increase in interest rates could adversely affect our ability to service our indebtedness. The increased cost could make the financing of our business activities more expensive. These added expenses could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

We may not be able to obtain funding on acceptable terms or obtain additional requested funding in excess of total commitments under our credit agreement, which could have a material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

In the past, global financial markets and economic conditions were disrupted and volatile. The debt and equity capital markets were exceedingly distressed. These issues, along with significant write offs in the financial services sector, the re pricing of credit risk and the economic conditions, had made and, along with any other potential future economic or market uncertainties, could make it difficult to obtain funding. Activists concerned about the potential effects of climate change have, in certain instances, directed their attention at sources of funding for fossil-fuel energy companies. This could make it more difficult to secure funding for projects.

As a result, the cost of raising money in the debt and equity capital markets could increase while the availability of funds from those markets could diminish. The cost of obtaining money from the credit markets could increase as many lenders and institutional investors increase interest rates, enact tighter lending standards and reduce and, in some cases, cease to provide funding to borrowers.

In addition, we may be unable to obtain adequate funding under our credit agreement because (i) one or more of our lenders may be unable to meet its funding obligations or (ii) our borrowing base under our credit agreement, as

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redetermined from time to time, may decrease as a result of price fluctuations, counterparty risk, advance rates and borrowing base limitations and customer nonpayment or nonperformance.

Due to these factors, we cannot be certain that funding will be available if needed and to the extent required or requested on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to maintain our businesses as currently conducted, enhance our existing businesses, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

Operating and financial restrictions and covenants in our credit agreement and the indentures governing our senior notes and borrowing base requirements in our credit agreement may restrict our business and financing activities.

The operating and financial restrictions and covenants in our credit agreement and the indentures governing our senior notes and any future financing agreements could restrict our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our credit agreement restricts our ability to:

- grant liens;
- make certain loans or investments;
- incur additional indebtedness or guarantee other indebtedness;
- make any material change to the nature of our businesses or undergo a fundamental change;
- make any material dispositions;
- acquire another company;
- enter into a merger, consolidation, sale-leaseback transaction or purchase of assets;
- make distributions if any potential default or event of default occurs; or
- modify borrowing base components and advance rates.

In addition, the indentures governing our senior notes limit our ability to, among other things:

- incur additional indebtedness;
- make distributions to equity owners;
- make certain investments;
- restrict distributions by our subsidiaries;
- create liens;
- enter into sale leaseback transactions;
- sell assets; or
- merge with other entities.

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Our ability to comply with the covenants and restrictions contained in our credit agreement and the indentures may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or tests in our credit agreement or the indentures, a significant portion of our indebtedness may become immediately due and payable, and our lenders' commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our credit agreement are secured by substantially all of our assets, and if we are unable to repay our indebtedness under our credit agreement, the lenders could seek to foreclose on such assets.

Restrictions in our credit agreement and the indentures limit our ability to pay distributions upon the occurrence of certain events.

Our credit agreement and the indentures limit our ability to pay distributions upon the occurrence of certain events. For example, each of our credit agreement and the indentures limits our ability to pay distributions upon the occurrence of the following events, among others:

- failure to pay any principal, interest, fees or other amounts when due;
- failure to perform or otherwise comply with the covenants in the credit agreement, the indentures or in other loan documents to which we are a borrower; and
- a bankruptcy or insolvency event involving us, our general partner or any of our subsidiaries.

Any subsequent refinancing of our current debt or any new debt could have similar restrictions. For more information regarding our credit agreement and the indentures, please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreement" and Note 7 of Notes to Consolidated Financial Statements.

We can borrow money under our credit agreement to pay distributions, which would reduce the amount of credit available to operate our businesses.

Our partnership agreement allows us to borrow under our credit agreement to pay distributions. Accordingly, we can make distributions on our units even though cash generated by our operations may not be sufficient to pay such distributions. For more information, please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and Note 7 of Notes to Consolidated Financial Statements.

The enactment of derivatives legislation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our businesses.

On July 21, 2010, new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), was enacted that establishes federal oversight and regulation of the over-the-counter derivatives market and entities, such as us, that participate in that market. The Act requires the Commodities Futures Trading Commission ("CFTC"), the SEC and other regulators to promulgate rules and regulations implementing the new legislation. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict when this will be accomplished.

In October 2010, pursuant to its rulemaking under the Act, the CFTC issued rules to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. The initial position limits rule was vacated by the United States District Court for the District of Columbia in September of 2012. However, in December 2016, the CFTC re-proposed new rules that would place limits on positions in certain core futures and equivalent swaps contracts for, or linked to, certain physical commodities, subject to exceptions for certain

bona fide hedging transactions. As these new position limit rules are not yet final, the impact of those provisions on us is uncertain at this time.

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The CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing and exchange trading. To the extent we engage in such transactions or transactions that become subject to such rules in the future, we will be required to comply or take steps to qualify for an exemption to such requirements. Although we expect to qualify for the end user exception to the mandatory clearing requirements for swaps entered to hedge our commercial risks, the application of the mandatory clearing and trade execution requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use for hedging. If our swaps do not qualify for the commercial end user exception, or the cost of entering into uncleared swaps becomes prohibitive, we may be required to clear such transactions. The ultimate effect of the rules and any additional regulations on our businesses is uncertain at this time.

In addition, the Act requires that regulators establish margin rules for uncleared swaps. Banking regulators and the CFTC have adopted final rules establishing minimum margin requirements for uncleared swaps. Although we expect to qualify for the end user exception from such margin requirements for swaps entered into to hedge our commercial risks, the application of such requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use for hedging. If any of our swaps do not qualify for the commercial end user exception, posting of initial or variation margin could impact our liquidity and reduce cash available for capital expenditures, therefore reducing our ability to execute hedges to reduce risk and protect cash flows.

The full impact of the Act and related regulatory requirements upon our businesses will not be known until all of the related regulations are implemented. The Act and any new regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of some derivatives to protect against risks we encounter and reduce our ability to monetize or restructure our existing derivative contracts. If we reduce our use of derivatives as a result of the Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Any of these consequences could have material adverse effect on our financial condition, results of operations and cash available for distributions to our unitholders.

In addition, the European Union and other non U.S. jurisdictions are implementing regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions, we may become subject to such regulations.

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, any noncompliance with our risk management policies could result in significant financial losses.

While our hedging policies are designed to minimize commodity risk, some degree of exposure to unforeseen fluctuations in market conditions remains. For example, we change our hedged position daily in response to movements in our inventory. If we overestimate or underestimate our sales from inventory, we may be unhedged for the amount of the overestimate or underestimate. Also, significant increases in the costs of the products we sell can materially increase our costs to carry inventory. We use our credit facility as our primary source of financing to carry inventory and may be limited on the amounts we can borrow to carry inventory.

Basis risk is the inherent market price risk created when a commodity of certain grade or location is purchased, sold or exchanged as compared to a purchase, sale or exchange of a like commodity at a different time or place.

Transportation costs and timing differentials are components of basis risk. For example, we use the NYMEX to hedge our commodity risk with respect to pricing of energy products traded on the NYMEX. Physical deliveries under NYMEX contracts are made in New York Harbor. To the extent we take deliveries in other ports, such as Boston

Harbor, we may have basis risk. In a backward market (when prices for future deliveries are lower than current prices), basis risk is created with respect to timing. In these instances, physical inventory generally loses value as basis declines over time. Basis risk cannot be entirely eliminated, and basis exposure, particularly in backward or other adverse market conditions, can adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

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We monitor processes and procedures to prevent unauthorized trading and to maintain substantial balance between purchases and sales or future delivery obligations. We can provide no assurance, however, that these steps will detect and/or prevent all violations of such risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

We are exposed to trade credit risk and risk associated with our trade credit support in the ordinary course of our business activities.

We are exposed to risks of loss in the event of nonperformance by our customers, by counterparties of our forward and futures contracts, options and swap agreements and by our suppliers. Some of our customers, counterparties and suppliers may be highly leveraged and subject to their own operating and regulatory risks. The tightening of credit in the financial markets may make it more difficult for customers and counterparties to obtain financing and, depending on the degree to which it occurs, there may be a material increase in the nonpayment and nonperformance of our customers and counterparties. Even if our credit review and analysis mechanisms work properly, we may experience financial losses in our dealings with other parties. Any increase in the nonpayment or nonperformance by our customers and/or counterparties and the nonperformance by our suppliers could reduce our ability to make distributions to our unitholders.

Additionally, our access to trade credit support could diminish and/or become more expensive. Our ability to continue to receive sufficient trade credit on commercially acceptable terms could be adversely affected by fluctuations in petroleum product and renewable fuel prices or disruptions in the credit markets or for any other reason. Any of these events could adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

We are exposed to performance risk in our supply chain.

We rely upon our suppliers to timely produce the volumes and types of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane for which they contract with us. In the event one or more of our suppliers does not perform in accordance with its contractual obligations, we may be required to purchase product on the open market to satisfy forward contracts we have entered into with our customers in reliance upon such supply arrangements. We may purchase refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane from a variety of suppliers under term contracts and on the spot market. In times of extreme market demand, we may be unable to satisfy our supply requirements. Furthermore, a portion of our supply comes from other countries, which could be disrupted by political events. In the event such supply becomes scarce, whether as a result of political events, natural disaster, logistical issues associated with delivery schedules or otherwise, we may not be able to satisfy our supply requirements. If any of these events were to occur, we may be required to pay more for product that we purchase on the open market, which could result in financial losses and adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

Historical prices for certain products we sell have been volatile and significant changes in such prices in the future may adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

Historical prices for certain products we sell have been volatile. General political conditions, acts of war, terrorism and instability in oil producing regions, particularly in the United States, Canada, Middle East, Russia, Africa and South America, could significantly impact crude oil supplies and crude oil and refined petroleum product costs. Significant increases and volatility in wholesale gasoline costs could result in significant increases in the retail price of motor fuel products and in lower margins per gallon. Increases in the retail price of motor fuel products could impact consumer demand for motor fuel. This volatility makes it extremely difficult to predict the impact future wholesale

cost fluctuations will have on our operating results and financial condition. Dramatic increases in crude oil prices squeeze fuel margins because fuel costs typically increase faster than can pass along such increases to customers. Higher fuel prices trigger higher credit card expenses, because credit card fees are calculated as a percentage of the transaction amount, not as a percentage of gallons sold. A significant change in any of these factors could materially impact our customers' needs, motor fuel gallon volumes, gross profit and overall customer traffic, which in turn could have a

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material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

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.

Technological advances and alternative fuel sources, such as electric, hybrid, battery powered, hydrogen or other alternative fuel powered motor vehicles, may adversely affect the demand for gasoline. We could face additional competition from alternative energy sources as a result of future government mandated controls or regulations which promote the use of alternative fuel sources. A number of new legal incentives and regulatory requirements, and executive initiatives, including the Clean Power Plan and various government subsidies including the extension of certain tax credits for renewable energy, have made these alternative forms of energy more competitive. 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. In addition, higher prices could reduce the demand for gasoline and adversely impact our gasoline sales. A reduction in gasoline sales could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

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.

Erosion of the value of major gasoline brands could adversely affect our gasoline sales and customer traffic.

As a significant number of our retail gasoline stations and convenience stores are branded Mobil or other major gasoline brands, they may be dependent, in part, upon the continuing favorable reputation of such brands. Erosion of the value of major gasoline brands could have a negative impact on our gasoline sales, which in turn may cause our acquisition to be less profitable.

We depend upon marine, pipeline, rail and truck transportation services for a substantial portion of our logistics activities in transporting the products we sell. A disruption in these transportation services could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

Hurricanes, flooding and other severe weather conditions could cause a disruption in the transportation services we depend upon which could affect the flow of service. In addition, accidents, labor disputes between providers and their employees and labor renegotiations, including strikes, lockouts or a work stoppage, shortage of railcars, mechanical

difficulties or bottlenecks and disruptions in transportation logistics could also disrupt our activities. These events could result in service disruptions and increased cost which could also adversely affect our financial condition, results of operations and cash available for distribution to our unitholders. Other disruptions, such as those due to an act of terrorism or war, could also adversely affect our businesses.

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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.

The EPA has implemented a RFS pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The RFS program seeks to promote the incorporation of biofuels in the nation's fuel supply and, to that end, sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation fuels consumed in the United States. A RIN is assigned to each gallon of renewable fuel produced in or imported into the United States.

We are exposed to the volatility in the market price of RINs. We cannot predict the future prices of RINs. RIN prices are dependent upon a variety of factors, including EPA regulations related to the amount of RINs required and the total amounts that can be generated, the availability of RINs for purchase, the price at which RINs can be purchased, and levels of transportation fuels produced, all of which can vary significantly from quarter to quarter. If sufficient RINs are unavailable for purchase or if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our results of operations and cash flows could be adversely affected.

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

We may not be able to obtain state fund or insurance reimbursement of our environmental remediation costs.

Where releases of products, including, without limitation, refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane have occurred, federal and state laws and regulations require that contamination caused by such releases be assessed and remediated to meet applicable standards. Our obligation to remediate this type of contamination varies, depending upon applicable laws and regulations and the extent of, and the facts relating to, the release. A portion of the remediation costs for certain petroleum products may be recoverable from the reimbursement fund of the applicable state and/or from third party insurance after any deductible has been met, but there are no assurances that such reimbursement funds or insurance proceeds will be available to us.

Future consumer or other litigation could adversely affect our financial condition and results of operations.

Our retail gasoline and convenience store operations are characterized by a high volume of customer traffic and by transactions involving an array of products.

These operations carry a higher exposure to consumer litigation risk when compared to the operations of companies operating in many other industries. Consequently, we may become a party to individual personal injury or products liability and other legal actions in the ordinary course of our retail gasoline and convenience store business. Any such action could adversely affect our financial condition and results of operations. Additionally, we are occasionally exposed to industry wide or class action claims arising from the products we carry or industry specific business practices. Our defense costs and any resulting damage awards or settlement amounts may not be fully covered by our insurance policies. An unfavorable outcome or settlement of one or more of these lawsuits could have a material adverse effect on our financial condition, results of operations and cash available for distributions.

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We may incur costs or liabilities as a result of litigation or adverse publicity resulting from concerns over food quality, health or other issues that could cause customers to avoid our convenience stores.

We may be the subject of complaints or litigation arising from food-related illness or injury in general which could have a negative impact on our businesses. Additionally, negative publicity, regardless of whether the allegations are valid, concerning food quality, food safety or other health concerns, employee relations or other matters related to our prepared food operations may materially adversely affect demand for our offerings and could result in a decrease in customer traffic to our convenience stores.

We depend upon a small number of suppliers for a substantial portion of our convenience store merchandise inventory. A disruption in supply or an unexpected change in our relationships with our principal merchandise suppliers could have an adverse effect on our convenience store results of operations.

We purchase convenience store merchandise inventory from a small number of suppliers for our directly operated convenience stores. A change of merchandise suppliers, a disruption in supply or a significant change in our relationships with our principal merchandise suppliers could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

Governmental action and campaigns to discourage smoking may have a material adverse effect on our revenues and gross profit.

Congress has given the FDA broad authority to regulate tobacco products, and the FDA has enacted numerous regulations restricting the sale of such products. These governmental actions, as well as national, state and local campaigns to discourage smoking, tax increases on tobacco products and increasing regulations 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 effect on our financial condition, results of operations and cash available for distribution to our unitholders.

We face intense competition in our purchasing, selling, gathering, blending, terminalling, transporting, storage and logistics activities. Competition from other providers of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane that are able to supply our customers with those products and services at a lower price and have capital resources many times greater than ours could reduce our ability to make distributions to our unitholders.

We are subject to competition from distributors and suppliers of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane that may be able to supply our customers with the same or comparable products and gathering, blending, terminalling, transporting and storage services and logistics on a more competitive basis. We compete with terminal companies, major integrated oil companies and their marketing affiliates, wholesalers, producers and independent marketers of varying sizes, financial resources and experience. In our Northeast market, we compete in various product lines and for all customers. In the residual oil markets, however, where product is heated when stored and cannot be delivered long distances, we face less competition because of the strategic locations of our residual oil storage facilities. We compete with other transloaders in our logistics activities including, in part, storage and transportation of crude oil, and the movement of product by alternative means (e.g., pipelines). We also compete with natural gas suppliers and marketers in our home heating oil, residual oil and propane product lines. Bunkering requires facilities at ports to service vessels. In various other geographic markets, particularly the unbranded gasoline and distillates markets, we compete with integrated refiners, merchant refiners and regional marketing companies. Our retail gasoline stations compete with unbranded and branded retail gas stations as well as supermarket and warehouse stores that sell gasoline.

Some of our competitors are substantially larger than us, have greater financial resources and control greater supplies of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane than we do. If we are unable to compete effectively, we may lose existing customers or fail to acquire new customers, which could have a

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material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders. For example, if a competitor attempts to increase market share by reducing prices, our operating results and cash available for distribution to our unitholders could be adversely affected. We may not be able to compete successfully with these companies, and our ability to compete could be harmed by factors including price competition and the availability of alternative and less expensive fuels.

New entrants or increased competition in the convenience store industry could result in reduced gross profits.

We compete with numerous other convenience store chains, independent convenience stores, supermarkets, drugstores, discount warehouse clubs, motor fuel service stations, mass merchants, fast food operations and other similar retail outlets. Several non-traditional retailers, including supermarkets and club stores, compete directly with convenience stores.

We may not be able to renew our leases or our agreements for dedicated storage when they expire.

The bulk terminals we own or lease or at which we maintain dedicated storage facilities play a key role in moving product to our customers. As of December 31, 2018, we owned, operated and maintained dedicated storage facilities at 18 bulk terminals, leased the entirety of two bulk terminals that we operated exclusively for our businesses, and maintained dedicated storage at five facilities for which we have terminalling agreements. The lease and terminalling agreements are subject to expiration through 2019 and 2023, respectively. If these lease and terminalling agreements are not renewed or we are unable to renew them at rates and on terms at least as favorable, it could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

We may not be able to lease sites we own or sub lease sites we lease with respect to the sale of gasoline and/or related activities on favorable terms and any such failure could adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

If we are unable to obtain tenants on favorable terms for sites we own or lease, the lease payments we receive may not be adequate to cover our rent expense for leased sites and may not be adequate to ensure that we meet our debt service requirements. We may lease certain sites where the rent expense we pay is more than the lease payments we collect. We cannot provide any assurance that our gross margin from the sale of transportation fuels and related convenience store items at sites will be adequate to offset unfavorable lease terms. The occurrence of these events could adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

Some of our sales are generated under contracts that must be renegotiated or replaced periodically. If we are unable to successfully renegotiate or replace these contracts, our financial condition, results of operations and cash available for distribution to our unitholders could be adversely affected.

Most of our arrangements with our customers are renegotiated or replaced periodically. As these contracts expire, they must be renegotiated or replaced. We may be unable to renegotiate or replace these contracts when they expire, and the terms of any renegotiated contracts may not be as favorable as the contracts they replace. Whether these contracts are successfully renegotiated or replaced is often subject to factors beyond our control. Such factors include fluctuations in refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane prices, counterparty ability to pay for or accept the contracted volumes and a competitive marketplace for the services offered by us. If we cannot successfully renegotiate or replace our contracts or renegotiate or replace them on less favorable terms, sales from these arrangements could decline, and our financial condition, results of operations and cash available for distribution to our unitholders could be adversely affected.

Due to our lack of asset and geographic diversification, adverse developments in the terminals we use or in our operating areas would reduce our ability to make distributions to our unitholders.

We rely primarily on sales generated from products distributed from the terminals we own or control or to which we have access. Furthermore, the majority of our assets and operations are located in the Northeast. Due to our lack of diversification in asset type and location, an adverse development in these businesses or areas, including adverse

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developments due to catastrophic events or weather and decreases in demand for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, could have a significantly greater impact on our results of operations and cash available for distribution to our unitholders than if we maintained more diverse assets and locations.

Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured.

We are not fully insured against all risks incident to our businesses. Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, mechanical failures, disruptions in supply infrastructure or logistics and other events beyond our control. If any of these events were to occur, we could incur substantial losses because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of our related operations.

We store gasoline and gasoline blendstocks, renewable fuels, crude oil and propane in underground and above ground storage tanks. Our operations are also subject to significant hazards and risks inherent in storing gasoline. These hazards and risks include fires, explosions, spills, discharges and other releases, any of which could result in distribution difficulties and disruptions, environmental pollution, governmentally imposed fines or clean up obligations, personal injury or wrongful death claims and other damage to our properties and the properties of others.

Furthermore, we may be unable to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we are not fully insured, it could have a material adverse effect on our financial condition, results of operations and cash available for distribution to unitholders.

New, stricter environmental laws and other industry-related regulations or environmental litigation could significantly impact our operations and/or increase our costs, which could adversely affect our results of operations and financial condition.

Our operations are subject to federal, state and local laws and regulations regulating, among other matters, logistics activities, product quality specifications and other environmental matters. The trend in environmental regulation has been towards more restrictions and limitations on activities that may affect the environment over time. Our businesses may be adversely affected by increased costs and liabilities resulting from such stricter laws and regulations. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance. Risks related to our environmental permits, including the risk of noncompliance, permit interpretation, permit modification, renewal of permits on less favorable terms, judicial or administrative challenges to permits by citizens groups or federal, state or local entities or permit revocation are inherent in the operation of our businesses, as it is with other companies engaged in similar businesses. We may not be able to renew the permits necessary for our operations, or we may be forced to accept terms in future permits that limit our operations or result in additional compliance costs.

In recent years, the transport of crude oil and ethanol has become subject to additional regulation. The establishment of more stringent design or construction standards, or other requirements for railroad tank cars that are used to transport crude oil and ethanol with too short of a timeframe for compliance may lead to shortages of compliant railcars available to transport crude oil and ethanol, which could adversely affect our businesses. Likewise, in recent years, efforts have commenced to seek to use federal, state and local laws to contest issuance of permits, contest

renewal of permits and restrict the types of railroad tanks cars that can be used to deliver products, including, without limitation, crude oil and ethanol to bulk storage terminals. Were such laws to come into effect and were they to survive appeals and judicial review, they would potentially expose our operations to duplicative and possibly inconsistent regulation.

There can be no assurances as to the timing and type of such changes in existing laws or the promulgation of new laws or the amount of any required expenditures associated therewith. Climate change continues to attract considerable public and scientific attention. In recent years environmental interest groups have filed suit against

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companies in the energy industry related to climate change. Should such suits succeed, we could face additional compliance costs or litigation risks.

Our terminalling operations are subject to federal, state and local laws and regulations relating to environmental protection and operational safety that could require us to incur substantial costs.

The risk of substantial environmental costs and liabilities is inherent in terminal operations, and we may incur substantial environmental costs and liabilities. Our terminalling operations involving the receipt, storage and delivery of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane are subject to stringent federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, operational safety and related matters. Compliance with these laws and regulations increases our overall cost of business, including our capital costs to maintain and upgrade equipment and facilities. We utilize a number of terminals that are owned and operated by third parties who are also subject to these stringent federal, state and local environmental laws in their operations. Their compliance with these requirements could increase the cost of doing business with these facilities. Please read Part I, Items 1. and 2. “Business and Properties—Environmental.”

In addition, our operations could be adversely affected if shippers of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane incur additional costs or liabilities associated with regulations, including environmental regulations. These shippers could increase their charges to us or discontinue service altogether. Similarly, many of our suppliers face a trend of increasing environmental regulations, which could likewise restrict their ability to produce crude oil or fuels, or increase their costs of production, and thus impact the price of, and/or their ability to deliver, these products.

Various governmental authorities, including the EPA, have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including fines, injunctions or both. Joint and several liability may be incurred, without regard to fault or the legality of the original conduct, under federal and state environmental laws for the remediation of contaminated areas at our facilities and those where we do business. Private parties, including the owners of properties located near our terminal facilities and those with whom we do business, also may have the right to pursue legal actions against us to enforce compliance with environmental laws, as well as seek damages for personal injury or property damage. We may also be held liable for damages to natural resources.

The possibility exists that new, stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary, some of which may be material. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage in the event an environmental claim is made against us. We may incur increased costs because of stricter pollution control requirements or liabilities resulting from noncompliance with required operating or other regulatory permits. New environmental regulations, such as those related to the emissions of GHGs, might adversely affect the market for our products and activities, including the storage of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, as well as our waste management practices and our control of air emissions. Enactment of laws and passage of regulations regarding GHG emissions, or other actions to limit GHG emissions may reduce demand for fossil fuels and impact our businesses. Federal and state agencies also could impose additional safety regulations to which we would be subject. Because the laws and regulations applicable to our operations are subject to change, we cannot provide any assurance that compliance with future laws and regulations will not have a material effect on our results of operations.

Additionally, the construction of new terminals or the expansion of an existing terminal involves numerous regulatory, environmental, political and legal uncertainties, most of which are not in our control. Delays, litigation, local concerns

and difficulty in obtaining approvals for projects requiring federal, state or local permits could impact our ability to build, expand and operate strategic facilities and infrastructure, which could adversely impact growth and operational efficiency.

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Increased regulation of GHG emissions could result in increased operating costs and reduced demand for refined petroleum products as a fuel source, which could reduce demand for our products, decrease our revenues and reduce our profitability.

Combustion of fossil fuels, such as the refined petroleum products we sell, results in the emission of carbon dioxide into the atmosphere. On December 15, 2009, the EPA published its findings that emissions of carbon dioxide and other GHGs present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has promulgated or adopted regulations to address GHG emissions from the combustion of fossil fuels from large stationary sources. With respect to emissions of GHGs from the use of fossil fuels for mobile sources, the EPA has also issued Corporate Average Fuel Economy ("CAFE") standards for fleets of 2022-2025 model year vehicles that may, should the standards become effective, reduce demand for gasoline, thereby reducing emissions of GHGs from the operation of motor vehicles and also reducing demand for our products and services. In addition, it is possible federal legislation could be adopted in the future to restrict GHGs, as Congress has considered various proposals to reduce GHG emissions from time to time. Many states and regions have adopted GHG initiatives. Please read Part I, Items 1. and 2. "Business and Properties—Environmental—Air Emissions."

Future international, federal and state initiatives to control GHG emissions, or an unfavorable outcome in the methane judicial challenges, could result in increased costs associated with refined petroleum products consumption, such as costs to install additional controls to reduce GHG emissions or costs to purchase emissions reduction credits to comply with future emissions trading programs. Please read Part I, Items 1. and 2. "Business and Properties—Environmental—Air Emissions." Such increased costs could result in reduced demand for refined petroleum products and some customers switching to alternative sources of fuel which could have a material adverse effect on our financial condition, results of operations and cash available for distributions to our unitholders.

Climate change continues to attract considerable public and scientific attention. Recently, litigation has been filed against companies in the energy industry related to climate change. Should such suits succeed, we could face additional compliance costs or litigation risks.

Our businesses involve the buying, selling, gathering, blending and shipping of refined petroleum products, gasoline blendstocks, renewable fuels and crude oil by rail, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our businesses, financial condition or results of operations.

Our operations involve the buying and selling, gathering and blending of refined petroleum products, gasoline blendstocks, renewable fuels and crude oil and shipping it by rail to various markets including on railcars that we lease. The derailments of trains transporting such products in North America have caused various regulatory agencies and industry organizations, as well as federal, state and municipal governments, to focus attention on transportation by rail of flammable materials. Additional measures have been taken in both the United States. and Canada to regulate the transportation of these products. Please read Part I, Items 1. and 2. "Business and Properties—Environmental—Hazardous Materials Transportation."

Any changes to the existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars, including those used to transport crude oil, may require us to make expenditures to comply with new standards that are material to our operations, and, to the extent that new regulations require design changes or other modifications of tank cars, we may incur significant constraints on transportation capacity during the period while tank cars are being retrofitted or newly constructed to comply with the new regulations. We cannot assure that the totality of costs incurred to comply with any new standards and regulations and any impacts on our operations will not

be material to our businesses, financial condition or results of operations. In addition, any derailment of railcars involving products that we have purchased or are shipping may result in claims being brought against us that may involve significant liabilities. Although we believe that we are adequately insured against such events, we cannot assure you that our policies will cover the entirety of any damages that may arise from such an event.

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We are subject to federal, state and local laws and regulations that govern the product quality specifications of the refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane we purchase, store, transport and sell.

Various federal, state and local government agencies have the authority to prescribe specific product quality specifications to the sale of commodities. Our businesses include such commodities. Changes in product quality specifications, such as reduced sulfur content in refined petroleum products, or other more stringent requirements for fuels, could reduce our ability to procure product and our sales volume, require us to incur additional handling costs and/or require the expenditure of capital. For instance, different product specifications for different markets could require additional storage. If we are unable to procure product or recover these costs through increased sales, we may not be able to meet our financial obligations. Failure to comply with these regulations could result in substantial penalties.

We are subject to federal and state environmental regulations which could have a material adverse effect on our retail operations business.

Our retail operations are subject to extensive federal and state laws and regulations, including those relating to the protection of the environment, waste management, discharge of hazardous materials, pollution prevention, as well as laws and regulations relating to public safety and health. Certain of these laws and regulations may require assessment or remediation efforts. Retail operations with USTs are subject to federal and state regulations and legislation. Compliance with existing and future environmental laws regulating USTs may require significant capital expenditures and increased operating and maintenance costs. The operation of USTs also poses certain other risks, including damages associated with soil and groundwater contamination. Leaks from USTs which may occur at one or more of our gas stations may impact soil or groundwater and could result in fines or civil liability for us. We may be required to make material expenditures to modify operations, perform site cleanups or curtail operations.

We are subject to federal and state non environmental regulations which could have an adverse effect on our convenience store business and results of operations.

Our convenience store business is subject to extensive governmental laws and regulations that include legal restrictions on the sale of alcohol, tobacco and lottery products, food labelling, safety and health requirements and public accessibility. Furthermore, state and local regulatory agencies have the power to approve, revoke, suspend, or deny applications for and renewals of permits and licenses relating to the sale of alcohol, tobacco and lottery products or to seek other remedies. A violation of or change in such laws and/or regulations could have an adverse effect on our convenience store business and results of operations.

Regulations related to wages also affect our businesses. Any increase in the statutory minimum wage would result in an increase in our labor costs and such cost increase could adversely affect our businesses, financial condition and results of operations.

Any terrorist attacks aimed at our facilities and any global and domestic economic repercussions from terrorist activities and the government's response could adversely affect our financial condition, results of operations and cash available for distribution to our unitholders.

Since the September 11, 2001 terrorist attacks on the United States, the U.S. government has issued warnings that energy assets may be future targets of terrorist organizations. In addition to the threat of terrorist attacks, we face various other security threats, including cyber security threats to gain unauthorized access to sensitive information or systems or to render data or systems unusable; threats to the safety of our employees; threats to the security of our facilities, such as terminals and pipelines, and infrastructure or third party facilities and infrastructure. These

developments have subjected our operations to increased risks.

Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to security threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities, essential to our operations and could have a material adverse effect on

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our reputation, financial position, results of operations, or cash flows. Cyber security attacks in particular are evolving and include malicious software, attempts to gain unauthorized access to, or otherwise disrupt, our pipeline control systems, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, including our pipeline control systems, unauthorized release of confidential or otherwise protected information and corruption of data. These events could damage our reputation and lead to financial losses from remedial actions, loss of business or potential liability.

We incur costs for providing facility security and may incur additional costs in the future with respect to the receipt, storage and distribution of our products. Additional security measures could also restrict our ability to distribute refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane. Any future terrorist attack on our facilities, or those of our customers, could have a material adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

Terrorist activity could lead to increased volatility in prices for home heating oil, gasoline and other products we sell, which could decrease our customers' demand for these products. Insurance carriers are required to offer coverage for terrorist activities as a result of federal legislation. We purchase this coverage with respect to our property and casualty insurance programs. This additional coverage resulted in additional insurance premiums which could increase further in the future.

We depend on key personnel for the success of our businesses.

We depend on the services of our senior management team and other key personnel. The loss of the services of any member of senior management or key employee could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or other key employees if their services were no longer available.

Certain executive officers of our general partner perform services for one of our affiliates pursuant to a shared services agreement. Please read Part III, Item 13, "Certain Relationships and Related Transactions, and Director Independence—Relationship of Management with Global Petroleum Corp."

We depend on unionized labor for the operation of certain of our terminals. Any work stoppages or labor disturbances at these terminals could disrupt our businesses.

Any work stoppages or labor disturbances by our unionized labor force at facilities with an organized workforce could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders. In addition, employees who are not currently represented by labor unions may seek representation in the future, and any renegotiation of collective bargaining agreements may result in terms that are less favorable to us.

We rely on our information technology systems to manage numerous aspects of our businesses, and a disruption of these systems could adversely affect our businesses.

We depend on our information technology ("IT") systems to manage numerous aspects of our businesses and to provide analytical information to management. Our IT systems are an essential component of our businesses and growth strategies, and a serious disruption to our IT systems could significantly limit our ability to manage and operate our businesses effectively. These systems are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunication services, physical and electronic loss of data, cyber and other security breaches and computer viruses. While we believe we have adequate systems and controls in place, we are continuously working to install new, and upgrade our existing, information

technology systems and provide employee awareness around phishing, malware and other cyber risks in an effort to ensure that we are protected against cyber risks and security breaches. We have a disaster recovery plan in place, but this plan may not entirely prevent delays or other complications that could arise from an IT systems failure. Any failure or interruption in our IT systems could have a negative impact on our operating results, cause our businesses and competitive position to suffer and damage our reputation.

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In the normal course of our businesses, we may obtain personal data, including credit card information. While we believe we have adequate cyber and other security controls over individually identifiable customer, employee and vendor data provided to us, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material adverse effect on our reputation, operating results and financial condition.

If we fail to maintain an effective system of internal controls, then we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in our financial reporting, which would harm our businesses and the trading price of our units.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If our efforts to maintain internal controls are not successful or if we are unable to maintain adequate controls over our financial processes and reporting in the future or if we are unable to comply with our obligations under Section 404 of the Sarbanes Oxley Act of 2002, our operating results could be harmed or we may fail to meet our reporting obligations. Ineffective internal controls also could cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our units.

Risks Related to our Structure

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.

As of March 5, 2019, affiliates of our general partner, including directors and executive officers and their affiliates, owned 21.5% of our common units and the entire general partner interest. Although our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owners. Furthermore, certain directors and officers of our general partner are directors or officers of affiliates of our general partner. Conflicts of interest may arise between our general partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. Please read “—Our partnership agreement limits our general partner’s fiduciary duties to unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.” These conflicts include, among others, the following situations:

- Our general partner is allowed to take into account the interests of parties other than us, such as affiliates of its members, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to our unitholders.
- Affiliates of our general partner may engage in competition with us under certain circumstances. Please read “—Certain members of the Slifka family and their affiliates may engage in activities that compete directly with us.”
- Neither our partnership agreement nor any other agreement requires owners of our general partner to pursue a business strategy that favors us. Directors and officers of our general partner’s owners have a fiduciary duty to make these decisions in the best interest of such owners which may be contrary to our interests.
- Some officers of our general partner who provide services to us devote time to affiliates of our general partner.
- Our general partner has limited its liability and reduced its fiduciary duties under the partnership agreement, while also restricting the remedies available to our unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty. As a result of purchasing common units, common unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of

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fiduciary or other duties under applicable state law. Additionally, our partnership agreement provides that we, and the officers and directors of our general partner, do not owe any duties, including fiduciary duties, or have any liabilities to holders of the Series A Preferred Units.

- Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuances of additional partnership securities and reserves, each of which can affect the amount of cash available for distribution to our unitholders.
- Our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces distributable cash flow, or a capital expenditure for acquisitions or capital improvements, which does not, and determination can affect the amount of cash distributed to our unitholders.
- In some instances, our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions.
- Our general partner determines which costs incurred by it and its affiliates are reimbursable by us.
- Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or entering into additional contractual arrangements with any of these entities on our behalf.
- Our general partner intends to limit its liability regarding our contractual and other obligations.
- Our general partner may exercise its limited right to call and purchase common units if it and its affiliates own more than 80% of the common units.
- Our general partner controls the enforcement of obligations owed to us by it and its affiliates.
- Our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

Please read Part III, Item 13, “Certain Relationships and Related Transactions, and Director Independence—Noncompetition.”

Our partnership agreement limits our general partner’s fiduciary duties to unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. Our partnership agreement provides that we, and the officers and directors of our general partner, do not owe any duties, including fiduciary duties, or have any liabilities to holders of the Series A Preferred Units. Additionally, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of us;

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- provides that our general partner shall not have any liability to us or our unitholders for decisions made in its capacity as general partner so long as it acted in good faith, meaning it believed that the decision was in our best interests;
- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be “fair and reasonable” to us and that, in determining whether a transaction or resolution is “fair and reasonable,” our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and
- provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct.

By purchasing a unit, a unitholder will become bound by the provisions of the partnership agreement, including the provisions described above.

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.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our businesses and, therefore, limited ability to influence management’s decisions regarding our businesses.

Unitholders have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen entirely by its members and not by the unitholders.

Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they have limited ability to remove our general partner. The vote of the holders of at least 66 2/3% of all outstanding common units (including common units held by our general partner and its affiliates) is required to remove our general partner.

Although the holders of the Series A Preferred Units are entitled to limited protective voting rights with respect to certain matters, the Series A Preferred Units generally vote separately as a class along with any other series of parity securities that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series A Preferred Units may be significantly diluted, and the holders of such other series of parity securities that we may issue may be able to control or significantly influence the outcome of any vote.

As a result of these limitations, the prices at which the common units and the Series A Preferred Units trade could diminish because of the absence or reduction of a takeover premium in the trading price.

We may issue additional units without unitholder approval, which would dilute unitholders’ ownership interests.

Except in the case of the issuance of units that rank equal to or senior to the Series A Preferred Units, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. We are allowed to issue additional Series A Preferred Units and parity securities without any vote of the holders of the Series A Preferred Units, except where the cumulative distributions on the Series A Preferred Units or any parity securities are in arrears.

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The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
 - the amount of cash available for distribution on each unit may decrease;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the units may decline.

We are prohibited from paying distributions on our common units if distributions on our Series A Preferred Units are in arrears.

The holders of our Series A Preferred Units are entitled to certain rights that are senior to the rights of holders of our common units, such as rights to distributions and rights upon liquidation of the Partnership. If we do not pay the required distributions on our Series A Preferred Units, we will be unable to pay distributions on our common units. Additionally, because distributions to our Series A Preferred unitholders are cumulative, we will have to pay all unpaid accumulated preferred distributions before we can pay any distributions to our common unitholders. Also, because distributions to our common unitholders are not cumulative, if we do not pay distributions on our common units with respect to any quarter, our common unitholders will not be entitled to receive distributions covering any prior periods if we later commence paying distributions on our common units. The preferences and privileges of the Series A Preferred Units could adversely affect the market price for our common units, or could make it more difficult for us to sell our common units in the future.

Our Series A Preferred Units are subordinated to our existing and future debt obligations and could be diluted by the issuance of additional units, including additional Series A Preferred Units, and by other transactions.

The Series A Preferred Units are subordinated to all of our existing and future indebtedness. The payment of principal and interest on our debt reduces cash available for distribution to our limited partners, including the holders of our Series A Preferred Units. The issuance of additional units on parity with or senior to the Series A Preferred Units (including additional Series A Preferred Units) would dilute the interests of the holders of the Series A Preferred Units, and any issuance of equal or senior ranking securities or additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on the Series A Preferred Units.

We cannot assure that we will be able to pay distributions on our Series A Preferred Units regularly, and the agreements governing our indebtedness may limit the cash available to make distributions on the Series A Preferred Units.

Pursuant to our partnership agreement, we distribute all of our "available cash" each quarter to our limited partners. Our partnership agreement defines "Available Cash" to generally mean, for each fiscal quarter, all cash and cash equivalents on hand on the date of determination of available cash with respect to such quarter, less the amount of any cash reserves established by our general partner to:

- provide for the proper conduct of our businesses;
- comply with applicable law or the terms of any of our debt instruments or other agreements; or
- provide funds for distributions to holders of our common units and Series A Preferred Units for any one or more of the next four quarters.

As a result, we do not expect to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions, these distributions could significantly reduce the cash available to us in subsequent periods to

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make distributions on the Series A Preferred Units.

Further, our existing debt agreements also may limit our ability to pay distributions on the Series A Preferred Units.

Change of control conversion rights may make it more difficult for a party to acquire us or discourage a party from acquiring us.

The change of control conversion feature of the Series A Preferred Units may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our common units and Series A Preferred Units with the opportunity to realize a premium over the then-current market price of such equity securities or that unitholders may otherwise believe is in their best interests.

The market price of our common units could be adversely affected by sales of substantial amounts of our common units, including sales by our existing unitholders.

A substantial number of our securities may be sold in the future either pursuant to Rule 144 under the Securities Act or pursuant to a registration statement filed with the SEC. Rule 144 under the Securities Act provides that after a holding period of six months, non-affiliates may resell restricted securities of reporting companies, provided that current public information for the reporting company is available. After a holding period of one year, non-affiliates may resell without restriction, and affiliates may resell in compliance with the volume, current public information and manner of sale requirements of Rule 144. Pursuant to our partnership agreement, members of the Slifka family have registration rights with respect to the common units owned by them.

Sales by any of our existing unitholders of a substantial number of our common units, or the perception that such sales might occur, could have a material adverse effect on the price of our common units or could impair our ability to obtain capital through an offering of equity securities.

Future market fluctuations may result in a lower price of our common units.

An increase in interest rates may cause the market price of our units to decline.

Like all equity investments, an investment in our common units is subject to certain risks. In exchange for accepting these risks, investors may expect to receive a higher rate of return than would otherwise be obtainable from lower risk investments. Accordingly, as interest rates rise, the ability of investors to obtain higher risk-adjusted rates of return by purchasing government-backed debt securities may cause a corresponding decline in demand for riskier investments generally, including yield-based equity investments such as publicly-traded limited partnership interests. Reduced demand for our common units resulting from investors seeking other more favorable investment opportunities may cause the trading price of our common units to decline.

One of the factors that influences the price of the Series A Preferred Units is the distribution yield on the Series A Preferred Units (as a percentage of the price of the Series A Preferred Units) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series A Preferred Units to expect a higher distribution yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution to our limited partners, including the holders of the Series A Preferred Units. Accordingly, higher market interest rates could cause the market price of the Series A Preferred Units to decrease.

In addition, on and after August 15, 2023, the Series A Preferred Units will have a floating distribution rate set each quarterly distribution period at a percentage of the \$25.00 liquidation preference equal to a floating rate of the then-current three-month LIBOR plus a spread of 6.774% per annum. The per annum distribution rate that is determined on the relevant determination date will apply to the entire quarterly distribution period following such determination date even if LIBOR increases during that period. As a result, the holders of the Series A Preferred Units will be subject to

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risks associated with fluctuation in interest rates and the possibility that holders will receive distributions that are lower than expected. We have no control over a number of factors, including economic, financial and political events, that impact market fluctuations in interest rates, which have in the past and may in the future experience volatility.

Our general partner has a limited call right that may require unitholders to sell their common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our general partner from issuing additional common units and exercising its call right. If our general partner exercises its limited call right, the effect would be to take us private and, if the units were subsequently deregistered, we would no longer be subject to the reporting requirements of the Securities Exchange Act of 1934.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of any class of our units.

Our partnership agreement restricts unitholders' voting rights by providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management.

Cost reimbursements due to our general partner and its affiliates will reduce cash available for distribution to our unitholders.

Prior to making any distribution on the common units, we reimburse our general partner and its affiliates for all expenses they incur on our behalf, which is determined by our general partner in its sole discretion. These expenses include all costs incurred by the general partner and its affiliates in managing and operating us, including costs for rendering corporate staff and support services to us. We are managed and operated by directors and executive officers of our general partner. In addition, the majority of our operating personnel are employees of our general partner. Please read Part III, Item 13, "Certain Relationships and Related Transactions, and Director Independence." The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates could adversely affect our ability to pay cash distributions to our unitholders.

Unitholders may not have limited liability if a court finds that unitholder action constitutes control of our businesses.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. A unitholder could be liable for our obligations as if he were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state's partnership statute; or
- a unitholder's right to act with other unitholders to remove or replace the general partner, approve some amendments to our partnership agreement or take other actions under our partnership agreement constitute "control" of our businesses.

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Unitholders may have liability to repay distributions.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Delaware law, we may not make a distribution to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Purchasers of units who become limited partners are liable for the obligations of the transferring limited partner to make contributions to us that are known to the purchaser of units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to us are not counted for purposes of determining whether a distribution is permitted.

The control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party. The new members of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and control the decisions taken by the board of directors and officers of our general partner.

Certain members of the Slifka family and their affiliates may engage in activities that compete directly with us.

Mr. Richard Slifka and his affiliates (other than us) are subject to noncompetition provisions in the omnibus agreement and business opportunity agreement. In addition, Mr. Eric Slifka's and Mr. Andrew Slifka's employment agreements contain noncompetition provisions. These agreements do not prohibit Messrs. Richard Slifka, Eric Slifka and Andrew Slifka and certain affiliates of our general partner from owning certain assets or engaging in certain businesses that compete directly or indirectly with us. Please read Part III, Item 13, "Certain Relationships and Related Transactions, and Director Independence—Noncompetition."

Tax Risks

Our tax treatment depends on our status as a partnership for federal income tax purposes and not being subject to a material amount of entity-level taxation. If the Internal Revenue Service, or IRS, were to treat us as a corporation for federal income tax purposes, or we become subject to entity level taxation for state tax purposes, our cash available for distribution to our unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes.

Despite the fact that we are organized as a limited partnership under Delaware law, we would be treated as a corporation for U.S. federal income tax purposes unless we satisfy a "qualifying income" requirement. Based upon our current operations and current Treasury Regulations, we believe we satisfy the qualifying income requirement. However, no ruling has been or will be requested regarding our treatment as a partnership for U.S. federal income tax purposes. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate. Distributions to our unitholders would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

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Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to additional amounts of entity level taxation for federal, state, local or foreign income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law or interpretation on us. At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. We currently own assets and conduct business in several states that impose a margin or franchise tax. In the future, we may expand our operations. Imposition of a similar tax on us in other jurisdictions that we may expand to could substantially reduce our cash available for distribution to our unitholders.

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

The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our units, may be negatively impacted by future administrative, legislative or judicial changes or differing interpretations thereof at any time. For example, from time to time, members of Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect publicly traded partnerships, including a prior legislative proposal that would have eliminated the qualifying income exception to the treatment of all publicly traded partnerships as corporations upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. Although there are no current legislative or administrative proposals that would adversely impact publicly traded partnerships, there can be no assurance that there will not be further changes to U.S. federal income tax laws or the Treasury Department's interpretation of such laws in a manner that could impact our ability to qualify as a publicly traded partnership in the future. Any modification to the U.S. federal income tax laws may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any changes or other proposals will ultimately be enacted.

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

We have subsidiaries that are treated as corporations for federal income tax purposes and subject to corporate level income taxes.

As of December 31, 2018, we conducted substantially all of our operations of our end user business through six subsidiaries that are treated as corporations for federal income tax purposes. These corporations primarily engage in the retail sale of gasoline and/or operates convenience stores and collect rents on personal property leased to dealers and commissioned agents at other stations. We may elect to conduct additional operations through these corporate subsidiaries in the future. These corporate subsidiaries are subject to corporate level taxes, which reduce the cash available for distribution to us and, in turn, to common unitholders. If the IRS were to successfully assert that these corporations have more tax liability than we anticipate or legislation were enacted that increased the corporate tax rate, our cash available for distribution to common unitholders would be further reduced.

If the IRS were to contest the federal income tax positions we take, it may adversely impact the market for our common units, and the costs of any such contest would reduce our cash available for distribution to our common unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for U.S. federal income tax purposes. The IRS may adopt positions that differ from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. Moreover, the costs of any contest between us and the IRS will result in a

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reduction in our cash available for distribution to our common unitholders and thus will be borne indirectly by our common unitholders.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us, in which case our cash available for distribution to our common unitholders might be substantially reduced and our current and former common unitholders may be required to indemnify us for any taxes (including any applicable penalties and interest) resulting from such audit adjustments that were paid on such common unitholders behalf.

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes an audit adjustment to our income tax return, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from us. To the extent possible under the new rules, our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS or, if we are eligible, issue a revised information statement to each common unitholder and former common unitholder with respect to an audited and adjusted return. Although our general partner may elect to have our common unitholders and former common unitholders take such audit adjustment into account and pay any resulting taxes (including applicable penalties or interest) in accordance with their interests in us during the tax year under audit, there can be no assurance that such election will be practical, permissible or effective in all circumstances. As a result, our current common unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such common unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our common unitholders might be substantially reduced and our current and former common unitholders may be required to indemnify us for any taxes (including any applicable penalties and interest) resulting from such audit adjustments that were paid on such common unitholders behalf. These rules are not applicable for tax years beginning on or prior to December 31, 2017.

Even if our common unitholders do not receive any cash distributions from us, they will be required to pay taxes on their share of our taxable income.

Because common unitholders are treated as partners to whom we allocate taxable income, which could be different in amount than the cash we distribute, common unitholders are required to pay any federal income taxes and, in some cases, state and local income taxes on their share of our taxable income even if they do not receive any cash distributions from us. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale and our cash available for distribution would not increase. Similarly, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt could result in “cancellation of indebtedness income” being allocated to our common unitholders as taxable income without any increase in our cash available for distribution. Our common unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the tax liability that results from that income.

Tax gain or loss on the disposition of our common units could be more or less than expected.

If a unitholder sells common units, the unitholder will recognize a gain or loss equal to the difference between the amount realized and that unitholder’s tax basis in those common units. Because distributions in excess of a common unitholder’s allocable share of our net taxable income decrease such unitholder’s tax basis in its common units, the amount, if any, of such prior excess distributions with respect to the common units a unitholder sells will, in effect, become taxable income to a unitholder if it sells such units at a price greater than its tax basis in those units, even if the price such unitholder receives is less than its original cost. In addition, because the amount realized includes a

unitholder's share of our nonrecourse liabilities, if a unitholder sells its common units, the unitholder may incur a tax liability in excess of the amount of cash received from the sale.

A substantial portion of the amount realized from a unitholder's sale of our common units, whether or not representing gain, may be taxed as ordinary income to such unitholder due to potential recapture items, including

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depreciation recapture. Thus, a common unitholder may recognize both ordinary income and capital loss from the sale of units if the amount realized on a sale of such units is less than such unitholder's adjusted basis in the common units. Net capital loss may only offset capital gains and, in the case of individuals, up to \$3,000 of ordinary income per year. In the taxable period in which a unitholder sells its common units, such unitholder may recognize ordinary income from our allocations of income and gain to such unitholder prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of units.

Common unitholders may be subject to limitation on their ability to deduct interest expense incurred by us.

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or businesses during our taxable year. However, under the Tax Cuts and Jobs Act, for taxable years beginning after December 31, 2017, our deduction for "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income and, in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion. For taxable years beginning on or after January 1, 2022, our "adjusted taxable income" for purposes of the 30% limitation takes into account our deductions for depreciation, amortization, and depletion which could result in a limitation on a unitholder's ability to deduct interest expense and negatively impact the value of an investment in our common units. You are urged to consult with your own tax advisor with respect to this potential limitation on the deductibility of interest expense and its impact on your investment in our common units.

Tax-exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in our common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs) raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. With respect to taxable years beginning after December 31, 2017, subject to the proposed aggregation rules for certain similarly situated businesses or activities issued by the Treasury Department, a tax-exempt entity with more than one unrelated trade or business (including by attribution from investment in a partnership such as ours) is required to compute the unrelated business taxable income of such tax-exempt entity separately with respect to each such trade or business (including for purposes of determining any net operating loss deduction). As a result, for years beginning after December 31, 2017, it may not be possible for tax-exempt entities to utilize losses from an investment in our partnership to offset unrelated business taxable income from another unrelated trade or business and vice versa. Tax-exempt entities should consult a tax advisor before investing in our common units.

Non-U.S. Unitholders will be subject to U.S. taxes and withholding with respect to their income and gain from owning our units.

Non-U.S. unitholders are generally taxed and subject to income tax filing requirements by the United States on income effectively connected with a U.S. trade or business ("effectively connected income"). Income allocated to our common unitholders and any gain from the sale of our units will generally be considered to be "effectively connected" with a U.S. trade or business. As a result, distributions to a Non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a Non-U.S. unitholder who sells or otherwise disposes of a unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit.

The Tax Cuts and Jobs Act imposes a withholding obligation of 10% of the amount realized upon a Non-U.S. unitholder's sale or exchange of an interest in a partnership that is engaged in a U.S. trade or business. However, due to

challenges of administering a withholding obligation applicable to open market trading and other complications, the IRS has temporarily suspended the application of this withholding rule to open market transfers of interests in publicly traded partnerships pending promulgation of regulations or other guidance that resolves the challenges. It is not clear if or when such regulations or other guidance will be issued. Non-U.S. unitholders should consult a tax advisor before investing in our common units.

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We treat each purchaser of our common units as having the same tax benefits without regard to the common units actually purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we have adopted certain methods for allocating depreciation and amortization deductions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to the use of these methods could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from any sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder's tax returns.

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular common unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We generally prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month (the "Allocation Date"), instead of on the basis of the date a particular common unit is transferred. Similarly, we generally allocate certain deductions for depreciation of capital additions, gain or loss realized on a sale or other disposition of our assets and, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction based upon ownership on the Allocation Date. Treasury Regulations allow a similar monthly simplifying convention, but such regulations do not specifically authorize all aspects of our proration method. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose common units are the subject of a securities loan (e.g., a loan to a "short seller" to cover a short sale of common units) may be considered to have disposed of those common units. If so, such unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequences of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

We have adopted certain valuation methodologies in determining a unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methodologies or the resulting allocations, which could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our assets. Although we may, from time to time, consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market

value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the timing or amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain recognized from the sale of our common units, have a negative impact on the value of our common units or result in audit adjustments to our

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unitholders' tax returns without the benefit of additional deductions.

Unitholders may be subject to state and local taxes and return filing requirements in jurisdictions where they do not live as a result of investing in our common units.

In addition to U.S. federal income taxes, our unitholders may be subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if they do not live in any of those jurisdictions. Our unitholders will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with those requirements.

We currently own assets and conduct business in several states, some of which impose a personal income tax on individuals, corporations and other entities. As we make acquisitions or expand our businesses, we may own assets or conduct business in additional states that impose a personal income tax. It is our unitholders' responsibility to file all U.S. federal, state, local and non U.S. tax returns and pay any taxes due in these jurisdictions. Unitholders should consult with their own tax advisors regarding the filing of such tax returns, the payment of such taxes, and the deductibility of any taxes paid.

Treatment of distributions on our Series A Preferred Units as guaranteed payments for the use of capital creates a different tax treatment for the holders of Series A Preferred Units than the holders of our common units and such distributions may not be eligible for the 20% deduction for qualified publicly traded partnership income.

The tax treatment of distributions on our Series A Preferred Units is uncertain. We will treat each of the holders of the Series A Preferred Units as partners for tax purposes and will treat distributions on the Series A Preferred Units as guaranteed payments for the use of capital that will generally be taxable to each of the holders of Series A Preferred Units as ordinary income. Holders of our Series A Preferred Units will recognize taxable income from the accrual of such a guaranteed payment (even in the absence of a contemporaneous cash distribution). Otherwise, except in the case of our liquidation, the holders of Series A Preferred Units are generally not anticipated to share in our items of income, gain, loss or deduction, nor will we allocate any share of our nonrecourse liabilities to the holders of Series A Preferred Units. If the Series A Preferred Units were treated as indebtedness for tax purposes, rather than as guaranteed payments for the use of capital, distributions likely would be treated as payments of interest by us to each of the holders of Series A Preferred Units.

Although we expect that much of the income we earn is generally eligible for the 20% deduction for qualified publicly traded partnership income, it is uncertain whether a guaranteed payment for the use of capital may constitute an allocable or distributive share of such income. As a result, the guaranteed payment for use of capital received by our Series A Preferred Units may not be eligible for the 20% deduction for qualified publicly traded partnership income.

A holder of Series A Preferred Units will be required to recognize gain or loss on a sale of Series A Preferred Units equal to the difference between the amount realized by such holder and such holder's tax basis in the Series A Preferred Units sold. The amount realized generally will equal the sum of the cash and the fair market value of other property such holder receives in exchange for such Series A Preferred Units. Subject to general rules requiring a blended basis among multiple partnership interests, the tax basis of a Series A Preferred Units will generally equal the sum of the cash and the fair market value of other property paid by the holder of such Series A Preferred Units to acquire such Series A Preferred Units. Gain or loss recognized by a holder of Series A Preferred Units on the sale or exchange of a Series A Preferred Unit held for more than one year generally will be taxable as long-term capital gain or loss. Because holders of Series A Preferred Units will generally not be allocated a share of our items of depreciation, depletion or amortization, it is not anticipated that such holders will be required to recharacterize any

portion of their gain as ordinary income as a result of the recapture rules.

Investment in the Series A Preferred Units by tax-exempt investors, such as employee benefit plans and individual retirement accounts, and non-United States persons raises issues unique to them. The treatment of guaranteed

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payments for the use of capital to tax-exempt investors is not certain and such payments may be treated as unrelated business taxable income for federal income tax purposes. Distributions to non-United States holders of Series A Preferred Units will be subject to withholding taxes. If the amount of withholding exceeds the amount of United States federal income tax due, non-United States holders of Series A Preferred Units may be required to file United States federal income tax returns in order to seek a refund of such excess.

All holders of our Series A Preferred Units are urged to consult a tax advisor with respect to the consequences of owning our Series A Preferred Units.

Item 1B. Unresolved Staff Comments.

None.

Item 3. Legal Proceedings.

The information required by this item is included in Note 22 of Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Holders

Our common units trade on the New York Stock Exchange (“NYSE”) under the symbol “GLP.” At the close of business on March 4, 2019, based upon information received from our transfer agent and brokers and nominees, we had 10,560 common unitholders, including beneficial owners of common units held in street name.

Distributions of Available Cash

Common Units and General Partner Interest

We intend to make cash distributions to common unitholders on a quarterly basis, although there is no assurance as to the future cash distributions since they are dependent upon future earnings, capital requirements, financial condition and other factors. Our credit agreement prohibits us 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 our outstanding senior notes and our partnership agreement also limit our ability to make distributions to our common unitholders in certain circumstances.

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

We 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 we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; and thereafter, cash in excess of the minimum quarterly distribution is distributed to the common unitholders and the general partner based on the percentages as provided below.

As holder of the incentive distribution rights, the general partner is entitled to incentive distributions if the amount we distribute 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

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Thereafter	above \$0.6625	51.33	%	48.67	%
Series A Preferred Units					

On August 7, 2018, we issued 2,760,000 of our Series A Preferred Units at a price of \$25.00 per Series A Preferred Unit. We used the proceeds, net of underwriting discount and expenses, of \$66.4 million to reduce indebtedness under our credit agreement.

The Series A Preferred Units are a new class of equity security that ranks senior to the common units, the incentive distribution rights and each other class or series of our equity securities established after August 7, 2018, the

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original issue date of the Series A Preferred Units (the “Original Issue Date”), that is not expressly made senior to or on parity with the Series A Preferred Units as to the payment of distributions and amounts payable on a liquidation event.

Distributions on the Series A Preferred Units are cumulative from the Original Issue Date and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2018 (each, a “Distribution Payment Date”), to holders of record as of the opening of business on the February 1, May 1, August 1 or November 1 next preceding the Distribution Payment Date, in each case, when, as, and if declared by the General Partner out of legally available funds for such purpose. Distributions on the Series A Preferred Units will be paid out of our Available Cash with respect to the quarter ended immediately preceding the applicable Distribution Payment Date. No distribution may be declared or paid or set apart for payment on any junior securities (other than a distribution payable solely in junior securities) unless full cumulative distributions have been or contemporaneously are being paid or provided for on all outstanding Series A Preferred Units and any parity securities through the most recent respective distribution periods.

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

Equity Compensation Plan

The equity compensation plan information required by Item 201(d) of Regulation S-K in response to this item is incorporated by reference from Part III, Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Equity Compensation Plan Table.”

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

We did not repurchase any of our common units during the quarter ended December 31, 2018.

Item 6. Selected Financial Data.

The following table presents selected historical financial and operating data of Global Partners LP for the years and as of the dates indicated. The selected historical financial data is derived from the historical consolidated financial statements of Global Partners LP.

This table should be read in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements of Global Partners LP and the notes thereto included elsewhere in this report. In addition, this table presents non-GAAP financial measures which we use in our businesses. These measures are not calculated or presented in accordance with generally accepted accounting principles in the United States (“GAAP”). We explain these measures and present reconciliations to the most directly comparable financial measures calculated in accordance with GAAP in Part II, Item 7, “Management’s

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Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Key Performance Indicators.”

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in millions except per unit amounts)				
Statement of Income Data:					
Sales	\$ 12,672.6	\$ 8,920.6	\$ 8,239.6	\$ 10,314.9	\$ 17,269.9
Cost of sales	12,022.2	8,337.5	7,693.1	9,717.2	16,725.1
Gross profit	650.4	583.1	546.5	597.7	544.8
Selling, general and administrative expenses	171.0	155.0	149.7	177.0	154.0
Operating expenses	321.1	283.6	288.5	290.3	204.1
(Gain) loss on trustee taxes	(52.6)	16.2	—	—	—
Lease exit and termination (gain) expenses	(3.5)	—	80.7	—	—
Amortization expense	11.0	9.2	9.4	13.5	18.9
Net loss (gain) on sale and disposition of assets	5.9	(1.6)	20.5	2.1	2.2
Goodwill and long-lived asset impairment	0.4	0.8	149.9	—	—
Total operating costs and expenses	453.3	463.3	698.7	482.9	379.2
Operating income (loss)	197.1	119.8	(152.2)	114.7	165.6
Interest expense	(89.1)	(86.2)	(86.3)	(73.3)	(47.7)
Income (loss) before income tax (expense) benefit	108.0	33.5	(238.5)	41.4	117.9
Income tax (expense) benefit	(5.6)	23.6	(0.1)	1.9	(0.9)
Net income (loss)	102.4	57.1	(238.6)	43.3	117.0
Net loss (income) attributable to noncontrolling interest (1)	1.5	1.6	39.2	0.3	(2.3)
Net income (loss) attributable to Global Partners LP	103.9	58.8	(199.4)	43.6	114.7
Less: General partners' interest in net income (loss)	1.0	0.4	(1.3)	7.7	6.0
Less: Series A preferred limited partner interest in net income	2.7	—	—	—	—
Net income (loss) attributable to common limited partners	\$ 100.2	\$ 58.4	\$ (198.1)	\$ 35.9	\$ 108.7
Per Unit Data					
Basic net income (loss) per common limited partner unit (2)	\$ 2.97	\$ 1.74	\$ (5.91)	\$ 1.12	\$ 3.97
Diluted net income (loss) per common limited partner unit (2)	\$ 2.95	\$ 1.74	\$ (5.91)	\$ 1.11	\$ 3.95
Cash distributions per common limited partner unit (3)	\$ 1.88	\$ 1.85	\$ 1.85	\$ 2.74	\$ 2.53
Cash Flow Data:					

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Net cash provided by (used in):

Operating activities	\$ 168.9	\$ 348.4	\$ (119.9)	\$ 62.5	\$ 344.9
Investment activities	\$ (225.7)	\$ (61.6)	\$ 6.4	\$ (649.7)	\$ (91.1)
Financing activities	\$ 50.1	\$ (282.0)	\$ 122.4	\$ 583.1	\$ (257.8)
Other Financial Data:					
EBITDA (4)	\$ 304.3	\$ 225.0	\$ (4.9)	\$ 225.7	\$ 242.3
Adjusted EBITDA (4)	\$ 310.6	\$ 224.2	\$ 129.7	\$ 227.8	\$ 244.5
Distributable cash flow (5)	\$ 173.7	\$ 108.3	\$ (121.4)	\$ 126.9	\$ 161.2
Capital					
expenditures—acquisitions (6)	\$ 171.6	\$ 38.5	\$ —	\$ 561.2	\$ —
Capital expenditures—maintenance and expansion (6)	\$ 69.2	\$ 49.8	\$ 71.3	\$ 92.9	\$ 95.1
Operating Data:					
Normal heating degree days (7)	5,630	5,630	5,661	5,630	5,630
Actual heating degree days	5,391	5,310	5,177	5,651	5,664
Variance from normal heating degree days	(4)	% (6)	% (9)	% 0.37	% 1
Variance from prior year actual degree days	2	% 3	% (8)	% (0.23)	% 3
Total gallons sold (in millions)	5,863	4,766	5,133	5,648	6,356
Variance in volume sold from prior year	23	% (7)	% (9)	% (11)	% (9)
Balance Sheet Data (at period end):					
Total assets	\$ 2,424.3	\$ 2,320.2	\$ 2,564.0	\$ 2,663.7	\$ 2,030.8
Long—term debt	\$ 1,034.5	\$ 957.8	\$ 1,025.9	\$ 1,075.6	\$ 593.9
Total debt	\$ 1,137.8	\$ 1,084.5	\$ 1,300.5	\$ 1,173.7	\$ 594.6
Total liabilities	\$ 1,925.1	\$ 1,925.9	\$ 2,166.2	\$ 1,969.7	\$ 1,394.7
Partners' equity	\$ 499.2	\$ 394.3	\$ 397.8	\$ 694.0	\$ 636.1

The above table reflects certain rounding conventions.

- (1) On February 1, 2013, we acquired a 60% membership interest in Basin Transload, LLC (“Basin Transload”). The net income (loss) in the table above is attributable to the noncontrolling interest which represents Basin Transload’s 40% interest.
- (2) See Note 2 of Notes to Consolidated Financial Statements included elsewhere in this report for net income (loss) per common limited partner unit calculation.

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- (3) Cash distributions declared in one calendar quarter are paid in the following calendar quarter. This amount is based on cash distributions paid during each respective year. See Note 17 of Notes to Consolidated Financial Statements included elsewhere in this report.
- (4) Earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA, which is EBITDA adjusted for gains or losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges, are non GAAP financial measures which are discussed under “Results of Operations—Evaluating Our Results of Operations” and reconciled to the most directly comparable GAAP financial measures under “Results of Operations—Key Performance Indicators” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In 2016, Adjusted EBITDA includes lease exit and termination expenses of \$80.7 million which were recorded as a result of our December 2016 voluntary early termination of a sublease for 1,610 railcars. Excluding these expenses, Adjusted EBITDA would have been \$210.4 million for 2016. See Note 2 of Notes to Consolidated Financial Statements for additional information.
- (5) Distributable cash flow is a non GAAP financial measure which is discussed under “Results of Operations—Evaluating Our Results of Operations” and reconciled to its most directly comparable GAAP financial measures under “Results of Operations—Key Performance Indicators” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and 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. In 2016, distributable cash flow includes a net loss on sale and disposition of assets of \$20.5 million, a net goodwill and long-lived asset impairment of \$114.1 million (\$149.9 million, offset by \$35.8 million attributed to the noncontrolling interest) and lease exit and termination expenses of \$80.7 million (see Note 2 of Notes to Consolidated Financial Statements for additional information on the impairment charges and lease termination). Excluding these charges, distributable cash flow would have been \$93.9 million in 2016.
- (6) Capital expenditures are discussed under “Liquidity and Capital Resources” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- (7) Degree days is an industry measurement of temperature designed to evaluate energy demand and consumption which is further discussed under “Results of Operations—Evaluating Our Results of Operations” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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Item 7. 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 report.

Overview

General

We are a master limited partnership formed in March 2005. We own, control or have access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the “Northeast”). We are one of the region’s largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of December 31, 2018, we had a portfolio of 1,579 owned, leased and/or supplied gasoline stations, including 297 directly operated convenience stores, primarily in the Northeast. We are also one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. We engage in the purchasing, selling, gathering, blending, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane and in the transportation of petroleum products and renewable fuels by rail from the mid continent region of the United States and Canada.

Collectively, we sold approximately \$12.3 billion of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane for the year ended December 31, 2018. In addition, we had other revenues of approximately \$0.4 billion for the year ended December 31, 2018 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 Events

Series A Preferred Unit Offering—On August 7, 2018, we issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units representing limited partner interests (the “Series A Preferred Units”) for \$25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. We used the proceeds, net of underwriting discount and expenses, of \$66.4 million to reduce indebtedness under our credit agreement. See Note 17 of Notes to Consolidated Financial Statements for additional information.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, we acquired the assets of ten company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC (“Cheshire”) for approximately \$33.4 million, including inventory. See Note 19 of Notes to Consolidated Financial Statements for additional information.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, we acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain”) for approximately \$138.4 million, including inventory. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also included fuel supply agreements for approximately 65 gasoline stations, primarily in Vermont and New Hampshire. See Note 19 of Notes to Consolidated Financial Statements for additional information.

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2017 Events

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, 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 the greater Worcester, Massachusetts area. See Note 19 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.

2016 Events

Early Termination of Railcar Sublease—On December 21, 2016 (effective December 31, 2016), we voluntarily terminated early a sublease with a counterparty for 1,610 railcars that were underutilized due to unfavorable market conditions in the crude oil by rail market. Separately, we entered into a fleet management services agreement (effective January 1, 2017) with the counterparty, pursuant to which we provide railcar storage, freight, cleaning, insurance and other services on behalf of the counterparty. As a result of the sublease termination, we recognized one-time discounted lease exit and termination expenses of \$80.7 million in the fourth quarter of 2016 consisting of (i) \$61.7 million cash consideration, (ii) \$10.7 million of accrued incremental costs relating to our obligations under the sublease, and (iii) \$8.3 million associated with derecognizing accumulated prepaid rent.

The \$61.7 million cash consideration represents a discount of \$10.2 million from \$71.9 million in railcar lease payments that we would have been obligated to pay over the next three years. The termination of the sublease eliminated lease payments related to these railcars of approximately \$30.0 million in 2017 and future lease payments of approximately \$29.0 million and \$13.0 million in 2018 and 2019, respectively. In addition to the discounted lease termination payment, the one-time expense includes costs for future railcar storage, freight, cleaning, insurance and other services, as well as certain non-cash accounting adjustments associated with the early termination. See Note 2 of Notes to Consolidated Financial Statements for additional information.

Goodwill and Long-Lived Asset Impairment—In 2016, we recognized a goodwill impairment charge of \$121.7 million related to the Wholesale reporting unit and a long-lived asset impairment charge of \$28.2 million, substantially all of which is due to crude oil related activities. See Note 2 of Notes to Consolidated Financial Statements for a description of the facts and circumstances related to the impairment charges.

Sale of Gasoline Stations—On August 22, 2016, Drake Petroleum Company, Inc., a subsidiary of ours, sold to Mirabito Holdings, Inc. 30 gasoline stations and convenience stores located in New York and Pennsylvania (the “Drake Sites”) for an aggregate total cash purchase price of approximately \$40.0 million. In connection with closing, the parties entered into long-term supply contracts for branded and unbranded gasoline and other petroleum products.

Sale-Leaseback Transaction—On June 29, 2016, we sold 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 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 those real property assets sold with respect to these sites. See Note 7 of Notes to Consolidated Financial Statements.

Expanded Retail Network—In April 2016, we expanded our gasoline station and convenience-store network in Western Massachusetts with the addition of 22 leased retail sites (“22 leased sites”). Located in the Pittsfield and Springfield areas, these sites were added through long-term leases.

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Operating Segments

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

Wholesale

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

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

Gasoline Distribution and Station Operations

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

As of December 31, 2018, we had a portfolio of owned, leased and/or supplied gasoline stations, primarily in the Northeast, that consisted of the following:

Company operated	297
Commissioned agents	259
Lessee dealers	237
Contract dealers	786
Total	1,579

At our company operated stores, we operate the gasoline stations and convenience stores with our employees, and we set the retail price of gasoline at the station. At commissioned agent locations, we own the gasoline inventory, and we set the retail price of gasoline at the station and pay the commissioned agent a fee related to the gallons sold. We receive rental income from commissioned agent leased gasoline stations for the leasing of the convenience store

premises, repair bays and other businesses that may be conducted by the commissioned agent. At dealer leased locations, the dealer purchases gasoline from us, and the dealer sets the retail price of gasoline at the dealer's station. We also receive rental income from (i) dealer leased gasoline stations and (ii) cobranding arrangements. We also supply gasoline to locations owned and/or leased by independent contract dealers. Additionally, we have contractual relationships with distributors in certain New England states pursuant to which we source and supply these distributors' gasoline stations with ExxonMobil branded gasoline.

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Commercial

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

Seasonality

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

Outlook

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

- Our businesses are influenced by the overall markets for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane and increases and/or decreases in the prices of these products may adversely impact our financial condition, results of operations and cash available for distribution to our unitholders and the amount of borrowing available for working capital under our credit agreement. Results from our purchasing, storing, terminalling, transporting, selling and blending operations are influenced by prices for refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, price volatility and the market for such products. Prices in the overall markets for these products may affect our financial condition, results of operations and cash available for distribution to our unitholders. Our margins can be significantly impacted by the forward product pricing curve, often referred to as the futures market. We typically hedge our exposure to petroleum product and renewable fuel price moves with futures contracts and, to a lesser extent, swaps. In markets where future prices are higher than current prices, referred to as contango, we may use our storage capacity to improve our margins by storing products we have purchased at lower prices in the current market for delivery to customers at higher prices in the future. In markets where future prices are lower than current prices, referred to as backwardation, inventories can depreciate in value and hedging costs are more expensive. For this reason, in these backward markets, we attempt to reduce our inventories in order to minimize these effects. When prices for the products we sell rise, some of our customers may have insufficient credit to purchase supply from us at their historical purchase volumes, and their customers, in turn, may adopt conservation measures which reduce consumption, thereby reducing demand for product. Furthermore, when prices increase rapidly and dramatically, we may be unable to promptly pass our additional costs on to our customers, resulting in lower margins which could adversely affect our results of operations. Higher prices for the products we sell may (1) diminish our access to trade credit support and/or cause it to become more expensive and (2) decrease the amount of borrowings available for working capital under our credit agreement as a result of total available commitments, borrowing base limitations and advance rates thereunder.

When prices for the products we sell decline, our exposure to risk of loss in the event of nonperformance by our customers of our forward contracts may be increased as they and/or their customers may breach their contracts and purchase the products we sell at the then lower market price from a competitor. A significant decrease in

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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. The prolonged decline in crude oil prices and crude oil differentials has indicated an impairment of our long-lived assets at our terminals in North Dakota. As a result of these events, we recognized a goodwill and long-lived asset impairment of \$149.9 million for year ended December 31, 2016.

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

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- 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 RFS pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The RFS program seeks to promote the incorporation of biofuels in the nation's fuel supply and, to that end, sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation fuels consumed in the United States. A RIN is assigned to each gallon of renewable fuel produced in or imported into the United States. We are exposed to the volatility in the market price of RINs. We cannot predict the future prices of RINs. RIN prices are dependent upon a variety of factors, including EPA regulations related to the amount of RINs required and the total amounts that can be generated, the availability of RINs for purchase, the price at which RINs can be purchased, and levels of transportation fuels produced, all of which can vary significantly from quarter to quarter. If sufficient RINs are unavailable for purchase or if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our results of operations and cash flows could be adversely affected. Future demand for ethanol will be largely dependent upon the economic incentives to blend based upon the relative value of gasoline and ethanol, taking into consideration the EPA's regulations on the RFS program and oxygenate blending requirements. A reduction or waiver of the RFS mandate or oxygenate blending requirements could adversely affect the availability and pricing of ethanol, which in turn could adversely affect our future gasoline and ethanol sales. In addition, changes in blending requirements or broadening the definition of what constitutes a renewable fuel could affect the price of RINs which could impact the magnitude of the mark to market liability recorded for the deficiency, if any, in our RIN position relative to our RVO at a point in time.

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

Results of Operations

Evaluating Our Results of Operations

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

Product Margin

We view product margin as an important performance measure of the core profitability of our operations. We review product margin monthly for consistency and trend analysis. We define product margin as our product sales minus

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product costs. Product sales primarily include sales of unbranded and branded gasoline, distillates, residual oil, renewable fuels, crude oil and propane, as well as convenience store sales, gasoline station rental income and revenue generated from our logistics activities when we engage in the storage, transloading and shipment of products owned by others. Product costs primarily include the cost of acquiring 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 businesses. Product margin should not be considered an alternative to net income, operating income, cash flow from operations, or any other measure of financial performance presented in accordance with GAAP. In addition, our product margin may not be comparable to product margin or a similarly titled measure of other companies.

Gross Profit

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

EBITDA and Adjusted EBITDA

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

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

Adjusted EBITDA is EBITDA further adjusted for gains or losses on the sale and disposition of assets and goodwill and long-lived asset impairment charges. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Distributable Cash Flow

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

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

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

Selling, General and Administrative Expenses

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

Operating Expenses

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

Degree Days

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

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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):

	Year Ended December 31,		
	2018	2017	2016
Net income (loss) attributable to Global Partners LP	\$ 103,905	\$ 58,752	\$ (199,412)
EBITDA (1)	\$ 304,312	\$ 225,020	\$ (4,851)
Adjusted EBITDA (1)(2)	\$ 310,606	\$ 224,205	\$ 129,782
Distributable cash flow (3)(4)	\$ 173,688	\$ 108,264	\$ (121,380)
Wholesale Segment:			
Volume (gallons)	3,584,629	2,654,551	3,018,575
Sales			
Gasoline and gasoline blendstocks	\$ 4,732,028	\$ 2,097,811	\$ 2,026,315
Crude oil (5)	109,719	464,234	546,541
Other oils and related products (6)	2,049,043	1,725,537	1,534,165
Total	\$ 6,890,790	\$ 4,287,582	\$ 4,107,021
Product margin			
Gasoline and gasoline blendstocks	\$ 76,741	\$ 82,124	\$ 83,742
Crude oil (5)	7,159	7,279	(13,098)
Other oils and related products (6)	53,389	62,799	74,271
Total	\$ 137,289	\$ 152,202	\$ 144,915
Gasoline Distribution and Station Operations Segment:			
Volume (gallons)	1,632,807	1,582,056	1,588,163
Sales			
Gasoline	\$ 4,081,498	\$ 3,434,581	\$ 3,071,517
Station operations (7)	427,211	351,876	371,661
Total	\$ 4,508,709	\$ 3,786,457	\$ 3,443,178
Product margin			
Gasoline	\$ 373,303	\$ 326,536	\$ 289,420
Station operations (7)	203,098	174,986	183,708
Total	\$ 576,401	\$ 501,522	\$ 473,128
Commercial Segment:			
Volume (gallons)	645,393	529,705	526,486
Sales	\$ 1,273,103	\$ 846,513	\$ 689,440
Product margin	\$ 23,611	\$ 17,858	\$ 24,018
Combined sales and product margin:			
Sales	\$ 12,672,602	\$ 8,920,552	\$ 8,239,639
Product margin (8)	\$ 737,301	\$ 671,582	\$ 642,061
Depreciation allocated to cost of sales	(86,892)	(88,530)	(95,571)
Combined gross profit	\$ 650,409	\$ 583,052	\$ 546,490
GDSO portfolio as of December 31, 2018, 2017 and 2016:			
Company operated	297	264	248

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Commissioned agents	259	267	281
Lessee dealers	237	230	246
Contract dealers	786	694	683
Total GDSO portfolio	1,579	1,455	1,458

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	Year Ended December 31,					
	2018		2017		2016	
Weather conditions:						
Normal heating degree days	5,630		5,630		5,661	
Actual heating degree days	5,391		5,310		5,177	
Variance from normal heating degree days	(4)	%	(6)	%	(9)	%
Variance from prior period actual heating degree days	2	%	3	%	(8)	%

- (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 in 2018 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 and a lease exit and termination gain of \$3.5 million. Adjusted EBITDA in 2016 also includes lease exit and termination expenses of \$80.7 million which were recorded as a result of our December 2016 voluntary early termination of a sublease for 1,610 railcars. Excluding these expenses, Adjusted EBITDA would have been \$210.4 million for 2016. See Note 2 of Notes to Consolidated Financial Statements for additional information on these events.
- (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 \$5.9 million, \$12.5 million and \$20.5 million for 2018, 2017 and 2016, respectively, and a net goodwill and long-lived asset impairment of \$0.4 million, \$0.8 million and \$114.1 million (\$149.9 million, offset by \$35.8 million attributed to the noncontrolling interest) for 2018, 2017 and 2016, respectively. Distributable cash flow for 2016 also includes lease exit and termination expenses of \$80.7 million which were recorded as a result of our voluntary early termination of a sublease for 1,610 railcars. See Note 2 of Notes to Consolidated Financial Statements for additional information on the lease termination and impairment charges. Excluding the loss on sale and disposition of assets, impairment charges and lease exit and termination expenses, distributable cash flow would have been \$180.0 million, \$121.6 million and \$93.9 million for 2018, 2017 and 2016, respectively. In 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 (see Note 2 of Notes to Consolidated Financial Statements). In 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 (see Note 6 of Notes to Consolidated Financial Statements).
- (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 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Reconciliation of net income (loss) to EBITDA and Adjusted EBITDA:			
Net income (loss)	\$ 102,403	\$ 57,117	\$ (238,623)
Net loss attributable to noncontrolling interest	1,502	1,635	39,211
Net income (loss) attributable to Global Partners LP	103,905	58,752	(199,412)
Depreciation and amortization, excluding the impact of noncontrolling interest	105,639	103,601	108,189
Interest expense, excluding the impact of noncontrolling interest	89,145	86,230	86,319
Income tax expense (benefit)	5,623	(23,563)	53
EBITDA	304,312	225,020	(4,851)
Net loss (gain) on sale and disposition of assets	5,880	(1,624)	20,495
Goodwill and long-lived asset impairment	414	809	149,972
Goodwill and long-lived asset impairment attributable to noncontrolling interest	—	—	(35,834)
Adjusted EBITDA (1)	\$ 310,606	\$ 224,205	\$ 129,782
Reconciliation of net cash provided by (used in) operating activities to EBITDA and Adjusted EBITDA:			
Net cash provided by (used in) operating activities	\$ 168,856	\$ 348,442	\$ (119,886)
Net changes in operating assets and liabilities and certain non-cash items	40,385	(185,673)	(6,795)
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	303	(416)	35,458
Interest expense, excluding the impact of noncontrolling interest	89,145	86,230	86,319
Income tax expense (benefit)	5,623	(23,563)	53
EBITDA	304,312	225,020	(4,851)
Net loss (gain) on sale and disposition of assets	5,880	(1,624)	20,495
Goodwill and long-lived asset impairment	414	809	149,972
Goodwill and long-lived asset impairment attributable to noncontrolling interest	—	—	(35,834)
Adjusted EBITDA (1)	\$ 310,606	\$ 224,205	\$ 129,782

(1) Adjusted EBITDA in 2018 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 and a lease exit and termination gain of \$3.5 million. Adjusted EBITDA in 2016 also includes lease exit and termination expenses of \$80.7 million which were recorded as a result of our December 2016 voluntary early termination of a sublease for 1,610 railcars. Excluding these expenses, Adjusted EBITDA would have been \$210.4 million for 2016. See Note 2 of Notes to Consolidated Financial Statements for additional information on these events.

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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 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Reconciliation of net income (loss) to distributable cash flow:			
Net income (loss)	\$ 102,403	\$ 57,117	\$ (238,623)
Net loss attributable to noncontrolling interest	1,502	1,635	39,211
Net income (loss) attributable to Global Partners LP	103,905	58,752	(199,412)
Depreciation and amortization, excluding the impact of noncontrolling interest	105,639	103,601	108,189
Amortization of deferred financing fees and senior notes discount	6,873	7,089	7,412
Amortization of routine bank refinancing fees	(4,088)	(4,277)	(4,580)
Non-cash tax reform benefit	—	(22,183)	—
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(38,641)	(34,718)	(32,989)
Distributable cash flow (1)(2)	173,688	108,264	(121,380)
Distributions to Series A preferred unitholders (3)	(2,691)	—	—
Distributable cash flow after distributions to Series A preferred unitholders	\$ 170,997	\$ 108,264	\$ (121,380)
Reconciliation of net cash provided by (used in) operating activities to distributable cash flow:			
Net cash provided by (used in) operating activities	\$ 168,856	\$ 348,442	\$ (119,886)
Net changes in operating assets and liabilities and certain non-cash items	40,385	(185,673)	(6,795)
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	303	(416)	35,458
Amortization of deferred financing fees and senior notes discount	6,873	7,089	7,412
Amortization of routine bank refinancing fees	(4,088)	(4,277)	(4,580)
Non-cash tax reform benefit	—	(22,183)	—
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(38,641)	(34,718)	(32,989)
Distributable cash flow (1)(2)	173,688	108,264	(121,380)
Distributions to Series A preferred unitholders (3)	(2,691)	—	—
Distributable cash flow after distributions to Series A preferred unitholders	\$ 170,997	\$ 108,264	\$ (121,380)

(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 \$5.9 million, \$12.5 million and \$20.5 million for 2018, 2017 and 2016, respectively, and a net goodwill and long-lived asset impairment of \$0.4 million, \$0.8 million and \$114.1 million (\$149.9 million, offset by \$35.8 million attributed to the noncontrolling interest) for 2018, 2017 and 2016, respectively. Distributable cash flow for 2016 also includes lease exit and termination expenses of \$80.7 million which were recorded as a result of our voluntary early termination of a sublease for 1,610 railcars. See Note 2 of Notes to Consolidated Financial Statements for additional information on the lease termination and impairment charges. Excluding the loss on sale and disposition of assets, impairment charges and lease exit and termination expenses, distributable cash flow would have been \$180.0 million, \$121.6 million and \$93.9 million for 2018, 2017 and 2016, respectively. In 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 (see Note 2 of Notes to Consolidated Financial Statements). In 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 (see Note 6 of Notes to Consolidated Financial Statements).

- (3) Distributions to Series A preferred unitholders represent the distributions earned by the preferred unitholders during the period. Distributions on the Series A Preferred Units are cumulative and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2018.

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Results of Operations for Years 2018, 2017 and 2016

Consolidated Sales

Our total sales were \$12.7 billion and \$8.9 billion for 2018 and 2017, respectively, an increase of \$3.8 billion, or 42%, due to increases in prices and in volume sold. Our aggregate volume of product sold was 5.8 billion gallons and 4.7 billion gallons for 2018 and 2017, respectively an increase of 1.1 billion gallons. The increase in volume sold includes an increase of 930 million gallons in our Wholesale segment, reflecting an increase in gasoline and gasoline blendstocks offset by declines in volume sold in crude oil and distillates, and increases of 116 million gallons in our Commercial segment and 51 million gallons in our GDSO segment.

Our total sales were \$8.9 billion and \$8.2 billion for 2017 and 2016, respectively, an increase of \$0.7 billion, or 8%, due to an increase in prices, partially offset by a decline in volume sold, primarily in our Wholesale segment. Our aggregate volume of product sold was 4.7 billion gallons and 5.1 billion gallons for 2017 and 2016, respectively, a decrease of 0.4 billion gallons. The decline in volume sold includes decreases of 364 million gallons in our Wholesale segment and 6 million gallons in our GDSO segment. We had an increase of 3 million gallons in our Commercial segment.

Gross Profit

Our gross profit was \$650.4 million and \$583.1 million for 2018 and 2017, respectively, an increase of \$67.3 million, or 12%, primarily due to the acquisitions of Champlain and Cheshire in July 2018 and Honey Farms in October 2017 (collectively our “Recent Acquisitions”) and to higher fuel margins in our GDSO segment, largely in the fourth quarter. The increase in gross profit was partially offset by less favorable market conditions in our Wholesale segment, primarily in gasoline and distillates.

Our gross profit was \$583.1 million and \$546.5 million for 2017 and 2016, respectively, an increase of \$36.6 million, or 7%, primarily due to improved product margins in gasoline distribution in our GDSO segment and crude oil in our Wholesale segment. The increase in gross profit was partially offset by product margin declines in other oils and related products in our Wholesale segment due to less favorable market conditions and in station operations in our GDSO segment due to the sale of sites, including the Drake Sites sold in August 2016.

Results for Wholesale Segment

Gasoline and Gasoline Blendstocks. Sales from wholesale gasoline and gasoline blendstocks were \$4.7 billion and \$2.1 billion for 2018 and 2017, respectively, an increase of \$2.6 billion, or 126%, due to increases in prices and volume sold, primarily in gasoline. Our gasoline and gasoline blendstocks product margin was \$76.7 million and \$82.1 million for 2018 and 2017, respectively, a decrease of \$5.4 million, or 7%, primarily due to less favorable market conditions in gasoline, offset by improved margins in gasoline blendstocks, primarily ethanol, due to more favorable market conditions. Our product margin in 2017 benefited from weather-related supply disruptions in the third quarter of 2017 that did not occur in 2018.

Sales from wholesale gasoline and gasoline blendstocks were \$2.1 billion and \$2.0 billion for 2017 and 2016, respectively, an increase of approximately \$0.1 billion, or 5%, due to an increase in prices, partially offset by a decrease in volume. Our gasoline and gasoline blendstocks product margin was \$82.1 million and \$83.7 million for 2017 and 2016, respectively, a decrease of \$1.6 million, or 2%, primarily due to less favorable market conditions in gasoline in the second quarter of 2017, partially offset by weather-related supply disruptions in the third quarter of 2017.

Crude Oil. Crude oil sales and logistics revenues were \$0.1 billion and \$0.5 billion for 2018 and 2017, respectively, a decrease of \$0.4 billion, or 76%, due to a decline in volume sold as crude by rail differentials continued to be challenged. Our crude oil product margin was \$7.2 million and \$7.3 million for 2018 and 2017, respectively, a decrease of \$0.1 million, or 1%, primarily due to lower contract revenue, partially offset by lower pipeline related expense, lower railcar lease and related expenses and lower terminal lease expense associated with the expiration of a terminal lease in the fourth quarter of 2017. Our product margin for 2017 was positively impacted by \$43.2 million in

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revenue recognized related to a take-or-pay contract with one particular customer compared to \$21.6 million in revenue recognized in 2018 due to the expiration of that contract in June 2018. Our product margin for 2017 was negatively impacted by a \$13.1 million expense associated with the acceleration and corresponding termination of a contractual obligation under a pipeline connection agreement with Tesoro related to the Beulah, North Dakota facility.

Crude oil sales and logistics revenues were approximately \$0.5 billion for each of 2017 and 2016, decreasing by \$82.3 million, or 15%, due to a decline in volume sold as crude oil did not discount sufficiently to make rail transport to the East Coast competitive with imports. Our crude oil product margin was \$7.3 million and negative \$13.1 million for 2017 and 2016, respectively, an increase of \$20.4 million, or 155%. Our crude oil product margin for 2017 was positively impacted by \$43.2 million in revenue as compared to \$28.0 million in 2016 related to the absence of logistics nominations from one particular contract customer, and a \$34.4 million decrease in railcar lease expense to \$11.3 million as a result of our early termination of a sublease in December 2016. Our crude oil product margin for 2017 was negatively impacted by a \$13.1 million expense associated with the acceleration and corresponding termination of a contractual obligation under a pipeline connection agreement with Tesoro related to the Beulah, North Dakota facility and by less volume through our system.

Other Oils and Related Products. Sales from other oils and related products (primarily distillates, residual oil and propane) were \$2.1 billion and \$1.7 billion for 2018 and 2017, respectively, increasing by \$323.5 million, or 19%, 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 \$53.4 million and \$62.8 million for 2018 and 2017, respectively, a decrease of \$9.4 million, or 15%, primarily due to less favorable market conditions in distillates in the first and third quarters of 2018, offset by improved margins in distillates in the fourth quarter. Our product margin in other oils and related products for both 2018 and 2017 were negatively impacted due to warmer than normal temperatures.

Sales from other oils and related products were \$1.7 billion and \$1.5 billion for 2017 and 2016, respectively, an increase of \$0.2 billion, or 13%, primarily due to an increase in prices, partially offset by a decrease in volume. Our product margin from other oils and related products was \$62.8 million and \$74.3 million for 2017 and 2016, respectively, a decrease of \$11.5 million, or 15%. Our product margin for 2017 was negatively impacted due to less favorable market conditions during the second and fourth quarters of 2017.

Results for Gasoline Distribution and Station Operations Segment

Gasoline Distribution. Sales from gasoline distribution were \$4.1 billion and \$3.4 billion for 2018 and 2017, respectively, an increase of \$0.7 billion, or 19%, primarily due to an increase in prices for most of 2018 and to an increase in volume sold due to our Recent Acquisitions. Our product margin from gasoline distribution was \$373.3 million and \$326.5 million for 2018 and 2017, respectively, an increase of \$46.8 million, or 14%, primarily due to higher fuel margins as wholesale gasoline prices declined during the fourth quarter of 2018 and to our Recent Acquisitions. Our product margin for 2018 was negatively impacted by rising wholesale gasoline prices during the first six months of the year. Rising wholesale gasoline prices typically compress our gasoline product margin and declining wholesale gasoline prices typically improve our gasoline product margin, the extent of which depends on the magnitude and duration.

Sales from gasoline distribution were \$3.4 billion and \$3.1 billion for 2017 and 2016, respectively, an increase of \$0.3 billion, or 10%, due to an increase in prices. Our product margin from gasoline distribution was \$326.5 million and \$289.4 million for 2017 and 2016, respectively, an increase of \$37.1 million, or 13%. The increase in our gasoline product margin was primarily due to declining wholesale gasoline prices during the second, third and fourth quarters of 2017.

Station Operations. Our station operations, which include (i) convenience stores sales at our directly operated stores, (ii) rental income from gasoline stations leased to dealers or from commissioned agents and from cobranding arrangements and (iii) sale of sundries, such as car wash sales and lottery and ATM commissions, collectively generated revenues of \$0.4 billion for each of 2018 and 2017, increasing by \$75.3 million, or 21%. Our product margin from station operations was \$203.1 million and \$175.0 million for 2018 and 2017, respectively, an increase of \$28.1 million, or 16%. The increases in sales and product margin are primarily due to our Recent Acquisitions, partially offset by the

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sale of non-strategic sites.

Revenues from our station operations, were \$0.4 billion for each of 2017 and 2016, decreasing by \$19.8 million, or 5%. Our product margin from station operations was \$175.0 million and \$183.7 million for 2017 and 2016, respectively, a decrease of \$8.7 million, or 5%. The decreases in sales and product margin in 2017 are primarily due to the sale of sites, including the Drake Sites sold in August 2016, partially offset by the addition of leased company operated sites in April 2016 and the acquisition of Honey Farms in October 2017.

Results for Commercial Segment

Our commercial sales were \$1.3 billion and \$0.8 billion for 2018 and 2017, respectively, increasing by \$426.6 million, or 50%, due to increases in prices and in volume sold. Our commercial product margin was \$23.6 million and \$17.9 million for 2018 and 2017, respectively, an increase of \$5.7 million, or 32%, primarily due to an increase in bunkering activity.

Our commercial sales were \$0.8 billion and \$0.7 billion for 2017 and 2016, respectively, increasing by \$157.1 million, or 23%, primarily due to higher prices. Our commercial product margin was \$17.9 million and \$24.0 million for 2017 and 2016, respectively, a decrease of \$6.1 million, or 25%. The decreases in sales and product margin are primarily due to the sale of our natural gas marketing and electricity brokerage businesses in February 2017 sales.

Selling, General and Administrative Expenses

SG&A expenses were \$171.0 million and \$155.0 million for 2018 and 2017, respectively, an increase of \$16.0 million, or 10%, including increases of \$4.6 million in incentive compensation, \$3.2 million in acquisition costs, \$2.1 million in wages and benefits, \$1.2 million in license fees, \$1.1 million in depreciation, \$0.9 million in bad debt expense and \$2.9 million in various SG&A expenses. The increase in acquisitions costs consists of \$3.9 million incurred in 2018 related to Champlain and Cheshire compared to \$0.7 million incurred in 2017 related to Honey Farms.

SG&A expenses were \$155.0 million and \$149.7 million for 2017 and 2016, respectively, an increase of \$5.3 million, or 4%, including increases of \$5.2 million in incentive compensation and \$2.4 million in professional fees. In addition, during 2017, we incurred \$1.1 million for certain costs in connection with a compensation funding agreement with our general partner (see Note 16 of Notes to Consolidated Financial Statements). The increase in SG&A expenses was offset, in part, by decreases of \$0.9 million in bad debt expense and \$0.6 million in salaries and wages, as well as a decline of \$1.9 million in severance charges incurred primarily in 2016 related to a reduction in our workforce.

Operating Expenses

Operating expenses were \$321.1 million and \$283.6 million for 2018 and 2017, respectively, an increase of \$37.5 million, or 13%, primarily due to an increase of \$35.5 million associated with our GDSO operations, due largely to our Recent Acquisitions and to increases in credit card fees, partially offset by a decrease in expenses due to the sale of sites. Operating expenses associated with our terminal operations increased by \$2.0 million.

Operating expenses were \$283.6 million and \$288.5 million for 2017 and 2016, respectively, a decrease of \$4.9 million, or 2%. Operating expenses decreased by \$2.6 million associated with our GDSO operations due, in part, to the sale of sites, including the Drake Sites sold in August 2016, partially offset by increases in credit card fees due to higher wholesale gasoline prices and in rent expense associated with the addition of leased sites, and the Honey Farms acquisition in October 2017. Operating expenses also decreased by \$2.5 million at our Basin Transload

facilities in North Dakota due to less activity. In addition, in 2016, we incurred \$3.1 million in costs associated with cleaning tanks and related infrastructure at our Oregon facility in order to convert the facility to ethanol transloading. The decrease in operating expenses was offset by an increase of \$3.3 million associated with our terminal operations.

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Gain (loss) on Trustee Taxes

In 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.

In 2017, we recognized a loss on trustee taxes of \$16.2 million related to an administratively closed New York State tax audit of our fuel and sales tax returns for the periods between December 2008 through August 2013.

See Note 2 of Notes to Consolidated Financial Statements, “Summary of Significant Accounting Policies—Trustee Taxes” for additional information.

Lease Exit and Termination Gain (Expenses)

In 2018, we were released from certain of our obligations to provide railcar storage, freight, insurance and other services for railcars under a fleet management services agreement associated with our 2016 voluntary termination of a railcar sublease. The release of certain of those obligations resulted in a \$3.5 million reduction of the remaining accrued incremental costs.

In 2016, the lease exit and termination expenses of \$80.7 million represent a one-time discounted lease termination expense related to the early termination of a sublease for 1,610 railcars leased from a third party.

See Note 2 of Notes to Consolidated Financial Statements, “Summary of Significant Accounting Policies—Leases” for additional information.

Amortization Expense

Amortization expense related to our intangible assets was \$11.0 million, \$9.2 million and \$9.4 million for 2018, 2017 and 2016, respectively. The increases of \$1.8 million in 2018 compared to 2017 was primarily due to the intangibles acquired in the Recent Acquisitions.

Net (Loss) Gain on Sale and Disposition of Assets

We had net losses on the sale and disposition of assets of (\$5.9 million), (\$12.5 million) and (\$20.5 million) for 2018, 2017 and 2016, respectively, primarily due to the sale of GDSO sites. Included in the net loss on sale and disposition of assets is approximately \$3.9 million, \$4.0 million and \$17.9 million for 2018, 2017 and 2016, respectively, of goodwill derecognized as part of the site divestitures. For 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 6 of Notes to Consolidated Financial Statements for additional information.

Goodwill and Long-Lived Asset Impairment

In 2018 and 2017, we recognized a long-lived asset impairment charge of \$0.4 million and \$0.8 million, respectively, relating to long-lived assets used at certain gasoline stations and convenience stores associated with our GDSO segment. In 2016, we recognized a goodwill impairment charge of \$121.7 million related to the Wholesale reporting unit and a long-lived asset impairment charge of \$28.2 million, substantially all of which is due to crude oil related activities. See Note 2 of Notes to Consolidated Financial Statements for a description of the facts and circumstances

related to the impairment charges.

Interest Expense

Interest expense was \$89.1 million and \$86.2 million for 2018 and 2017, respectively, an increase of

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\$2.9 million, or 3%, primarily due to higher average balances on our credit facilities for 2018, in part due to the acquisitions of Champlain and Cheshire, an increase in inventory attributable to both volume and price, and an increase in interest rates for 2018 compared to 2017.

Interest expense was \$86.2 million and \$86.3 million for 2017 and 2016, respectively, a decrease of \$0.1 million, primarily due to lower average balances on our credit facilities and lower interest rates due to the May 2016 expiration of our interest rate swap, partially offset by a full year of our financing obligation recognized in connection with our sale-leaseback transaction entered into in June 2016.

Income Tax (Expense) Benefit

Income tax (expense) benefit was (\$5.6 million), \$23.6 million and (\$0.1 million) for 2018, 2017 and 2016, respectively. The income tax (expense) benefit recognized primarily reflects the income tax (expense) benefit from the operating results of GMG, which is a taxable entity for federal and state income tax purposes. The income tax benefit in 2017 was primarily due to the impact of the enactment of the Tax Cuts and Jobs Act in December 2017 (“the Act”). As a result of the enactment of this law, we remeasured certain deferred tax assets and liabilities based on the rates at which they are anticipated to reverse in the future, resulting in a decrease to our net deferred tax liability of \$22.2 million in the fourth quarter of 2017, which was recorded based on provisional amounts. As of December 31, 2018, we completed our accounting for all of the tax effects of the enactment of the Act, including the effects on our existing deferred tax balances and one-time transition tax. There were no material adjustments to the provisional tax expense estimate that was previously recorded related to the Act. See Notes 2 and 12 of Notes to Consolidated Financial Statements for additional information on income taxes.

Net Loss Attributable to Noncontrolling Interest

In February 2013, we acquired a 60% membership interest in Basin Transload. The net loss income attributable to noncontrolling interest was \$1.5 million, \$1.6 million and \$39.2 million for 2018, 2017 and 2016, respectively, which represents the 40% noncontrolling ownership of the net loss reported. The noncontrolling interest for 2016 includes a \$35.8 million goodwill and long-lived asset impairment.

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 \$292.2 million and \$209.5 million at December 31, 2018 and 2017, respectively, an increase of \$82.7 million, in part due to an increase of \$35.7 million in inventories resulting from an increase in inventory volume and decreases of \$67.7 million in trustee taxes payable and \$23.4 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 7 of Notes to Consolidated Financial Statements). The decrease in trustee taxes payable was 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 2 of Notes to Consolidated Financial Statements). The increase in working capital was partially offset by a decrease of \$82.5 million in accounts receivable, due largely to the take-or-pay receivable with one particular crude oil contract customer in 2017.

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Cash Distributions

Common Units

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
August 14, 2018	\$ 16.3 million	Second quarter 2018
November 14, 2018	\$ 16.3 million	Third quarter 2018

In addition, on January 28, 2019, the board of directors of our general partner declared a quarterly cash distribution of \$0.50 per unit (\$2.00 per unit on an annualized basis) on all of our outstanding common units for the period from October 1, 2018 through December 31, 2018 to our common unitholders of record as of the close of business February 8, 2019. This distribution resulted in our reaching our second target level distribution for the quarter ended December 31, 2018. On February 14, 2019, we paid the total cash distribution of approximately \$17.3 million.

Preferred Units

On November 15, 2018, we paid a cash distribution to holders of the Series A Preferred Units in the total amount of \$1.8 million covering the period from August 7, 2018 (the issuance date of the Series A Preferred Units) through November 14, 2018.

In addition, on January 22, 2019, the board of directors of our general partner declared a quarterly cash distribution of \$0.609375 per unit (\$2.4375 per unit on an annualized basis) on our Series A Preferred Units for the period from November 15, 2018 through February 14, 2019 to our preferred unitholders of record as of the opening of business on February 1, 2019. On February 15, 2019, we paid the total cash distribution of approximately \$1.7 million.

Contractual Obligations

We have contractual obligations that are required to be settled in cash. The amounts of our contractual obligations at December 31, 2018 were as follows (in thousands):

Contractual Obligations	Payments Due by Period					Total
	2019	2020	2021	2022	2023 and Thereafter	
Credit facility obligations (1)	\$ 123,129	\$ 377,715	\$ —	\$ —	\$ —	\$ 500,844
Senior notes obligations (2)	44,438	44,438	44,438	407,719	310,500	851,533
Operating lease obligations (3)	100,262	69,312	59,384	46,415	135,079	410,452
Other long-term liabilities (4)	29,227	26,418	24,078	20,826	60,315	160,864

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Financing obligations (5)	14,769	15,094	15,426	15,766	121,177	182,232
Total	\$ 311,825	\$ 532,977	\$ 143,326	\$ 490,726	\$ 627,071	\$ 2,105,925

- (1) Includes principal and interest on our working capital revolving credit facility and our revolving credit facility at December 31, 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. The increase in 2022 is due to our 6.25% senior notes maturing in July 2022. See Note 7 of Notes to Consolidated Financial Statements for additional information on our senior notes.

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- (3) Includes operating lease obligations related to leases for office space and computer equipment, land, terminals and throughputs, gasoline stations, railcars and barges. See Note 10 of Notes to Consolidated Financial Statements for additional information.
- (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, our natural gas transportation and reservation agreements and our access right agreements (see Note 10 of Notes to Consolidated Financial Statements for additional information on these 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 7 of Notes to Consolidated Financial Statement for additional information.

See Note 10 of Notes to Consolidated Financial Statements with respect to purchase commitments and sublease information related to certain lease agreements.

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 \$38.6 million, \$34.7 million and \$33.0 million in maintenance capital expenditures for the years ended December 31, 2018, 2017 and 2016, respectively, which are included in capital expenditures in the accompanying consolidated statements of cash flows, of which approximately \$33.6 million, \$27.9 million and \$25.7 million for 2018, 2017 and 2016, 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.

Expansion capital expenditures include expenditures to acquire assets to grow our businesses or expand our existing facilities, such as projects that increase our operating capacity or revenues by, for example, increasing dock capacity and tankage, diversifying product availability, investing in raze and rebuilds and new to industry gasoline stations and convenience stores, increasing storage flexibility at various terminals and by adding terminals to our storage network. We have the ability to fund our expansion capital expenditures through cash from operations or our credit agreement or by issuing debt securities or additional equity. We had approximately \$175.7 million, \$29.2 million and \$38.3 million in expansion capital expenditures, including acquisitions, for the years ended December 31, 2018, 2017 and 2016, respectively.

In 2018, the \$175.7 million in expansion capital expenditures included approximately \$145.1 million in property and equipment associated with the acquisitions of Cheshire and Champlain. In addition, we had \$30.6 million in expansion capital expenditures primarily related to investments in our gasoline stations, including, in part, raze and rebuilds and new-to-industry sites.

In 2017, the \$29.2 million in expansion capital expenditures included approximately \$14.1 million in property and equipment associated with the acquisition of Honey Farms. In addition, we had \$15.1 million in expansion capital

expenditures which consists of \$8.7 million in raze and rebuilds, expansion and improvements at retail gasoline stations and new-to-industry sites, and \$6.4 million in other expansion capital expenditures, primarily related to investments in information technology and computer equipment.

In 2016, the \$38.3 million in expansion capital expenditures included approximately (i) \$25.4 million in raze and rebuilds, expansion and improvements at retail gasoline stations and new-to-industry sites, and includes \$5.7 million related to the addition of 22 leased sites in April 2016; (ii) \$7.9 million in costs associated with our terminal assets, including \$7.5 million in dock and infrastructure expansion at our Oregon facility, and (iii) \$5.0 million in other

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expansion capital expenditures, primarily related to investments in information technology and computer equipment.

We currently expect maintenance capital expenditures of approximately \$40.0 million to \$50.0 million and expansion capital expenditures, excluding acquisitions, of approximately \$40.0 million to \$50.0 million in 2019, relating primarily to investments in our gasoline station business. These current estimates depend, in part, on the timing of completion of projects, availability of equipment, weather and unanticipated events or opportunities requiring additional maintenance or investments.

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

Cash Flow

The following table summarizes cash flow activity for the years ended December 31 (in thousands):

	2018	2017	2016
Net cash provided by (used in) operating activities	\$ 168,856	\$ 348,442	\$ (119,886)
Net cash (used in) provided by investing activities	\$ (225,720)	\$ (61,644)	\$ 6,447
Net cash provided by (used in) financing activities	\$ 50,127	\$ (281,968)	\$ 122,351

Operating Activities

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

Net cash provided by operating activities was \$168.9 million and \$348.4 million for 2018 and 2017, respectively, for a year-over-year decrease in cash flow from operating activities of \$179.5 million. For 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 2 of Notes to Consolidated Financial Statements).

Net cash provided by operating activities was \$348.4 million for 2017 compared to net cash used in operating activities of \$119.9 million for 2016, for a year over year increase in cash flows from operating activities of \$468.3 million.

The primary drivers of the changes in operating activities include the following (in thousands):

	2018	2017	Change	2017	2016	Change
Decrease (increase) in accounts receivable	\$ 81,898	\$ 3,886	\$ 78,012	\$ 3,886	\$ (110,237)	\$ 114,123

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(Increase) decrease in inventories	\$ (29,778)	\$ 173,167	\$ (202,945)	\$ 173,167	\$ (135,888)	\$ 309,055
(Decrease) increase in accounts payable	\$ (4,433)	\$ (6,850)	\$ 2,417	\$ (6,850)	\$ 17,410	\$ (24,260)

In 2018, the decrease in accounts receivable was due largely to the take-or-pay receivable with one particular crude oil contract customer at December 31, 2017 that was not recognized at December 31, 2018. The increase in inventories was due to higher inventory volume. The decrease in operating cash flow was also impacted by the year-over-year change in derivatives of \$34.1 million due to market direction and in trustee taxes of \$24.2 million. The change in trustee taxes in 2017 includes the \$16.2 million payment related to an administratively closed New York State tax audit of our fuel and sales tax returns for the periods between December 2008 through August 2013.

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In 2017, the decrease in inventories is due to reduced inventory volume, in part due to a change in market structure and to lower crude oil volume as compared to an increase in inventories in 2016 primarily due to higher prices. Accounts receivable decreased slightly in 2017 as compared to a \$110.2 million increase in 2016 which was primarily due to higher prices and an increase in the take-or-pay receivable with one particular crude oil contract customer. The increase in cash flows from operating activities also reflects the period over period increase in net income which in part reflects the \$80.7 million lease exit and termination expenses incurred in 2016.

In 2016, the increases in accounts receivable, inventories and accounts payable are primarily due to higher prices. An increase in the take-or-pay receivable with one particular crude oil contract customer also contributed to the increase in accounts receivable. The \$182.4 million decrease in cash flow from operating activities also reflects the decrease in net income which, in part, reflects the \$80.7 million lease exit and termination expenses and the decline in crude oil product margin due to tight rail differentials. The change in derivatives year over year provided funds of \$49.1 million.

Investing Activities

Net cash used in investing activities was \$225.7 million for 2018 and included \$138.2 million and \$33.4 million in cash used to fund the acquisitions of Champlain and Cheshire, respectively, including inventory, \$38.6 million in maintenance capital expenditures, \$30.6 million in expansion capital expenditures and \$3.3 million in seller note issuances, offset by \$18.4 million in proceeds from the sale of property and equipment. The seller note issuances represent notes we received from buyers in connection with the sale of certain of our gasoline stations.

Net cash used in investing activities was \$61.6 million for 2017 and included \$38.5 million in cash to fund the acquisition of Honey Farms, including inventory, \$34.7 million in maintenance capital expenditures, \$15.1 million in expansion capital expenditures and \$6.0 million in seller note issuances, offset by \$32.7 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 \$16.9 million primarily from the sales of GDSO sites).

Net cash provided by investing activities was \$6.4 million for 2016 and included \$77.7 million in proceeds from the sale of property and equipment, primarily associated with the sale of the Drake Sites, the periodic divestiture of gasoline stations and the strategic asset divestiture program, offset by \$38.3 million in expansion capital expenditures and \$33.0 million in maintenance capital expenditures.

Please read “—Capital Expenditures” for a discussion of our expansion capital expenditures for the years ended December 31, 2018, 2017 and 2016.

Financing Activities

Net cash provided by financing activities was \$50.1 million for 2018 and included \$66.4 million in net proceeds from the issuance of the Series A Preferred Units, \$26.6 million in net borrowings from our revolving credit facility and \$24.0 million in borrowings from our working capital revolving credit facility, offset by \$66.0 million in cash distributions to our limited partners (preferred and common unitholders) and our general partner and \$0.8 million in LTIP units withheld for tax obligations related to awards that vested in 2018.

Net cash used in financing activities was \$282.0 million for 2017 and included \$197.9 million in net payments on our working capital revolving credit facility, due in part to reduced inventory volume which was partially due to a change in market structure, \$62.7 million in cash distributions to our common unitholders and our general partner, \$20.7 million in net payments on our revolving credit facility, \$0.5 million in LTIP units withheld for tax obligations related to awards that vested in 2017 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.

Net cash provided by financing activities was \$122.4 million for 2016 and included \$176.5 million in net borrowings from our working capital revolving credit facility, primarily due to an increase in prices, and \$62.5 million in net proceeds from our sale-leaseback transaction, offset by \$62.5 million in cash distributions to our common unitholders

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and our general partner, \$52.3 million in net payments on our revolving credit facility representing proceeds from asset sales which was partially offset by \$61.7 million in borrowings in connection with our railcar sublease termination, and \$1.8 million in distributions to our noncontrolling interest at Basin Transload.

See Note 7 of Notes to Consolidated Financial Statement for supplemental cash flow information related to our working capital revolving credit facility and revolving credit facility for 2018, 2017 and 2016.

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.

In addition, the credit agreement has an accordion feature whereby we may request on the same terms and conditions then applicable to the credit agreement, provided no Event of Default (as defined in the credit agreement) then exists, an increase to the working capital revolving credit facility, the revolving credit facility, or both, by up to another \$300.0 million, in the aggregate, for a total credit facility of up to \$1.6 billion. Any such request for an increase must be in a minimum amount of \$25.0 million. We cannot provide assurance, however, that our lending group will agree to fund any request by us for additional amounts in excess of the total available commitments of \$1.3 billion.

In addition, the credit agreement includes a swing line pursuant to which Bank of America, N.A., as the swing line lender, may make swing line loans in U.S. dollars in an aggregate amount equal to the lesser of (a) \$75.0 million and (b) the Aggregate WC Commitments (as defined in the credit agreement). Swing line loans will bear interest at the Base Rate (as defined in the credit agreement). The swing line is a sub-portion of the working capital revolving credit facility and is not an addition to the total available commitments of \$1.3 billion.

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. Under the credit agreement, borrowings under the working capital revolving credit facility cannot exceed the then current borrowing base. 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. These and other events could require us to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. We can provide no assurance that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to us.

Borrowings under the working capital revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.00% to 2.50%, (2) the cost of funds rate plus 2.00% to 2.50%, or (3) the base rate plus 1.00% to 1.50%, each depending on the Utilization Amount (as defined in the credit agreement). Borrowings under the revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.00% to 3.00%, (2) the cost of funds rate plus 2.00% to 3.00%, or (3) the base rate plus 1.00% to 2.00%, each depending on the Combined Total Leverage Ratio (as defined in the credit

agreement).

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The average interest rates for the credit agreement were 4.0%, 3.7% and 3.5% for the years ended December 31, 2018, 2017 and 2016, respectively.

The credit agreement provides for a letter of credit fee equal to the then applicable working capital rate or then applicable revolver rate (each such rate as defined in the credit agreement) per annum for each letter of credit issued. In addition, we incur a commitment fee on the unused portion of each facility under the credit agreement, ranging from 0.35% to 0.50% per annum.

As of December 31, 2018, we had total borrowings outstanding under the credit agreement of \$473.3 million, including \$220.0 million outstanding on the revolving credit facility. In addition, we had outstanding letters of credit of \$56.0 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$770.7 million and \$810.3 million at December 31, 2018 and 2017, respectively.

The credit agreement is secured by substantially all of our assets and the assets of our wholly owned subsidiaries and is guaranteed by us and our subsidiaries, Bursaw Oil LLC, Global Partners Energy Canada ULC, Warex Terminals Corporation, Drake Petroleum Company, Inc., Puritan Oil Company, Inc. and Maryland Oil Company, Inc.

The credit agreement also includes (i) a \$25.0 million general secured indebtedness basket, (ii) a \$25.0 million general investment basket, (iii) a \$75.0 million secured indebtedness basket to permit the borrowers to enter into a Contango Facility (as defined in the credit agreement), (iv) a Sale/Leaseback Transaction (as defined in the credit agreement) basket of \$100.0 million, and (v) a basket of \$50.0 million in an aggregate amount over the life of the credit agreement for the purchase of our common units, provided that no Event of Default exists or would occur immediately following such purchase(s).

In addition, the credit agreement provides the ability for the borrowers to repay certain junior indebtedness, subject to a \$100.0 million cap, so long as no Event of Default has occurred or will exist immediately after making such repayment.

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 December 31, 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).

6.25% Senior Notes

On June 19, 2014, we and GLP Finance Corp. (collectively, the “Issuers”) entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the “Initial Purchasers”) pursuant to which the Issuers agreed to sell \$375.0 million aggregate principal amount of the Issuers’ 6.25% senior notes due 2022 (the “6.25% Notes”) to the Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The 6.25% Notes were resold by the Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

Indenture

In connection with the private placement of the 6.25% Notes on June 24, 2014, the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “Indenture”).

The 6.25% Notes mature on July 15, 2022 with interest accruing at a rate of 6.25% per annum and payable semi annually in arrears on January 15 and July 15 of each year, commencing January 15, 2015. The 6.25% Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent

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set forth in the Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 6.25% Notes may declare the 6.25% Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to us, any restricted subsidiary of ours that is a significant subsidiary or any group of our restricted subsidiaries that, taken together, would constitute a significant subsidiary of ours, will automatically cause the 6.25% Notes to become due and payable.

The Issuers have the option to redeem the 6.25% Notes, in whole or in part, at the redemption prices of 103.125% for the twelve month period beginning July 15, 2018, 101.563% for the twelve month period beginning July 15, 2019, and 100.0% beginning on July 15, 2020 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. The holders of the notes may require the Issuers to repurchase the 6.25% Notes following certain asset sales or a Change of Control (as defined in the Indenture) at the prices and on the terms specified in the Indenture.

The Indenture contains covenants that will limit our ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by our subsidiaries, create liens, enter into sale leaseback transactions, sell assets or merge with other entities. Events of default under the Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 6.25% Notes, (ii) breach of our covenants under the Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of ours or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$15.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$15.0 million.

7.00% Senior Notes

On June 1, 2015, the Issuers entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the “7.00% Notes Initial Purchasers”) pursuant to which the Issuers agreed to sell \$300.0 million aggregate principal amount of the Issuers’ 7.00% senior notes due 2023 (the “7.00% Notes”) to the 7.00% Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 7.00% Notes were resold by the 7.00% Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

Indenture

In connection with the private placement of the 7.00% Notes on June 4, 2015 the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “7.00% Notes Indenture”).

The 7.00% Notes will mature on June 15, 2023 with interest accruing at a rate of 7.00% per annum and payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2015. The 7.00% Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the 7.00% Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 7.00% Notes may declare the 7.00% Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to us, any restricted subsidiary of ours that is a significant subsidiary or any group of our restricted subsidiaries that, taken together, would constitute a significant subsidiary of ours, will automatically cause the 7.00% Notes to become due and payable.

The Issuers have the option to redeem the 7.00% Notes, in whole or in part, at the redemption prices of 105.250% for the twelve-month period beginning June 15, 2018, 103.500% for the twelve-month period beginning June 15, 2019, 101.750% for the twelve-month period beginning June 15, 2020, and 100.0% beginning June 15, 2021 and at any time

thereafter, together with any accrued and unpaid interest to the date of redemption. The holders of the 7.00% Notes may require the Issuers to repurchase the 7.00% Notes following certain asset sales or a Change of Control (as defined in the 7.00% Notes Indenture) at the prices and on the terms specified in the 7.00% Notes Indenture.

The 7.00% Notes Indenture contains covenants that will limit our ability to, among other things, incur

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additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by our subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the 7.00% Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 7.00% Notes, (ii) breach of our covenants under the 7.00% Notes Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of ours or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$50.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$50.0 million.

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 \$9.4 million, \$9.6 million and \$9.6 million was recorded for the years ended December 31, 2018, 2017 and 2016, respectively, and 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 \$9.7 million, \$9.7 million and \$9.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The financing obligation balance outstanding at December 31, 2018 was \$87.5 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”). The Master Unitary Lease Agreement provides for an initial term of fifteen years that expires in 2031. We have one successive option to renew the lease for a ten-year period followed by two successive options to renew the lease for five-year periods on the same terms, covenants, conditions and rental as the primary non-revocable lease term. We do not have any residual interest nor the option to repurchase any of the sites at the end of the lease term. The proceeds from the Sale-Leaseback Transaction were used to reduce indebtedness outstanding under our revolving credit facility.

The sale did not meet the criteria for sale accounting as of December 31, 2018 due to prohibited continuing involvement. Specifically, the sale is considered a partial-sale transaction, which is a form of continuing involvement as we did not transfer to the Buyer the storage tank systems which are considered integral equipment of the Sale-Leaseback Sites. Additionally, a portion of the sold sites have material sub-lease arrangements, which is also a form of continuing involvement. As the sale of the Sale-Leaseback Sites did not meet the criteria for sale accounting, we did not recognize a gain or loss on the sale of the Sale-Leaseback Sites for the year ended December 31, 2018.

As a result of not meeting the criteria for sale accounting for these sites, the Sale-Leaseback Transaction is accounted for as a financing arrangement. As such, the property and equipment sold and leased back by us has not been derecognized and continues to be depreciated. We recognized a corresponding financing obligation of \$62.5 million

equal to the \$63.5 million cash proceeds received for the sale of these sites, net of \$1.0 million financing fees. During the term of the lease, which expires in June 2031, in lieu of recognizing lease expense for the lease rental payments, we incur interest expense associated with the financing obligation. Lease rental payments are recognized as both interest expense and a reduction of the principal balance associated with the financing obligation. Interest expense was \$4.4 million, \$4.4 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016, respectively, and lease rental payments were \$4.5 million, \$4.5 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016,

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respectively. The financing obligation balance outstanding at December 31, 2018 was \$62.5 million associated with the Sale-Leaseback Transaction.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Impact of Inflation

Inflation has been relatively low in recent years and did not have a material impact on our results of operations for the years ended December 31, 2018, 2017 and 2016.

Environmental Matters

Our businesses of supplying refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane, and other business activities, involves a number of activities that are subject to extensive and stringent environmental laws. For a complete discussion of the environmental laws and regulations affecting our businesses, please read Items 1 and 2, “Business and Properties—Environmental.” For additional information regarding our environmental liabilities, see Note 13 of Notes to Consolidated Financial Statements included elsewhere in this report.

Critical Accounting Policies and Estimates

A summary of the significant accounting policies that we have adopted and followed in the preparation of our consolidated financial statements is detailed in Note 2 of Notes to Consolidated Financial Statements. Certain of these accounting policies require the use of estimates. 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

We hedge substantially all of our 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 ours 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. RIN inventory is carried at the lower of historical cost, on a first-in, first-out basis, or net realizable value. Convenience store inventory is carried at the lower of historical cost, based on a weighted average cost method, or net realizable value.

In addition to our own inventory, we have exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby we may draw inventory from these other suppliers and suppliers may draw inventory from us. Positive exchange balances are accounted for as accounts receivable. Negative exchange balances are

accounted for as accounts payable. Exchange transactions are valued using current carrying costs.

Leases

We have terminal and throughput lease arrangements with various other oil terminals and third parties, certain of which arrangements have minimum usage requirements. In addition, we lease certain gasoline stations from third

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parties under long term arrangements with various expiration dates. We also have several long term lease agreements with Getty Realty, which enables us to supply and operate certain Getty Realty gasoline station sites, and with the Port of Columbia County (formerly known as Port of St. Helens) in Clatskanie, Oregon for land and for access rights to a rail spur and dock located at our Oregon facility.

We have future commitments, principally for office space and computer equipment, under the terms of operating lease arrangements. We also lease railcars and barges through various lease arrangements with various expiration dates. We have rental income from gasoline stations and cobranding arrangements and lease income from space leased to several unrelated third parties at several of our terminals.

In addition, in June of 2016, we sold real property assets, including the buildings, improvements and appurtenances thereto, at 30 gasoline stations and convenience stores. In connection with this sale-leaseback transaction, we are party to a master unitary lease agreement with the buyer to lease back those real property assets sold with respect to such sites. See Note 7 of Notes to Consolidated Financial Statements for additional information.

Accounting and reporting guidance for leases requires that leases be evaluated and classified as operating or capital leases for financial reporting purposes. The lease term used for lease evaluation includes option periods only in instances in which the exercise of the option period can be reasonably assured and failure to exercise such options would result in an economic penalty. Lease rental expense and income is recognized on a straight line basis over the term of the lease.

We will be adopting ASU 2016-02, "Leases," effective beginning in the first quarter of 2019 and do not expect this standard will have a material effect on our consolidated statement of operations. However, we estimate approximately \$0.3 billion of right-of-use assets and liabilities will be recognized upon adoption on our consolidated balance sheet.

Revenue Recognition

Our sales relate primarily to the sale of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane and are recognized along with the related receivable upon delivery, net of applicable provisions for discounts and allowances. We 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, as well as other factors. As a result, the price of the products fluctuates to remain competitive with other available product supplies. The revenue associated with such arrangements is recognized upon delivery.

In addition, we generate revenue from our logistics activities when we store, transload and ship products owned by others. Revenue from logistics services is recognized as services are provided.

Logistics agreements may require counterparties to throughput a minimum volume over an agreed-upon period and may include make-up rights if the minimum volume is not met. We recognize 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.

We also recognize convenience store sales of gasoline, grocery and other merchandise and sundries 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, gasoline blendstocks, renewable fuels and crude oil of a desired quality or to reduce transportation costs by taking delivery of products closer to our end markets. We recognize net exchange differentials due from exchange partners in sales upon delivery of product to an exchange partner. We recognize net exchange differentials due to exchange partners in cost of sales upon receipt of product from an exchange partner.

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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.

Trustee Taxes

We collect trustee taxes, which consist of various pass through taxes collected on behalf of taxing authorities, and remit 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 our policy to exclude trustee taxes from revenues and cost of sales and account for them as current liabilities. See Note 11 of Notes to Consolidated Financial Statements for additional information. We may be subject to audits of our state and federal tax returns prepared for trustee taxes.

Derivative Financial Instruments

We principally use 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 our exposure to unfavorable changes in commodity market prices and interest rates. We use these exchange traded and OTC derivatives to hedge commodity price risk associated with our inventory and undelivered forward commodity purchases and sales (“physical forward contracts”). We account for derivative transactions in accordance with ASC Topic 815, “Derivatives and Hedging,” and recognize derivatives instruments as either assets or liabilities in the consolidated balance sheet and measure 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 our brokers upon liquidation of these contracts. The fair value of these exchange traded derivative transactions is presented on a net basis, offset by the cash balances on deposit with our 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 our exchange traded derivatives and OTC derivative transactions depends on the intended use of the derivative and the resulting designation.

Derivatives Accounted for as Hedges—We utilize 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 statements of operation through cost of sales. These futures contracts are settled on a daily basis by us through brokerage margin accounts.

Our 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.

Cash Flow Hedges

Derivatives designated as cash flow hedges are used to hedge interest rate risk from fluctuations in interest rates and may include various interest rate derivative instruments entered into with major financial institutions. For a

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derivative instrument being designated as a cash flow hedge, the effective portion of the derivative gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into the consolidated statement of operations through interest expense in the same period that the hedged exposure affects earnings. The ineffective portion is recognized in the consolidated statement of operations immediately.

Derivatives Not Accounted for as Hedges—We utilize petroleum and ethanol commodity contracts, foreign currency derivatives and commodity contracts to hedge price and currency risk in certain commodity inventories and physical forward contracts.

Petroleum and Ethanol Commodity Contracts

We use 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 us as fair value hedges. Additionally, we use exchange traded derivative contracts, and occasionally financial forward and OTC swap agreements, to hedge commodity price exposure associated with our physical forward contracts which are not designated by us 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 us through brokerage margin accounts.

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

Margin Deposits

All of our exchange traded derivative contracts (designated and not designated) are transacted through clearing brokers. We deposit 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.

Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. We have concluded that our operating segments are also our reporting units. Goodwill is tested for impairment annually as of October 1 or when events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Derecognized goodwill associated with our disposition activities of GDSO sites is included in the carrying value of assets sold in determining the gain or loss on disposal, to the extent the disposition of assets qualifies as a disposition of a business under ASC 805. The GDSO reporting unit's goodwill that was derecognized related to the disposition of sites that met the definition of a business was \$3.9 million, \$4.0 million and \$17.9 million for the years ended December 31, 2018, 2017

and 2016, respectively (see Note 6 of Notes to Consolidated Financial Statements).

During both 2018 and 2017, we completed a quantitative assessment for the GDSO reporting unit. Factors included in the assessment included both macro economic conditions and industry specific conditions, and the fair value of the GDSO reporting unit was estimated using a weighted average of a discounted cash flow approach and a market

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comparables approach. Based on our assessment, no impairment was identified.

In 2016, we recognized a goodwill impairment charge of \$121.7 million related to the Wholesale reporting unit, substantially all of which is due to crude oil related activities. See Note 2 of Notes to Consolidated Financial Statements for a description of the facts and circumstances related to the impairment charges.

Evaluation of Long-Lived Asset Impairment

Accounting and reporting guidance for long lived assets requires that a long lived asset (group) be reviewed for impairment when events or changes in circumstances indicate that the carrying amount might not be recoverable. Accordingly, we evaluate long-lived assets for impairment whenever indicators of impairment are identified. If indicators of impairment are present, we assess impairment by comparing the undiscounted projected future cash flows from the long lived assets to their carrying value. If the undiscounted cash flows are less than the carrying value, the long lived assets will be reduced to their fair value.

Environmental and Other Liabilities

We record accrued liabilities for all direct costs associated with the estimated resolution of contingencies at the earliest date at which it is deemed probable that a liability has been incurred and the amount of such liability can be reasonably estimated. Costs accrued are estimated based upon an analysis of potential results, assuming a combination of litigation and settlement strategies and outcomes.

Estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Loss accruals are adjusted as further information becomes available or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recognized when related contingencies are resolved, generally upon cash receipt.

We are subject to other contingencies, including legal proceedings and claims arising out of our businesses that cover a wide range of matters, including, environmental matters and contract and employment claims. Environmental and other legal proceedings may also include matters with respect to businesses previously owned. Further, due to the lack of adequate information and the potential impact of present regulations and any future regulations, there are certain circumstances in which no range of potential exposure may be reasonably estimated.

Recent Accounting Pronouncements

A description and related impact expected from the adoption of certain new accounting pronouncements is provided in Note 2 of Notes to Consolidated Financial Statements included elsewhere in this report.

Item 7A. 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.

As of December 31, 2018, we had total borrowings outstanding under our credit agreement of \$473.3 million. Please read Part II, Item 7, “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

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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 \$4.7 million annually, assuming, however, that our indebtedness remained constant throughout the year.

Commodity Risk

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

While we seek to maintain a position that is substantially balanced within our commodity product purchase and sales activities, we may experience net unbalanced positions for short periods of time as a result of variances in daily purchases and sales and transportation and delivery schedules as well as other logistical issues inherent in our businesses, such as weather conditions. In connection with managing these positions, we are aided by maintaining a constant presence in the marketplace. We also engage in a controlled trading program for up to an aggregate of 250,000 barrels of commodity products at any one point in time. Changes in the fair value of these derivative instruments are recognized in the consolidated statements of operations through cost of sales. In addition, because a portion of our crude oil business may be conducted in Canadian dollars, we may use foreign currency derivatives to minimize the risks of unfavorable exchange rates. These instruments may include foreign currency exchange contracts and forwards. In conjunction with entering into the commodity derivative, we may enter into a foreign currency derivative to hedge the resulting foreign currency risk. These foreign currency derivatives are generally short term in nature and not designated for hedge accounting.

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

At December 31, 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 December 31, 2018	Gain (Loss) Effect of 10% Price Increase	Effect of 10% Price Decrease
Exchange traded derivative contracts	\$ 83,617	\$ (23,133)	\$ 23,133
Forward derivative contracts	21,896	(7,433)	7,433
Total	\$ 105,513	\$ (30,566)	\$ 30,566

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 December 31, 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

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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 \$14.8 million at December 31, 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 major financial institutions as our clearing brokers for all NYMEX, CME and ICE derivative transactions and the right of offset exists with these financial institutions. Accordingly, the fair value of our exchange traded derivative instruments is presented on a net basis in the consolidated balance sheet. Exposure on physical forward contracts and swap agreements is limited to the amount of the recorded fair value as of the balance sheet dates.

Item 8. Financial Statements and Supplementary Data.

The information required here is included in the report as set forth in the "Index to Financial Statements" on page F 1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 December 31, 2018.

Internal Control Over Financial Reporting

Management's Annual Report

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act). Our internal control over financial reporting is the process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with GAAP. There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation.

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Under the supervision and with the participation of our principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, our independent registered public accounting firm, as stated in their report. See “Report of Independent Registered Public Accounting Firm” on Page F-3 of our consolidated financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Global GP LLC, our general partner, manages our operations and activities on our behalf. Our general partner is not elected by our unitholders. Unitholders are not entitled to elect the directors of our general partner or directly or indirectly participate in our management or operation. Affiliates of the Slifka family own 100% of the ownership interests in our general partner. Our general partner is controlled by Richard Slifka and the Alfred A. Slifka 1990 Trust Under Article II-A (the "AS Article II-A Trust") directly and through their beneficial ownership of entities that own ownership interests in our general partner. Eric Slifka and Andrew Slifka beneficially own interests in our general partner. Our general partner is liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically nonrecourse to it. Whenever possible, our general partner intends to incur indebtedness or other obligations that are nonrecourse.

Alfred A. Slifka, former chairman of the board of our general partner, passed away on March 9, 2014. Mr. Slifka's estate closed effective February 28, 2017 and his interest in our general partner and his beneficially owned interests in Global Partners LP and its affiliates were transferred to the AS Article II-A Trust on that date. Eric Slifka, our President and Chief Executive Officer, and his two siblings are the trustees of the AS Article II-A Trust.

Four members of the board of directors of our general partner serve on a conflicts committee to review specific matters that the board believes may involve conflicts of interest. The conflicts committee determines if the resolution of the conflict of interest is fair and reasonable to us. Members of the conflicts committee may not be officers or employees of our general partner or directors, officers or employees of its affiliates and must meet the independence and experience standards established by the NYSE and the Securities Exchange Act of 1934. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders. In addition, we have a separately designated standing audit committee established in accordance with the Securities Exchange Act of 1934 and a compensation committee. The four independent members of the board of directors of our general partner, Messrs. McCool, McKown, Watchmaker and Hailer, serve as the sole members of the conflicts, audit and compensation committees.

Even though most companies listed on the NYSE are required to have a majority of independent directors serving on the board of directors of the listed company and establish and maintain an audit committee, a compensation committee and a nominating/corporate governance committee, each consisting solely of independent directors, the NYSE does not require a listed limited partnership like us to have a majority of independent directors on the board of directors of our general partner or to establish a compensation committee or a nominating/corporate governance committee.

No member of the audit committee is an officer or employee of our general partner or director, officer or employee of any affiliate of our general partner. Furthermore, each member of the audit committee is independent as defined in the listing standards of the NYSE. The board of directors of our general partner has determined that a member of the audit committee, namely Kenneth Watchmaker, is an "audit committee financial expert" as defined by the SEC.

Among other things, the audit committee is responsible for reviewing our external financial reporting, including reports filed with the SEC, engaging and reviewing our independent auditors and reviewing procedures for internal auditing and the adequacy of our internal accounting controls.

We are managed and operated by the directors and executive officers of our general partner. Our operating personnel are employees of our general partner or certain of our operating subsidiaries.

All of our executive officers devote substantially all of their time to managing our businesses and affairs, but from time to time certain executive officers perform services for our affiliate, Global Petroleum Corp. or other entities controlled by the Slifka family. Please read Part III, Item 13, “Certain Relationships and Related Transactions, and Director Independence—Relationship of Management with Global Petroleum Corp.” Our non-management directors devote as much time as is necessary to prepare for and attend board of directors and committee meetings.

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Set forth below are the names, ages (as of March 5, 2019) and titles of persons currently serving as directors and executive officers of our general partner:

Name	Age	Position with Global GP LLC
Richard Slifka	78	Chairman
Eric Slifka	53	President, Chief Executive Officer and Vice Chairman
Andrew Slifka	50	Executive Vice President and Director
Mark A. Romaine	50	Chief Operating Officer
Daphne H. Foster	61	Chief Financial Officer and Director
Edward J. Faneuil	66	Executive Vice President, General Counsel and Secretary
Matthew Spencer	40	Chief Accounting Officer
David K. McKown	81	Director
Robert J. McCool	80	Director
Kenneth I. Watchmaker	76	Director
John T. Hailer	58	Director

Richard Slifka was elected Vice Chairman of the Board of our general partner in March 2005 and became Chairman in March 2014. He had been employed with Global Companies LLC or its predecessors since 1963. Mr. Slifka served as Treasurer and a director of Global Companies LLC since its formation in December 1998. Mr. Slifka also is a shareholder, a director and the President of Global Petroleum Corp., a privately held affiliated company that had owned, operated and leased to us our petroleum products storage terminal located in Revere, Massachusetts until we acquired the terminal in January 2015. Mr. Slifka is a past director of the New England Fuel Institute and currently serves as president of the Independent Fuel Terminal Operators Association. He also currently serves on the board of directors of St. Francis House and the board of trustees of Boston Medical Center. He has been a director of the National Multiple Sclerosis Society since 1988. Mr. Slifka's extensive knowledge of the oil industry in general and of our history, customers and suppliers make him uniquely qualified to serve as our Chairman of the Board. Richard Slifka is the brother of the late Alfred A. Slifka.

Eric Slifka was elected President, Chief Executive Officer and director of Global GP LLC, the general partner of Global Partners LP, in March 2005 and became Vice Chairman in March 2014. He has been employed with Global Companies LLC or its predecessors since 1987. Mr. Slifka served as President and Chief Executive Officer and a director of Global Companies LLC since July 2004 and as Chief Operating Officer and a director of Global Companies LLC from its formation in December 1998 to July 2004. Prior to 1998, Mr. Slifka held various senior positions in the accounting, supply, distribution and marketing departments of the predecessors to Global Companies LLC. He is a member of the National Petroleum Council and serves on the board of directors of the Energy Policy Research Foundation, Inc. and Massachusetts General Hospital President's Council. Mr. Slifka is the son of the late Alfred A. Slifka and the nephew of Richard Slifka.

Andrew Slifka was elected to serve as a director of our general partner in April 2012 and has been serving as Executive Vice President of Global Partners LP since March 2012 and President of Alliance Energy LLC and its predecessor Alliance Energy Corp. since November 2007. He has been employed with Alliance since 1999. Mr. Slifka served as Vice President and General Manager for the Northeast region (RI, MA, NH, and ME) of Alliance Energy Corp. from 1999 to 2003 and as Executive Vice President from 2003 to November 2007. From 1991 to 1999 Mr. Slifka held various positions in the supply, distribution, and marketing departments with the predecessor of Global Companies LLC, Global Petroleum Corp. He serves on the boards of directors of NECSEMA (New England Convenience Store & Energy Marketers Association), the National Multiple Sclerosis Society, the CF & MS Fund Foundation Inc. and is on the board of trustees of The Rivers School. Mr. Slifka is the son of Richard Slifka and the nephew of the late Alfred A. Slifka.

Mark A. Romaine has been Chief Operating Officer of Global Partners LP since July 2013. Mr. Romaine served as the Senior Vice President of Light Oil Supply and Distribution for Global Partners LP from 2006 until June 2013. He joined a predecessor company to Global Companies LLC in 1998 as Premium Fuels Marketing Manager. His experience in the petroleum products industry includes operations and marketing positions with Plymouth, MA-based Volta Oil. Mr. Romaine received a bachelor's degree from Providence College and an MBA from the University of Massachusetts.

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Daphne H. Foster was elected to serve as a director of our general partner in May 2016 and has been Chief Financial Officer of Global Partners LP since July 2013. Ms. Foster served as Treasurer of Global Partners LP from 2010 until June 2013. She joined the Partnership in 2007. Her experience in the petroleum products industry includes several years as a Vice President in the Energy and Utilities Division of Bank of Boston. She started her banking career in 1982 at Bank of Boston and later joined Citizens Financial Group, where she oversaw the Loan Officer Development Program. Ms. Foster received a bachelor's degree and an MBA from Boston University.

Edward J. Faneuil was elected Executive Vice President, General Counsel and Secretary of our general partner in March 2005. He has been employed with Global Companies LLC or its predecessors since 1991. Mr. Faneuil served as General Counsel and Secretary of Global Companies LLC since its formation in December 1998. He previously served as Executive Vice President, Secretary, and General Counsel of Alliance Energy LLC (now a wholly owned subsidiary of Global Partners LP). He currently serves as Executive Vice President, General Counsel and Secretary of Global Petroleum Corp. and Montello Oil Corporation. Mr. Faneuil received a bachelor's degree from Trinity College and a J.D. from Suffolk University Law School.

Matthew Spencer was appointed by the Board of Directors of the general partner to serve as the Chief Accounting Officer of Global Partners LP commencing January 1, 2018. Mr. Spencer served as Controller of the general partner from September 2012 through December 2017. Mr. Spencer joined the Partnership from SharkNinja Operating LLC (formerly Euro-Pro Operating LLC), where he served as Assistant Controller. Prior to that, he was a Senior Manager at Ernst & Young.

David K. McKown was elected to serve as a director of our general partner and as a member of the conflicts, compensation and audit committees of the board of directors of our general partner in October 2005. He has been a Senior Advisor to the Bank Loan Fund of Eaton Vance Management, whose principal business is creating, marketing and managing investment funds and providing investment management services to institutions and individuals, since 2000. In this capacity he serves as a credit analyst and a research source for many of the changes in the accounting area, such as marked to market valuations, changes in bank lending rules and understanding of new financial products and derivatives. Mr. McKown retired in March 2000 having served as a Group Executive with BankBoston since 1993. Mr. McKown has been in the banking industry for over 40 years, where he acquired extensive accounting, financial structuring and negotiation skills, having worked at BankBoston for over 33 years as a Senior Credit Officer, the head of a workout unit, the head of BankBoston's energy lending group and the head of BankBoston's real estate and corporate finance departments. He also was a managing director of BankBoston's private equity unit. Mr. McKown has served on the boards of four public companies and four private companies in a variety of industries. He currently serves as a director of Safety Insurance Group and several private companies. Mr. McKown previously served as a member of the board of directors of Equity Office Properties. Mr. McKown's extensive financial expertise and longstanding work in BankBoston's energy practice make him well qualified to serve as a director of our general partner.

Robert J. McCool was elected to serve as a director of our general partner, the chair of the conflicts committee of the board of directors of our general partner, and a member of the compensation and audit committees of the board of directors of our general partner in October 2005. He had served as an Advisor to Tetco Inc., a privately held company in the energy industry, for 15 years and has been in the refined petroleum industry for over 40 years. He worked for Mobil Oil for 33 years in various positions including manager, planning and financial analysis, controller, manager U.S. lubricants operations and manager, budget and controls for U.S. acquisitions. Mr. McCool retired in 1998 having served as Executive Vice President responsible for Mobil Oil's North and South America marketing and refining business. Mr. McCool's extensive experience with the financial, accounting and managerial aspects of the refined petroleum products industry make him well qualified to serve as a director of our general partner.

Kenneth I. Watchmaker was elected to serve as a director of our general partner, a member of the conflicts and compensation committees of the board of directors of our general partner, and chair of the audit committee of the board of directors of our general partner in October 2005. He subsequently became chair of our general partner's compensation committee as well. He served as Executive Vice President and Chief Financial Officer of Reebok International Ltd. from 1995 until March 2006. Mr. Watchmaker joined Reebok International Ltd. in July 1992 as Executive Vice President, Operations and Finance, of the Reebok Brand. Prior to joining Reebok International Ltd., he was an audit partner at Ernst & Young LLP, where he had various responsibilities including regional partner in charge of merger and acquisition

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services, regional partner in charge of bankruptcy and insolvency services, regional partner in charge of audit services and regional partner in charge of retail industry services. Mr. Watchmaker also serves as a director and the chair of the audit committee of American Biltrite Inc. Mr. Watchmaker's broad audit and accounting experience, as well as his significant corporate and financial experience, make him a valuable member of our board of directors.

John T. Hailer was elected to serve as a director of our general partner and as a member of the conflicts, compensation and audit committees of the board of directors of our general partner in July 2018. He has been President of the 1251 Asset Management division of 1251 Capital Group, a Boston-based financial services company that owns a concentrated group of companies in the asset management and insurance sectors. Prior to joining 1251 Capital Group, he spent more than 18 years at Natixis Investment Managers (formerly Natixis Global Asset Management; "Natixis") and joined that firm in 1999. Mr. Hailer formerly served as Natixis' President and Chief Executive Officer for the Americas and Asia, where he helped that company strategically reposition as a global solutions provider and grow to become one of the world's largest asset managers. Before joining Natixis Investment Managers, Mr. Hailer was responsible for new business development in North and Latin America at Fidelity Investments Institutional Services Company and was director of retail business development for Putnam Investments. He serves as a trustee on several other boards including Boston Medical Center and the Boston Public Library. Mr. Hailer also serves as the Chairman of the Board for each of the New England Council and the Back Bay Association. Mr. Hailer previously served as a member of Beloit College's Board of Trustees. Mr. Hailer's broad experience in the financial services industry, as well as his significant capital markets and financial experience, will make him a valuable member of our board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors and executive officers of our general partner and persons who beneficially own more than 10% of a class of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 ("Reporting Persons") to file certain reports with the SEC and the NYSE concerning their beneficial ownership of such securities. Based solely upon a review of the copies of reports on Forms 3, 4 and 5 and amendments thereto furnished to us, or written representations that no reports on Form 5 were required, we believe that all Reporting Persons complied with all Section 16(a) filing requirements in the year ended December 31, 2018.

Executive Sessions

The board of directors of our general partner holds executive sessions for the non management directors on a regular basis without management present. Since the non management directors include directors who are not independent directors, the independent directors also meet in separate executive sessions without the other directors or management at least once each year to discuss such matters as the independent directors consider appropriate. In addition, any director may call for an executive session of non management or independent directors at any board meeting. A majority of the independent directors selects a presiding director for any such executive session.

Communications with Unitholders, Employees and Others

Unitholders, employees and other interested persons who wish to communicate with the board of directors of our general partner, non management or independent directors as a group, a committee of the board or a specific director may do so by transmitting correspondence addressed to the Board of Directors, Name of Director, Group or Committee, c/o Corporate Secretary, Global Partners LP, P.O. Box 9161, 800 South Street, Suite 500, Waltham, MA 02454 9161, Fax: 781 398 9211.

Letters addressed to the board of directors of our general partner in general will be reviewed by the corporate secretary and relayed to the chairman of the board or the chair of the appropriate committee. Letters addressed to the

non management or independent directors in general will be relayed unopened to the chair of the audit committee. Letters addressed to a committee of the board of directors or a specific director will be relayed unopened to the chair of the committee or the specific director to whom they are addressed. All letters regarding accounting, accounting policies, internal accounting controls and procedures, auditing matters, financial reporting processes or disclosure controls and procedures are to be forwarded by the recipient director to the chair of the audit committee.

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Code of Ethics

Our general partner has adopted a code of business conduct and ethics that applies to all officers, directors and employees of our general partner, including the principal executive officer, principal financial officer and principal accounting officer, and to our subsidiaries and their officers, directors and employees.

A copy of the code of business conduct and ethics is available on our website at www.globalp.com or may be obtained without charge upon written request to the General Counsel at: Global Partners LP, P.O. Box 9161, 800 South Street, Suite 500, Waltham, MA 02454 9161.

Corporate Governance Matters

The NYSE requires the Chief Executive Officer of each listed company to certify annually that he is not aware of any violation by the company of the NYSE corporate governance listing standards as of the date of the certification, qualifying the certification to the extent necessary. The Chief Executive Officer of our general partner provided such certification to the NYSE in 2018.

The certifications of our general partner's Chief Executive Officer and Chief Financial Officer required by the Securities Exchange Act of 1934 are included as exhibits to this Annual Report on Form 10 K.

Item 11. Executive Compensation.

All of our executive officers and substantially all of our employees are employed by our general partner, except for our gasoline station and convenience store employees who are employed by Global Montello Group Corp. ("GMG"), and certain union personnel. Our general partner does not receive any management fee or other compensation for its management of Global Partners LP. Our general partner and its affiliates are reimbursed for expenses incurred on our behalf. These expenses include the costs of employee, executive officer and director compensation and benefits properly allocable to Global Partners LP. Our partnership agreement provides that our general partner will determine the expenses that are allocable to Global Partners LP.

Compensation Discussion and Analysis

We are managed and operated by the executive officers of our general partner. Executive officers of our general partner receive compensation in the form of base salaries, short-term incentive awards (contractual and/or discretionary) and long-term incentive awards. They also are eligible to participate in employee benefit plans and arrangements sponsored by our general partner or its affiliates, including plans that may be established by our general partner or its affiliates in the future. Our named executive officers (defined below) serve as executive officers of our general partner and each of our wholly-owned subsidiaries. The compensation described herein reflects their total compensation for services to us, our general partner and our subsidiaries.

Our "named executive officers" include Mr. Eric Slifka, our Chief Executive Officer ("CEO"), Ms. Daphne H. Foster, our Chief Financial Officer ("CFO"), Mr. Mark A. Romaine, our Chief Operating Officer ("COO"), and the three most highly compensated executive officers of our general partner other than our CEO, CFO and COO during 2018, who were Mr. Andrew Slifka, our Executive Vice President and President of our Gasoline Distribution and Station Operations Division ("GDSO"), Mr. Edward J. Faneuil, our Executive Vice President, General Counsel and Secretary, and Mr. Matthew Spencer, our Chief Accounting Officer. Each of Messrs. Eric Slifka, Andrew Slifka, Faneuil and Romaine and Ms. Foster had an employment agreement with our general partner during 2018.

The compensation committee of the board of directors of our general partner (the “Compensation Committee”) has direct responsibility for the compensation of our CEO based upon (i) contractual obligations pursuant to any employment agreement or arrangement between our CEO and our general partner, and (ii) compensation parameters established by the Compensation Committee with respect to salary adjustments, incentive plans and discretionary bonuses, if any. The Compensation Committee also has oversight and approval authority for the compensation of our named executive officers other than our CEO based upon our CEO's recommendations, including awards under any

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incentive plans in which the named executive officers participate, and our general partner's contractual obligations pursuant to any employment agreements or arrangements with our named executive officers.

Compensation Objectives

The objectives of our compensation program with respect to our named executive officers are to attract, engage and retain individuals with the requisite knowledge, experience and skill sets required for our future success. Our compensation program is intended to motivate and inspire employee behavior that fosters high performance, and to support our overall business objectives. To achieve these objectives, we aim to provide each named executive officer with a competitive total compensation program. We currently utilize the following compensation components:

- Base salaries and benefits designed to attract and retain high caliber employees;
- Short-term, performance-based incentives and discretionary bonus awards designed to focus employees on key business objectives for a particular year, and
- Long-term, equity-based and/or cash incentive awards designed to support the achievement of our long-term business objectives and the retention of key personnel.

Compensation Methodology

Our general partner uses a third-party compensation consultant to study and supply market compensation data and to assist our management and the Compensation Committee in formulating competitive compensation plans and arrangements. The Compensation Committee retained BDO USA, LLP (“BDO”) as its outside compensation consultant during 2018.

Under our executive compensation structure, our goal is for our named executive officers’ total compensation to fall between the median (50th percentile) and 75th percentile of competitive total compensation levels, as identified by BDO's benchmarking results, following any adjustments made to marketplace pay levels in order to account for significant responsibilities that are assigned to our named executive officers and that exceed the scope of responsibilities generally associated with the external benchmark positions to which they are compared, specifically:

- Our Executive Vice President, General Counsel and Secretary plays a critical role in our major transactions and strategic business initiatives, serves as a trusted business advisor to our executive officers, and is responsible for all of our environmental compliance functions, as well as serving as our top legal executive; and
- Our Executive Vice President who also serves as President of our GDSO Division has executive responsibilities as well as primary oversight of our gasoline and convenience store business.

Overall Partnership performance and individual performance may cause the targeted compensation levels to be adjusted up or down accordingly.

BDO worked with the Compensation Committee in 2018 to review and update our reference group of peer companies to provide metrics to be used in the assessment of our performance and to establish competitive compensation plans for our named executive officers. In addition, BDO assisted the Compensation Committee in (i) identifying appropriate terms of a new three-year employment agreement for our CEO and for each of our other named executive officers; (ii) developing a new long-term incentive plan, including performance metrics, and the determination of awards opportunities for our named executive officers and plan administration procedures; and (iii) preparing the performance targets and associated levels of payouts contained in our short-term incentive plan for our named executive officers (the “STIP”) for 2018. The plan design of our 2019 STIP, which is comprised of a 50% performance-based component and a 50% discretionary component, is the same as that of our 2018 STIP, except for adjustments to the performance target levels thereunder.

During 2017, BDO worked with the Compensation Committee to review and update (i) our reference group of

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peer companies for compensation benchmarking purposes; (ii) the methodology for measuring our short-term performance; and (iii) the performance targets and associated levels of payouts previously contained in our 2017 STIP.

During 2016, BDO worked with the Compensation Committee to (i) develop and maintain a compensation database and template for use in assessing and reporting long-term incentive plan awards for our named executive officers and directors; (ii) provide updated performance targets and related award levels for our general partner's 2016 STIP to ensure that such plan was fully aligned with our critical business objectives; (iii) research and prepare a competitive compensation assessment for our CFO position and a competitive assessment of methods and levels of compensation for independent board members; and (iv) assist with compensation information related to the 2016 Form 10-K.

Highlights of Compensation Program Policies for Named Executive Officers

- A significant portion of total direct compensation for our named executive officers is variable, dependent upon the Partnership's actual performance (e.g., short-term, performance-based incentives and long-term, cash-based or equity-based incentives);
- Repricing of options and unit appreciation rights is prohibited unless approved by unitholders; and
- The Compensation Committee engages the assistance of an independent compensation consultant.

Elements of Compensation

Our executive compensation structure utilizes complementary components to align our compensation with the needs of our business and to provide for desired levels of pay that competitively compensate our executive management personnel. We administer the program on the basis of total compensation. As described above, our goal is to target total compensation levels (i.e., base salary plus short- and long-term incentives) for our named executive officers to fall between the median (50th percentile) and 75th percentile compensation levels in our competitive marketplace. When we perform above or below our performance goals, we expect that result will be reflected in our compensation levels.

The elements of the 2018 executive officer compensation of our general partner were base salaries, short-term incentive awards, long-term cash incentive awards, retirement, deferred compensation and health benefits, and perquisites consistent with those provided to executive officers generally and as may be approved by the Compensation Committee from time to time.

A description of the components of the compensation program and principles used to guide their administration appears below:

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Base Salaries

Each named executive officer's base salary is a fixed component of compensation for each year. Base salary is designed to compensate executives for the responsibility of the level of the position they hold and sustained individual performance (including experience, scope of responsibility, results achieved and future potential). Historically, the base salaries for our named executive officers with employment agreements have been set by the terms of their respective employment agreements in effect from time to time while the base salary for the named executive officer without an employment agreement has been set in accordance with our CEO's recommendation, using salary range information from BDO, and as approved by the Compensation Committee. The annualized base salaries in effect as of the end of 2018 for our named executive officers were as follows: \$800,000 for Mr. Eric Slifka, \$500,000 for Mr. Romaine; \$450,000 for Mr. Faneuil; \$450,000 for Ms. Foster; \$425,000 for Mr. Andrew Slifka; and \$265,000 for Mr. Spencer.

Short-Term Incentive Plans

Our general partner established a cash bonus pool for 2018 to fund short-term incentive awards for each of our named executive officers. Target awards under our general partner's 2018 STIP included a performance-based component, for which 50% of the cash bonus pool was available (the "STIP Performance Component"), and a discretionary component, for which the other 50% of the cash bonus pool was available (the "STIP Discretionary Component"). Incentive awards earned under the 2018 STIP were based on the Partnership's actual performance in relation to a specified objective for distributable cash flow established by the Compensation Committee in March 2018 (the "DCF objective"). Under the 2018 STIP, for purposes of determining whether a specified target was achieved, "distributable cash flow" (a non-GAAP financial measure used by management) means our net income plus depreciation and amortization, less our maintenance capital expenditures ("DCF"), as adjusted by the Compensation Committee in its discretion to account for unusual, one-time factors that occurred during the year and could have increased or decreased DCF. DCF is discussed under "Results of Operations—Evaluating Our Results of Operations" and reconciled to its most directly comparable GAAP financial measures under "Results of Operations—Key Performance Indicators" in Part II, Item 7, "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

Under the 2018 STIP, each of our named executive officers was assigned an incentive target value expressed as a percentage of his or her base salary. The 2018 incentive target values were: 100% (or \$800,000) for Mr. Eric Slifka; 100% (or \$500,000) for Mr. Romaine; 100% (or \$450,000) for Mr. Faneuil; 100% (or \$450,000) for Ms. Foster; 71% (or \$300,000) for Mr. Andrew Slifka; and 75.5% (or \$200,000) for Mr. Spencer. 50% of the incentive target value for each named executive officer was allocated to his or her STIP Performance Component and 50% was allocated to his or her STIP Discretionary Component.

STIP Performance Component (50% of the incentive target value).—Under the terms of the 2018 STIP, 100% of the STIP Performance Component is earned when the DCF objective is achieved. However, the 2018 STIP also provides for an increased payout under the STIP Performance Component when the DCF objective is exceeded, a reduced payout under the STIP Performance Component when the DCF objective is not achieved but exceeds a certain DCF minimum threshold, and no payout if the STIP Performance Component minimum threshold is not achieved. Such increases and reductions in payouts are determined in accordance with an award payout grid adopted by the Compensation Committee at the time that the 2018 STIP was established. In general, a minimum of 79.4% of the DCF objective must have been achieved before participants earn any portion of the STIP Performance Component. Under the 2018 STIP, a participant's incentive opportunity increases to a maximum of 200% of the STIP Performance Component at 120.4% of the DCF objective, and is determined on a quantitative basis solely based on the Partnership's actual DCF for 2018. In 2018, the Partnership achieved DCF as adjusted, said adjustment having been approved by the Compensation Committee, of \$124.7 million, or 127% of the DCF objective set by the Compensation Committee for 2018. Accordingly, our named executive officers were entitled to receive 200% of their respective STIP

Performance Components, specifically as follows: \$800,000 for Mr. Eric Slifka; \$500,000 for Mr. Romaine; \$450,000 for Mr. Faneuil; \$450,000 for Ms. Foster; \$300,000 for Mr. Andrew Slifka; and \$200,000 for Mr. Spencer.

STIP Discretionary Component (50% of the incentive target value).—The STIP Discretionary Component is intended to be used as a discretionary award, allowing the Compensation Committee to analyze other factors that it may elect to use for determining the STIP Discretionary Component. Such factors may include, without limitation, market

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factors and significant acquisitions, developments and ventures accomplished by us, management of our business in the face of adverse market conditions and, as may be applicable, the contributions of any or all of the named executive officers. Mr. Eric Slifka's evaluation of our named executive officers' performance in 2018 included the recognition that their individual and collective performance were excellent; and that their efforts have positioned us to realize the benefits of a downstream integrated model, working together to expand the use of our terminals and logistics capabilities, execute well on strategic acquisitions, take advantage of market opportunities, and tighten operations while reducing leverage, continuing to ensure ample liquidity, generating sufficient cash flow to cover our distributions, and maintaining flexibility to invest in assets fundamental to our growth objectives.

In considering whether, and in what amount(s), to grant any or all of our named executive officers 2018 STIP Discretionary Component awards, the Compensation Committee recognized that our business performance in 2018 exceeded our full-year expectations, and that our named executive officers individually and collectively have continued to effectively oversee development of activities and staffing consistent with our strategies and growth objectives. Our full-year results were our best results since our formation. Our GDSO segment performed solidly, and we experienced improved product margins and refined product throughput in our Wholesale segment. The following initiatives were undertaken by us under the leadership of Mr. Eric Slifka and executed by our named executive officers to strategically position us by strengthening our balance sheet and enhancing our liquidity in order to be able to invest in opportunities fundamental to our growth strategy, including the acquisition of retail sites that leverage our integrated network of terminals and expand our footprint and enable us to benefit from economies of scale in the purchase of fuel and convenience store merchandise. These strategic initiatives included:

- On July 17, 2018, we expanded our retail network in Vermont and New Hampshire by acquiring retail gasoline and convenience store assets from Champlain Oil Company, Inc. in a cash transaction. The acquisition included 37 company-operated retail sites with fuel and convenience stores, 24 fuel sites that are either owned or leased including lessee dealer and commission agent locations, and fuel supply agreements for approximately 65 gas stations. The purchase price was approximately \$138.2 million.
- On July 24, 2018, we expanded our retail network in and around New Hampshire by acquiring retail gasoline and convenience store assets from Cheshire Oil Company, LLC in a cash transaction. The acquisition included 10 company-operated retail sites with fuel and convenience stores. The purchase price was approximately \$33.4 million.
- On August 7, 2018, we issued 2,760,000 of our 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units pursuant to an Underwriting Agreement dated as of July 31, 2018. Net proceeds of \$66.4 million from this offering were used to reduced indebtedness under our credit agreement.
- Ongoing divestiture of non-strategic assets.

Taking into account Mr. Slifka's assessment, the Partnership's results of operations for 2018, as well as the Compensation Committee's review of the individual performance of each of our named executive officers in 2018, the Compensation Committee awarded our named executive officers 200% of their respective STIP Discretionary Components for 2018, specifically as follows: \$800,000 for Mr. Eric Slifka; \$500,000 for Mr. Romaine; \$450,000 for Mr. Faneuil; \$450,000 for Ms. Foster; \$300,000 for Mr. Andrew Slifka; and \$200,000 for Mr. Spencer.

2019 Short-Term Incentive Plan.—In 2019, the Compensation Committee, with the assistance of BDO, used our 2019 business plan as a basis for creating the 2019 Short-Term Incentive Plan. The 2019 STIP establishes a target incentive percentage for each participant ranging from 71% to 100% of base salary representing the same target percentages used during 2018 for each of the named executive officers. Awards under the 2019 STIP may range from 0% to 200% of each participant's target incentive percentage. The weighting of the STIP Performance Component and STIP Discretionary Component in the 2019 STIP remain 50% and 50%, respectively, the same as in the 2018 STIP.

- The 2019 Performance Component (50% of the incentive target value)—The Compensation Committee increased the DCF objective for 2019, subject to adjustment by the Compensation Committee for certain acquisitions and events

during 2019 that the Compensation Committee may, in its sole discretion, determine to have caused unusual, one-time increases or decreases in DCF. Awards granted by the

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Compensation Committee may range from 0% to 200% of a plan participant's 2019 STIP Performance Component. A minimum of 77% of the 2019 DCF objective must be achieved before participants would earn any portion of the 2019 STIP Performance Component. Under the 2019 STIP, a participant's incentive opportunity increases to a maximum of 200% of the 2019 STIP Performance Component at 120.9% of the 2019 DCF objective, and is determined on a quantitative basis solely based on our actual DCF for 2019.

· The 2019 Discretionary Component (50% of the incentive target value)—The Compensation Committee has discretion in determining the 2019 STIP Discretionary Component for any participant under the 2019 STIP, within a range of 0% to 200% of the 2019 STIP Discretionary Component, and based upon (i) the Compensation Committee's consideration of management's performance over the course of the 2019 plan year; (ii) the CEO's assessment of the other named executive officers; (iii) our overall financial results for the year in relation to our business plan; and (iv) any significant mitigating factor(s) that may have influenced a plan participant's performance, positively or negatively. The objective of considering these factors is to arrive at a decision that best reflects the Compensation Committee's overall assessment of management's performance on an individual basis. The Compensation Committee believes that when combined with the STIP Performance Component, the results will more accurately reflect a plan participant's performance in light of the relevant factors.

Annual Bonuses—Discretionary

Our compensation program for named executive officers contains a provision for the Compensation Committee to award a discretionary bonus to recognize significant contributions made by an executive in the course of the year. These are one-time awards and not associated with any of our incentive plans. The Compensation Committee may make discretionary bonus awards to our CEO. Our CEO may also recommend discretionary bonus awards for any or all other named executive officers for consideration and approval by the Compensation Committee for similar purposes.

The Compensation Committee did not award any discretionary bonus payments under this program in respect of our named executive officers' service during 2018, 2017 or 2016.

Long-Term Cash Incentive Awards

2018 Long-Term Cash Incentive Plan—On October 8, 2018, the board of directors of our general partner authorized (i) the Global Partners LP 2018 Long-Term Cash Incentive Plan (as amended from time to time, the "LTCIP"), which allows the board of directors of our general partner or the Compensation Committee to grant cash awards to independent directors of our general partner or employees who provide services to the Partnership or its affiliate (including our named executive officers), and (ii) under the LTCIP, the grant of cash incentive awards (collectively, the "LTCIP Awards") pursuant to long-term cash incentive plan award agreements (each, a "LTCIP Award Agreement") to each of our named executive officers in recognition of their respective contributions to our 2017 financial results. The LTCIP Awards granted in 2018 to our named executive officers (each, a "2018 LTCIP Award") consisted of the following amounts: \$2,700,000 for Mr. Eric Slifka; \$900,000 for Mr. Romaine; \$750,000 for Mr. Faneuil; \$750,000 for Ms. Foster; \$400,000 for Mr. Andrew Slifka; and \$275,000 for Mr. Spencer. Each 2018 LTCIP Award is subject to the following vesting schedule: 20% of the award vests on October 1, 2021, 30% of the award vests on October 1, 2022 and 50% of the award vests on October 1, 2023. Once a portion of a 2018 LTCIP Award vests, it is paid to the recipient as soon as practicable thereafter.

If a named executive officer's employment with our general partner is terminated for any reason, the Compensation Committee will generally have sole discretion to determine whether any or all of the unvested portion of such named executive officer's LTCIP Award(s) shall become vested, forfeited, or shall continue to vest pursuant to its terms as if the named executive officer's service had continued through the last applicable vesting date. Upon the occurrence of a Change of Control (as defined in the LTCIP), the unvested portion of such named executive officer's LTCIP Award(s) shall immediately become fully vested.

2018 Long-Term Performance-Based Cash Incentive Plan.—Mr. Eric Slifka’s prior employment agreement with our general partner that was in effect during 2018 and January 2019 included a provision for a long-term performance-based cash incentive plan covering the period from March 29, 2018 through March 29, 2019 (the “2018

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Long-Term Performance-Based Cash Incentive Plan”). The 2018 Long-Term Performance-Based Cash Incentive Plan was designed with two separate components: 50% of the award is based upon the Partnership’s total unitholder (or shareholder) return (“TSR”), as compared against the TSRs of the individual entities comprising two groups of constituent companies (the “Constituent Companies”), for a defined twelve month period of time, and 50% of the award is discretionary, as determined by the Compensation Committee based upon its evaluation of the Mr. Eric Slifka’s performance and such external factors as the Compensation Committee deems appropriate. Mr. Eric Slifka potentially could earn an amount under the performance component ranging from \$675,000 to \$2,025,000, and an amount under the discretionary component ranging from \$0 to \$2,025,000, for a maximum potential aggregate total award of \$4,050,000. Amounts earned pursuant to the 2018 Long-Term Performance-Based Cash Incentive Plan are generally eligible to be paid in two equal installments in each of January 2020 and 2021, subject to Mr. Eric Slifka’s continued employment on those dates.

On February 4, 2019, our general partner and Mr. Eric Slifka entered into a new employment agreement, effective as of February 1, 2019, that superseded and replaced Mr. Eric Slifka’s prior employment agreement with our general partner (except for the survival of our general partner’s payment obligation of any amounts due under the STIP, the LTCIP and the 2018 Long-Term Performance-Based Cash Incentive Plan). Under the new employment agreement, Mr. Eric Slifka will be eligible to receive certain long-term incentive plan awards for a particular year, as determined by the Compensation Committee in accordance with the methodology set forth in such new employment agreement.

Long-Term Equity Incentive Awards

2017 Phantom Unit Awards.—On August 16, 2017, the Compensation Committee approved the grant of phantom unit awards (collectively, the “2017 Phantom Unit Awards”) pursuant to phantom unit award agreements (each, a “Phantom Unit Agreement”) under the Global Partners LP Long-Term Incentive Plan (as amended from time to time, the “LTIP”) to each of our named executive officers who had an employment agreement with us during 2017. Each 2017 Phantom Unit Award is subject to the following vesting schedule: 25% of the phantom units subject to such award vests on August 1, 2020, 35% of the phantom units subject to such award vests on August 1, 2021 and 40% of the phantom units subject to such award vests on August 1, 2022.

If a named executive officer’s employment with our general partner is terminated (a) by our general partner for Cause (as defined in such named executive officer’s employment agreement), or (b) by the named executive officer voluntarily (other than due to retirement), all unvested phantom units subject to such named executive officer’s 2017 Phantom Unit Award will immediately be forfeited without payment. If a named executive officer’s employment with our general partner is terminated for any other reason, the Compensation Committee will generally have sole discretion to determine whether any or all of the unvested phantom units subject to such named executive officer’s 2017 Phantom Unit Award will become vested or forfeited. Upon the occurrence of a Change of Control (as defined in a named executive officer’s employment agreement), all unvested phantom units subject to such named executive officer’s 2017 Phantom Unit Award will immediately become vested.

Upon vesting of the 2017 Phantom Unit Awards, phantom units will be settled in our common units unless the Compensation Committee decides, in its sole discretion, to settle such phantom units in cash or a combination of common units and cash.

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Retirement and Health Benefits; Perquisites

Global Partners 401(k) Savings and Profit Sharing Plan

The Global Partners LP 401(k) Savings and Profit Sharing Plan (the “Global 401(k) Plan”) permits all eligible employees to make voluntary pre-tax contributions to the plan, subject to applicable tax limitations. The Global 401(k) Plan provides for employer matching contributions equal to 100% of elective deferrals up to the first 3% of eligible compensation plus 50% of elective deferrals up to the next 2% of eligible compensation. In 2018, all employees were eligible to participate in the Global 401(k) Plan other than employees who were (1) not yet 21 years of age, (2) covered by a collective bargaining agreement that does not provide for employees to be covered by the Global 401(k) Plan or (3) nonresident aliens. New employees may begin to contribute to the Global 401(k) Plan on the first day of the month following their respective dates of hire, although they are not eligible to receive matching payments under the Global 401(k) Plan until they have been employed by our general partner or one of our operating subsidiaries for six months. Eligible employees may elect to contribute up to 100% of their compensation to the plan for each plan year. Employee contributions are subject to annual dollar limitations, which are adjusted periodically for changes in the cost of living. Participants in the plan are always fully vested in any matching contributions under the plan; however, discretionary profit sharing contributions are subject to a six-year vesting schedule. The plan is intended to be tax-qualified under Section 401(a) of the Code so that contributions to the plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the plan, and so that our general partner's contributions, if any, will be deductible when made.

Pension Benefits

Each of our named executive officers, other than Mr. Spencer, is eligible to participate in our general partner's pension plan in accordance with our general partner's policies and on the same general basis as other employees of our general partner. Under our general partner's pension plan, an employee becomes fully vested in his or her pension benefits after completing five years of service or, if earlier, upon termination due to death or disability. Please read “Other Benefits—Pension Benefits” for information with respect to eligibility standards and calculations of estimated annual pension benefits payable upon retirement under the pension plan. Our general partner's pension plan was frozen on December 31, 2009.

Prior to March 1, 2012, Mr. Andrew Slifka was employed by Alliance Energy LLC (“Alliance”) and participates in the Alliance Energy LLC Pension Plan in accordance with Alliance's policies and on the same general basis as other employees of Alliance not excluded by the terms of the plan. On March 1, 2012, sponsorship of the Alliance Energy LLC Pension Plan was transferred to GMG and the plan was renamed as the GMG Pension Plan (as defined and described below under “Other Benefits—Pension Benefits”). An employee is fully vested in benefits under the GMG Pension Plan after completing five years of service or, if earlier, upon termination due to death or disability. Please read “Other Benefits—Pension Benefits” for information with respect to eligibility standards and calculations of estimated annual pension benefits payable upon retirement under the GMG Pension Plan. The GMG Pension Plan was frozen on May 15, 2012.

Other Benefits

Each of our named executive officers is eligible to participate in our general partner's health insurance plans and other employee benefit plans in accordance with our general partner's policies and on the same general basis as other employees of our general partner.

Additional perquisites for our named executive officers may include payment of premiums for long-term disability insurance, automobile fringe benefits, club membership dues and payment of fees for professional financial planning,

tax and/or legal advice.

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Employment Agreements

Each of Messrs. Eric Slifka, Andrew Slifka, Faneuil and Romaine and Ms. Foster had an employment agreement with our general partner during 2018. We believe that the post-termination and change in control payments in the employment agreements allowed our named executive officers to focus on making business decisions that maximized our interests and the interests of our unitholders without allowing personal considerations to influence the decision-making process. Please read “Potential Payments upon Termination or Change of Control” for a discussion of the provisions in each employment agreement relating to termination, change in control and related payment obligations.

Relationship of Compensation Elements to Compensation Objectives

We use base salaries to provide financial stability and to compensate our executive officers for fulfillment of their respective job duties.

We use a short-term incentive plan with performance-based and discretionary components to align a significant portion of our executive officers' compensation with annual business performance and success, and to provide rewards and recognition for key business outcomes such as achieving increased quarterly distributions in line with our financial results, expanding our distribution, marketing and sales of petroleum products, expanding our gasoline station and convenience store assets and the geographic markets that we serve, and diversifying our product mix to enhance profitability and effectively managing our business. Short-term performance-based incentives also allow flexibility to reward performance and individual success consistent with such criteria as may be established from time to time by our CEO and the Compensation Committee.

Our long-term incentive plans (the LTIP, the LTCIP and, solely with respect to Mr. Eric Slifka, the 2018 Long-Term Performance-Based Cash Incentive Plan) provide incentives and reward eligible participants for the achievement of long-term objectives, facilitate the retention of key employees by aligning their incentives with our long-term performance, continue to make our compensation mix more competitive, and align the interests of management with those of our unitholders.

We offer a mix of traditional perquisites such as automobile fringe benefits and country/golf club memberships, and additional benefits, such as payment of professional financial planning and tax advice fees, that are tailored to address our executive officers' individual needs, to facilitate the performance of their job duties and to be competitive with the total compensation packages available to executive officers generally.

Tax Deductibility of Compensation

With respect to the deduction limitations imposed under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), we are a limited partnership and do not meet the definition of a “corporation” under Section 162(m). Accordingly, such limitations do not apply to compensation paid to our named executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based upon such review, the related discussions and such other matters deemed relevant and appropriate by the Compensation Committee, the Compensation Committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this Form 10-K.

Kenneth I. Watchmaker (Chairman)

Robert J. McCool

David McKown

John T. Hailer

March 6, 2019

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Compensation Committee Interlocks and Insider Participation

The Compensation Committee has been comprised of Robert J. McCool, David K. McKown and Kenneth I. Watchmaker since the formation of Global GP LLC. Effective July 1, 2018, John T. Hailer was appointed as the fourth member of the Compensation Committee. None of the members of the Compensation Committee are officers or employees of our general partner or any of its affiliates. Mr. Alfred A. Slifka served as the Chairman of the board of directors of our general partner until his death on March 9, 2014. Mr. Richard Slifka, who served as Vice-Chairman of our general partner's board of directors since its inception, became Chairman effective March 12, 2014 and is an employee of Global Petroleum Corp., an entity which is owned by Mr. Richard Slifka and a trust for the beneficiaries of Mr. Alfred A. Slifka. Mr. Eric Slifka has served as Vice-Chairman of our general partner's board of directors since March 12, 2014.

Compensation of Named Executive Officers

The following table sets forth certain information with respect to compensation during 2018, 2017 and 2016 of our named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$ (1))	Unit Awards (\$ (2))	Non Equity Incentive Plan Compensation (\$ (3))	Change in Pension Value and Deferred Nonqualified Compensation Earnings (\$ (4) (5))	All Other Compensation (\$ (6))	Total (\$)
Eric Slifka President and CEO	2018	800,000	—	1,600,000	—	90,920	2,490,920
	2017	800,000	2,743,315	1,400,000	110,986	93,795	5,148,096
	2016	800,000	—	400,000	44,008	65,961	1,309,969
Mark A. Romaine Chief Operating Officer	2018	500,000	—	1,000,000	—	42,513	1,542,513
	2017	500,000	1,062,201	900,000	45,722	45,399	2,553,322
	2016	500,000	—	250,000	17,988	40,109	808,097
Edward J. Faneuil EVP, General Counsel and Secretary	2018	450,000	—	900,000	—	44,338	1,394,338
	2017	450,000	850,012	815,000	—	51,951	2,166,963
	2016	450,000	—	225,000	—	47,466	722,466
Daphne H. Foster Chief Financial Officer	2018	450,000	—	900,000	—	24,905	1,374,905
	2017	450,000	902,071	815,000	6,045	33,120	2,206,236
	2016	400,000	—	150,000	2,398	33,483	585,881
Andrew Slifka EVP and President of GDSO Division	2018	425,000	—	600,000	—	55,910	1,080,910
	2017	425,000	575,011	545,000	62,603	59,435	1,667,049
	2016	425,000	—	132,500	22,695	61,645	641,840
Matthew Spencer Chief Accounting Officer	2018	265,000	—	400,000	—	47,550	712,550

- (1) Amounts reported in this column reflect the base salary earned by our named executive officers for services performed during the applicable fiscal year.
- (2) Amounts reported in this column reflect the aggregate grant date fair value of the phantom unit awards subject to time-based vesting granted to our named executive officers under the LTIP during 2017, calculated in accordance with FASB ASC Topic 718. See the section above titled “Elements of Compensation—Long-Term Equity Incentive Awards—2017 Phantom Unit Awards” for more information.
- (3) Amounts reported in this column reflect the bonuses paid to each of the named executive officers for services performed during 2018, 2017 and 2016, which were determined in accordance with our general partner’s Short-Term Incentive Plans described above under “Elements of Compensation—Short-Term Incentive Plans.”
- (4) In 2018, the present value of Mr. Faneuil’s pension and deferred nonqualified compensation earnings decreased by \$123,113, chiefly as a result of payments paid to Mr. Faneuil pursuant to his deferred compensation plans.
- (5) Mr. Spencer is not eligible to participate in our general partner’s pension plan because it was frozen prior to his commencement of employment.

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(6) The amounts in this column for 2018 are described further in the All Other Compensation table below.

All Other Compensation Table

The following table describes each component of the “All Other Compensation” column of the Summary Compensation Table for the fiscal year ended December 31, 2018:

Name	Employer Contributions to Global 401(k) Plan (\$)	Club Membership Dues, Legal Fees and Professional Financial Planning and Tax Advice Fees (\$)	Personal Benefits (\$)(1)	Total All Other Compensation (\$)
Eric Slifka	10,800	51,528	28,592	90,920
Mark A. Romaine	11,000	—	31,513	42,513
Edward J. Faneuil	11,000	16,497	16,841	44,338
Daphne H. Foster	11,000	—	13,905	24,905
Andrew Slifka	12,250	18,600	25,060	55,910
Matthew Spencer	14,200	—	33,350	47,550

(1) The amounts in this column include the estimated incremental cost of an automobile provided by us for the named executive officer’s use; medical and dental premiums (or opt-out payments for declining coverage under our group healthcare policies) paid by us; and life insurance and long-term disability premiums paid by us.

Grants of Plan-Based Awards

The following table sets forth information concerning short-term cash incentive awards granted to our named executive officers under the STIP (including the minimum threshold, target and maximum possible payout amounts, depending upon our financial performance in 2018) during 2018, long-term cash incentive awards granted to our named executive officers under the LTCIP during 2018.

Name	Award Type	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)(2)		
		Minimum Threshold (\$)	Target (\$)	Maximum (\$)
Eric Slifka	STIP	96,000	800,000	1,600,000
	LTCIP	—	2,700,000	—
	2018 Long-Term Performance-Based Cash Incentive Plan (3)	675,000	—	4,050,000
Mark A. Romaine	STIP	60,000	500,000	1,000,000
	LTCIP	—	900,000	—
Edward J. Faneuil	STIP	54,500	450,000	900,000
	LTCIP	—	750,000	—
Daphne H. Foster	STIP	54,500	450,000	900,000
	LTCIP	—	750,000	—
Andrew Slifka	STIP	36,000	300,000	600,000
	LTCIP	—	400,000	—

Matthew				
Spencer	STIP	24,000	200,000	400,000
	LTCIP	—	275,000	—

- (1) For calendar year 2018, each named executive officer's 2018 STIP award consisted of the STIP Performance Component (weighed 50%) and the STIP Discretionary Component (weighted 50%). Amounts shown represent the "threshold," "target" and "maximum" amounts payable under the STIP awards. During 2019, the Compensation Committee determined that the maximum amount (200%) of the STIP Performance Component and the maximum amount (200%) of the STIP Discretionary Component were earned by the named executive officers for calendar year 2018. Actual payout of the STIP awards (the Performance Component and the Discretionary Component) for calendar year 2018 is shown in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table above.
- (2) For each named executive officer who was granted a 2018 LTCIP Award, 20% of such award vests on October 1, 2021, another 30% of such award vests on October 1, 2022 and the final 50% of such award vests on October 1, 2023. Each 2018 LTCIP

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Award consists of a single amount that may be earned by the named executive officer. Hence, there is no “threshold” or “maximum” amount to report.

- (3) Represents the 2018 Long-Term Performance-Based Cash Incentive Plan set forth under the prior employment agreement with our general partner. There is no “target” amount that may be earned under the 2018 Long-Term Performance-Based Cash Incentive Plan. For more information on the 2018 Long-Term Performance-Based Cash Incentive Plan, please see the section above titled “Elements of Compensation—Long-Term Cash Incentive Awards—2018 Long-Term Performance-Based Cash Incentive Plan.”

Outstanding Equity Awards at Fiscal Year End

The following table presents the full amount of the equity awards held by our named executive officers as of December 31, 2018, which consist solely of phantom units granted under the LTIP. The awards shown on the table below were the only equity awards held by the named executive officers at the end of the last fiscal year:

Name	Grant Date	Unit Awards	
		Number of Units That Have Not Vested (#)	Market Value of Units That Have Not Vested (\$) (5)
Eric Slifka	June 27, 2013 (1)	42,419	691,430
	August 16, 2017 (2)	163,780	2,669,614
Mark A. Romaine	June 27, 2013 (1)	19,004	309,765
	August 16, 2017 (2)	63,415	1,033,665
Edward J. Faneuil	June 27, 2013 (1)	25,452	414,868
	August 16, 2017 (2)	50,747	827,176
Daphne H. Foster	June 27, 2013 (1)	7,295	118,909
	August 16, 2017 (2)	53,855	877,837
Andrew Slifka	June 27, 2013 (1)	9,845	160,474
	August 16, 2017 (2)	34,329	559,563
Matthew Spencer	September 23, 2013 (3)	848	13,822
	August 11, 2014 (4)	3,502	57,083
	August 16, 2017 (2)	11,941	194,638

- (1) The phantom units granted on June 27, 2013 vest over a six-year period, with one-third of the units having vested on July 1, 2017, another one-third of the units having vested on July 1, 2018 and the final one-third of the units scheduled to vest on July 1, 2019.
- (2) The phantom units granted on August 16, 2017 vest as to 25% of the award on August 1, 2020, another 35% of the award on August 1, 2021 and the final 40% of the award on August 1, 2022.
- (3) The phantom units granted on September 23, 2013 vest over a six-year period, with one-third of the units having vested on July 1, 2017, another one-third of the units having vested on July 1, 2018 and the final one-third of the units scheduled to vest on July 1, 2019.
- (4) The phantom units granted on August 11, 2014 vest over a six-year period, with one-third of the units having vested on August 1, 2018, another one-third of the units scheduled to vest on August 1, 2019 and the final one-third of the units scheduled to vest on August 1, 2020.
- (5) The market values of the phantom unit awards shown in the table above were calculated based on the closing price of \$16.30 per common unit on December 31, 2018.

Units Vested in the 2018 Fiscal Year

The following table presents phantom units awarded to the named executive officers that vested during the year

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ended December 31, 2018.

Name	Unit Awards	
	Number of Vested Phantom Units (#)	Market Value of Vested Phantom Units (\$)
Eric Slifka (1)	42,420	723,261
Mark A. Romaine (1)	19,004	324,018
Edward J. Faneuil (1)	25,452	433,957
Daphne H. Foster (1)	7,297	124,414
Andrew Slifka (1)	9,846	167,874
Matthew Spencer (2)	2,600	48,270

(1) These units vested on July 1, 2018. The market values of the equity awards shown in the table above were calculated based on the closing price of \$17.05 per common unit on June 29, 2018, which was the last day on which the market was open immediately prior to the vesting date.

(2) 849 of Mr. Spencer's units vested on July 1, 2018 and 1,751 of Mr. Spencer's units vested on August 1, 2018. Hence, the market value of the Mr. Spencer's equity awards shown in the table above were calculated based on the closing price of, respectively, (a) \$17.05 per common unit on June 29, 2018, which was the last day on which the market was open immediately prior to the July 1, 2018 vesting date, and (b) \$19.30 per common unit on August 1, 2018.

Nonqualified Deferred Compensation

On December 31, 2008, our general partner and Edward J. Faneuil entered into a deferred compensation agreement pursuant to which Mr. Faneuil will be subject to terms and conditions relating to confidential information, non-solicitation and non-competition, as provided therein (the "Global Deferred Compensation Agreement"). Please read "Potential Payments upon Termination or Change of Control" for a discussion of the provisions in Mr. Faneuil's deferred compensation agreement relating to termination, change of control and related payment obligations.

On September 23, 2009, Alliance and Mr. Faneuil entered into a deferred compensation agreement pursuant to which Mr. Faneuil will be subject to terms and conditions relating to confidential information, non-solicitation and non-competition, as provided therein (the "Alliance Deferred Compensation Agreement"). Please read "Potential Payments upon Termination or Change of Control" for a discussion of the provisions in Mr. Faneuil's deferred compensation agreement relating to termination, change of control and related payment obligations.

Potential Payments upon a Change of Control or Termination

The following tables show potential payments to each of our named executive officers under contracts, agreements, plans or arrangements, whether written or unwritten (including the employment agreements with Messrs. Eric Slifka, Andrew Slifka, Faneuil and Romaine and Ms. Foster that were in effect during 2018), for various scenarios involving a change of control or termination of employment of each such named executive officer assuming a December 31, 2018 termination date. The amounts shown do not contemplate any changes to such contracts, agreements, plans or arrangements that were implemented after December 31, 2018, including the new employment agreements entered into with each of Messrs. Eric Slifka, Andrew Slifka, Faneuil, Romaine and Spencer and Ms. Foster on February 4, 2019. However, in order to provide our unitholders with the most relevant and up-to-date disclosures regarding our currently existing arrangements, we have described the payments and benefits that Messrs. Eric Slifka, Andrew Slifka, Faneuil, Romaine and Spencer and Ms. Foster would be entitled to receive under such new employment agreements below. In addition, amounts reflected in the tables below with respect to LTIP awards were calculated based on the

closing price of our common units of \$16.30 per unit as of December 31, 2018.

LTIP Awards. Each of our named executive officers holds outstanding unvested phantom units that were granted under the LTIP. Upon a change of control event, all outstanding phantom units held by our named executive officers that have not otherwise vested automatically will become fully vested, which is reflected appropriately in the

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tables below.

LTCIP Awards. Each of our named executive officers was granted a 2018 LTCIP Award under the LTCIP. Upon a change of control event, the unvested portion of the 2018 LTCIP Awards held by our named executive officers will become fully vested, which is reflected in the tables below.

2018 Long-Term Performance-Based Cash Incentive Plan. Mr. Eric Slifka's prior employment agreement with our general partner included a provision for the 2018 Long-Term Performance-Based Cash Incentive Plan covering the period from March 29, 2018 through March 29, 2019. Upon Mr. Eric Slifka's termination of employment due to death, Disability, by our general partner without Cause or by Mr. Eric Slifka for reasons constituting Constructive Termination, Mr. Eric Slifka is entitled to receive the pro-rated cash incentive amount, if any, earned under the 2018 Long-Term Performance-Based Cash Incentive Plan, as determined by the Compensation Committee.

Eric Slifka

Name	Change in Control (\$)	Death \$(2)	Disability \$(2)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal \$(5)
				No Change in Control \$(3)	With a Change in Control \$(4)	
Eric Slifka						
Severance Amount	—	3,200,000	3,200,000	3,200,000	4,800,000	1,600,000
2018 Long-Term Performance-Based Cash Incentive Plan (1)	—	—	—	—	—	—
LTIP awards	3,361,044	3,361,044	3,361,044	3,361,044	3,361,044	—
LTCIP award	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	—
Fringe benefits	—	43,219	43,219	43,219	43,219	—
Life insurance benefits	—	500,000	—	—	—	—
Total	6,061,044	9,804,263	9,304,263	9,304,263	10,904,263	1,600,000

(1) This table does not include potential cash incentive payments that Mr. Slifka is eligible to receive under the 2018 Long-Term Performance-Based Cash Incentive Plan, as the amount of such payments, if any, would be determined by the Compensation Committee.

(2) Mr. Slifka's new employment agreement provides for a base salary of \$1,000,000 and a 2019 STIP target amount of \$1,000,000. Under the new agreement, if Mr. Slifka's employment is terminated by death or Disability, Mr. Slifka (or his estate, as applicable) would be paid a severance amount of \$4,000,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(3) Mr. Slifka's new employment agreement provides for a base salary of \$1,000,000 and a 2019 STIP target amount of \$1,000,000. Under the new agreement, if Mr. Slifka's employment is terminated by our general partner without Cause or by Mr. Slifka for reasons constituting Constructive Termination without a Change in Control, Mr. Slifka (or his

estate) would be paid a severance amount of \$4,000,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(4)Mr. Slifka's new employment agreement provides for a base salary of \$1,000,000 and a 2019 STIP target amount of \$1,000,000. Under the new agreement, if Mr. Slifka's employment is terminated by our general partner without Cause or by Mr. Slifka for reasons constituting Constructive Termination and such termination occurs within 12 months following a Change in Control, Mr. Slifka (or his estate) would be paid a severance amount of \$6,000,000, such amount representing (i) a lump sum payment equal to his then base salary multiplied by 300%, plus (ii) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 300%.

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(5)Mr. Slifka's new employment agreement provides for a base salary of \$1,000,000 and a 2019 STIP target amount of \$1,000,000. Under the new agreement, in the event of non-renewal, in addition to a lump sum payment equal to 200% of his then base salary (\$2,000,000), Mr. Slifka would also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year. For purposes of this calculation, we have assumed that Mr. Slifka would receive payment of (a) 100% of the performance-based component (\$500,000), and (b) 0% of the discretionary component associated with his 2019 STIP target amount.

2018 Employment Agreement

If Mr. Slifka's employment is terminated for any reason, he shall be paid (i) all amounts of his base salary due and owing up through the date of termination, (ii) any earned but unpaid bonus, (iii) all reimbursements of expenses appropriately and timely submitted, and (iv) any and all other amounts, including vacation pay, that may be due to him as of the date of termination (the "Eric Slifka Accrued Obligations").

If Mr. Slifka's employment is terminated by death or "Disability" (as defined in the employment agreement), he (or his estate) will be paid (i) the Eric Slifka Accrued Obligations, plus (ii) a lump sum payment equal to his then base salary multiplied by 200%, plus (iii) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%, plus (iv) his interests in the long-term incentive plans, including (a) the pro-rated cash incentive amount, if any, earned under the Long-Term Performance-Based Cash Incentive Plan and (b) the amounts of cash and/or securities due as a result of the automatic vesting of Mr. Slifka's interests in certain long-term incentive plans, plus (v) group health and similar insurance premiums on behalf of his spouse and dependents for 24 months following the date of termination.

If Mr. Slifka's employment is terminated by our general partner without "Cause" or by Mr. Slifka for reasons constituting "Constructive Termination," each as defined in the employment agreement, he shall be paid (i) the Eric Slifka Accrued Obligations, plus (ii) a lump sum payment equal to his then base salary multiplied by 200% (provided, however, that this multiplier shall be 300% if Mr. Slifka terminates his employment for reasons constituting Constructive Termination and such termination occurs within 12 months following a "Change in Control" (as defined in the employment agreement)), plus (iii) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200% (provided, however, that this multiplier shall be 300% if Mr. Slifka terminates his employment for reasons constituting Constructive Termination and such termination occurs within 12 months following a Change in Control), plus (iv) his interests in the long-term incentive plans, including (a) the pro-rated cash incentive amount, if any, earned under the Long-Term Performance-Based Cash Incentive Plan and (b) the amounts of cash and/or securities due as a result of the automatic vesting of Mr. Slifka's interests in certain long-term incentive plans, plus (v) group health and similar insurance premiums on behalf of his spouse and dependents for 24 months following the date of termination. If Mr. Slifka terminates his employment for reasons of Constructive Termination but such termination does not occur within 12 months following a Change in Control and Mr. Slifka secures employment within 12 months of the date of termination, he shall repay to our general partner one-half of the cash received from our general partner pursuant to (ii) and (iii) above.

If Mr. Slifka's employment is terminated by our general partner for Cause, Mr. Slifka will be paid the Eric Slifka Accrued Obligations. If Mr. Slifka's employment agreement is not renewed by our general partner and he does not continue to serve as our general partner's President and Chief Executive Officer following the expiration of his employment agreement (a "Non-Renewal"), he shall be paid the Eric Slifka Accrued Obligations plus a lump sum payment equal to 200% of his then base salary.

New Employment Agreement

Mr. Slifka and our general partner entered into a new employment agreement, effective February 1, 2019, that provides that, in the event of a Non-Renewal, in addition to the benefits described above for Non-Renewal under the section titled “2018 Employment Agreement,” Mr. Slifka shall also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year.

Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom

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units held by Mr. Slifka automatically shall become fully vested.

Mark A. Romaine

Name	Change in Control (\$)	Death \$(1)	Disability \$(1)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal \$(3)
				No Change in Control \$(2)	With a Change in Control \$(2)	
Mark A. Romaine						
Severance						
Amount	—	2,000,000	2,000,000	2,000,000	2,000,000	—
LTIP awards	1,343,430	1,343,430	1,343,430	1,343,430	1,343,430	—
LTCIP award	900,000	900,000	900,000	900,000	900,000	—
Fringe benefits	—	32,868	32,868	32,868	32,868	—
Life insurance benefits	—	500,000	—	—	—	—
Total	2,243,430	4,776,298	4,276,298	4,276,298	4,276,298	—

(1)Mr. Romaine's new employment agreement provides for a base salary of \$575,000 and a 2019 STIP target amount of \$575,000. Under the new agreement, if Mr. Romaine's employment is terminated by death or Disability, Mr. Romaine (or his estate, as applicable) would be paid a severance amount of \$2,300,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(2)Mr. Romaine's new employment agreement provides for a base salary of \$575,000 and a 2019 STIP target amount of \$575,000. Under the new agreement, if Mr. Romaine's employment is terminated by our general partner without Cause or by Mr. Romaine for reasons constituting Constructive Termination with or without a Change in Control Mr. Romaine (or his estate) would be paid a severance amount of \$2,300,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(3)Mr. Romaine's new employment agreement provides for a base salary of \$575,000 and a 2019 STIP target amount of \$575,000. Under the new agreement, in the event of non-renewal, in addition to a lump sum payment equal to 200% of his then base salary (\$1,150,000), Mr. Romaine would also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year. For purposes of this calculation, we have assumed that Mr. Romaine would receive payment of (a) 100% of the performance-based component (\$287,500), and (b) 0% of the discretionary component associated with his 2019 STIP target amount.

2018 Employment Agreement

The employment agreement with Mr. Romaine may be terminated at any time by either party with proper notice. If Mr. Romaine's employment is terminated for any reason, Mr. Romaine shall be paid (i) all amounts of his base salary

due and owing up through the date of termination, (ii) all earned, but unpaid, bonuses, (iii) all reimbursements of expenses appropriately and timely submitted, and (iv) any and all other amounts, including vacation pay, that may be due to him as of the date of termination (the “Romaine Accrued Obligations”).

If Mr. Romaine’s employment is terminated by death or “Disability” (as defined in the employment agreement), he (or his estate) will be paid (i) the Romaine Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash or equity interests in certain long-term incentive plans, and (v) group health and similar insurance premiums on behalf of him and his spouse and dependents for 18 months following the date of termination.

If Mr. Romaine’s employment is terminated by our general partner without “Cause” or by Mr. Romaine for reasons constituting “Constructive Termination” (each quoted term as defined in the employment agreement), Mr.

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Romaine shall be paid (i) the Romaine Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to 200% of target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash and equity interests in long-term incentive plans, (v) group health and similar insurance premiums on behalf of his spouse and dependents for 18 months following the date of termination, and (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Romaine pursuant to Section 4999 of the Code.

Further, if Mr. Romaine's employment is terminated by our general partner without Cause or Mr. Romaine terminates his employment for Constructive Termination, at any time within three (3) months before a Change in Control and twelve (12) months following a Change of Control (as defined in the employment agreement), then, in addition to the foregoing severance compensation and benefits, Mr. Romaine shall receive 100% accelerated vesting on any and all outstanding Partnership options, restricted units, phantom units, unit appreciation rights and other similar rights (under the LTIP or otherwise) held by Mr. Romaine as in effect on the date of termination, such accelerated vesting to occur on the later of (i) the date of termination, or (ii) the date of the Change of Control.

New Employment Agreement

Mr. Romaine and our general partner entered into a new employment agreement, effective as of January 1, 2019 (the "Romaine 2019-2021 Agreement"), that provides that if Mr. Romaine's employment is terminated for any reason, he (or his estate, as applicable) shall be paid the Romaine Accrued Obligations.

If Mr. Romaine's employment is terminated due to his death or Disability, the Romaine 2019-2021 Agreement provides that he (or his estate, as applicable) will be paid (i) the Romaine Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination.

If Mr. Romaine's employment is terminated by our general partner without Cause or by Mr. Romaine for reasons constituting Constructive Termination, the Romaine 2019-2021 Agreement provides that he shall be paid (i) the Romaine Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination, plus (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Romaine pursuant to Section 4999 of the Code.

If Mr. Romaine's employment agreement is not renewed by our general partner and he does not continue to serve as our general partner's Chief Operating Officer following the expiration of his employment agreement pursuant to a different employment agreement with our general partner, the Romaine 2019-2021 Agreement provides that he shall be paid (i) the Romaine Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, and (iii) the performance-based and discretionary components, if any, of his STIP award for such year.

Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom units held by Mr. Romaine automatically shall become fully vested.

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Edward J. Faneuil

Name	Change in Control (\$)	Death \$(1)	Disability \$(1)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal \$(3)
				No Change in Control \$(2)	With a Change in Control \$(2)	
Edward J. Faneuil						
Severance						
Amount	—	1,800,000	1,800,000	1,800,000	1,800,000	—
Deferred						
Compensation	1,291,473	1,291,473	1,291,473	1,291,473	1,291,473	—
LTIP awards	1,242,044	1,242,044	1,242,044	1,242,044	1,242,044	—
LTCIP award	750,000	750,000	750,000	750,000	750,000	—
Fringe benefits	—	21,293	21,293	21,293	21,293	—
Life insurance benefits	—	335,000	—	—	—	—
Total	3,283,517	5,439,810	5,104,810	5,104,810	5,104,810	—

(1)Mr. Faneuil’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, if Mr. Faneuil’s employment is terminated by death or Disability, Mr. Faneuil (or his estate, as applicable) would be paid a severance amount of \$2,000,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(2)Mr. Faneuil’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, if Mr. Faneuil’s employment is terminated by our general partner without Cause or by Mr. Faneuil for reasons constituting Constructive Termination with or without a Change in Control, Mr. Faneuil (or his estate) would be paid a severance amount of \$2,000,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(3)Mr. Faneuil’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, in the event of non-renewal, in addition to receiving a lump sum payment equal to 200% of his then base salary (\$1,000,000) Mr. Faneuil would also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year; for purposes of this calculation, we have assumed that Mr. Faneuil would receive payment of (a) 100% of the performance-based component (\$250,000), and (b) 0% of the discretionary component, associated with his 2019 STIP target amount.

2018 Employment Agreement

The employment agreement with Mr. Faneuil may be terminated at any time by either party with proper notice. If Mr. Faneuil’s employment is terminated for any reason, Mr. Faneuil shall be paid (i) all amounts of his base salary due and owing up through the date of termination, (ii) all earned, but unpaid, bonuses, (iii) all reimbursements of expenses appropriately and timely submitted, and (iv) any and all other amounts, including vacation pay, that may be due to him as of the date of termination (the “Faneuil Accrued Obligations”).

If Mr. Faneuil's employment is terminated by death or "Disability" (as defined in the employment agreement), he (or his estate) will be paid or receive (i) the Faneuil Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash or equity interests in certain long-term incentive plans, and (v) group health and similar insurance premiums on behalf of him and his spouse and dependents for 18 months following the date of termination.

If Mr. Faneuil's employment is terminated by our general partner without "Cause" or by Mr. Faneuil for reasons constituting "Constructive Termination," each as defined in the employment agreement, he shall be paid (i) the Faneuil Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to

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200% of target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash and equity interests in long-term incentive plans, (v) group health and similar insurance premiums on behalf of his spouse and dependents for 18 months following the date of termination, and (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Faneuil pursuant to Section 4999 of the Code.

If Mr. Faneuil's employment is terminated by our general partner without Cause or Mr. Faneuil terminates his employment for Constructive Termination, at any time within three (3) months before a Change in Control and twelve (12) months following a Change of Control, then, in addition to the foregoing severance compensation and benefits, Mr. Faneuil shall receive 100% accelerated vesting on any and all outstanding Partnership options, restricted units, phantom units, unit appreciation rights and other similar rights (under the LTIP or otherwise) held by Mr. Faneuil as in effect on the date of termination, such accelerated vesting to occur on the later of (i) the date of termination, or (ii) the date of the Change of Control.

New Employment Agreement

Mr. Faneuil and our general partner entered into a new employment agreement, effective as of January 1, 2019 (the "Faneuil 2019-2021 Agreement"), that provides that if Mr. Faneuil's employment is terminated for any reason, he (or his estate, as applicable) shall be paid the Faneuil Accrued Obligations. If Mr. Faneuil's employment is terminated due to his death or Disability, the Faneuil 2019-2021 Agreement provides that he (or his estate, as applicable) will be paid (i) the Faneuil Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination.

If Mr. Faneuil's employment is terminated by our general partner without Cause or by Mr. Faneuil for reasons constituting Constructive Termination, the Faneuil 2019-2021 Agreement provides that he shall be paid (i) the Faneuil Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination, plus (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Faneuil pursuant to Section 4999 of the Code.

If Mr. Faneuil's employment agreement is not renewed by our general partner and he does not continue to serve as our general partner's Executive Vice President and General Counsel following the expiration of his employment agreement pursuant to a different employment agreement with our general partner, the Faneuil 2019-2021 Agreement provides that he shall be paid (i) the Faneuil Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, and (iii) the performance-based and discretionary components, if any, of his STIP award for such year.

Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom units held by Mr. Faneuil automatically shall become fully vested.

Our general partner and Mr. Faneuil also entered into the Global Deferred Compensation Plan, pursuant to which Mr. Faneuil is currently being paid the sum of \$70,000 per year (the "Global Deferred Compensation") in equal monthly installments of \$5,833.33 on the first business day of each month for 15 years (180 months). In the event of an unforeseeable emergency as referenced in the deferred compensation agreement, our general partner will pay Mr. Faneuil within 15 days of the occurrence of the unforeseeable emergency the maximum amount allowable in a

lump sum promptly following the occurrence of such unforeseeable emergency. The Global Deferred Compensation will be forfeited in its entirety in the event that Mr. Faneuil terminates his employment for any reason other than death, disability or a Change in Control (as defined below). On and after the date on which Global Deferred Compensation payments commence, our general partner may terminate its obligations under the deferred compensation agreement for Cause or if

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our general partner subsequently determines within 18 months of Mr. Faneuil's termination that circumstances which would give rise to a for Cause termination of Mr. Faneuil otherwise existed at the time of his earlier termination. In the event of Mr. Faneuil's death prior to his receiving any or all of the aggregate amount of the Global Deferred Compensation, our general partner will pay Mr. Faneuil's beneficiary within 60 days of the date of his death a single lump sum payment in an amount equal to the present value of the remaining payments that would have been paid to Mr. Faneuil. If there is a Change in Control or Mr. Faneuil is determined to have become disabled prior to his receiving any or all of the aggregate amount of the Global Deferred Compensation, our general partner will pay to Mr. Faneuil within 60 days of the effective date of the Change in Control or the determination that Mr. Faneuil became disabled a single lump sum payment in an amount equal to the present value of the remaining payments that would have been paid to him had the Change in Control not occurred or had Mr. Faneuil not become disabled. For purposes of the Global Deferred Compensation Agreement, "Cause", as defined in the deferred compensation agreement, means (a) any uncured material breach by Mr. Faneuil of his obligations under the Global Deferred Compensation Agreement, (b) any breach by Mr. Faneuil of his confidentiality, non-competition and non-solicitation obligations set forth on Exhibit "A" to the Global Deferred Compensation Agreement or included in his employment agreement with our general partner, (c) engagement in gross negligence or willful misconduct in the performance of his duties, (d) a conviction or plea of no contest to a crime involving fraud, dishonesty or moral turpitude or any felony, or (e) the commission of an act of embezzlement or willful breach of a fiduciary duty to our general partner, the Partnership or any of its Affiliates.

Alliance and Mr. Faneuil also entered into the Alliance Deferred Compensation Agreement, the terms of which, including, without limitation, the payment terms thereunder, are on the same terms as those of the Global Deferred Compensation Agreement. Accordingly, the various scenarios involving a change of control or termination of employment under the Alliance Deferred Compensation Agreement are identical to those described above with respect to the Global Deferred Compensation Agreement.

Our general partner is obligated to reimburse Mr. Faneuil for any and all federal excise taxes and penalties (other than penalties imposed as a result of Mr. Faneuil's actions), and any taxes imposed upon such reimbursement amounts, including, but not limited to, any federal, state and local income taxes, employment taxes, and other taxes, if any, which may become due pursuant to the application of Sections 4999 and/or 409A of the Code on any payments to Mr. Faneuil in connection the employment agreement. Mr. Faneuil and our general partner have agreed to reform any provision of the deferred compensation agreement, as amended, between them in a manner mutually agreeable to avoid imposition of any additional tax under the provisions of Section 409A of the Code and related regulations and Treasury pronouncements.

Daphne H. Foster

Name	Change in Control (\$)	Death (\$)(1)	Disability (\$)(1)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal \$(3)
				No Change in Control \$(2)	With a Change in Control \$(2)	
Daphne H. Foster Severance	—	1,800,000	1,800,000	1,800,000	1,800,000	—
LTIP awards	996,745	996,745	996,745	996,745	996,745	—
LTCIP award	750,000	750,000	750,000	750,000	750,000	—

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Fringe benefits	—	2,296	2,296	2,296	2,296	—
Life insurance benefits	—	500,000	—	—	—	—
Total	1,746,745	4,049,041	3,549,041	3,549,041	3,549,041	—

(1)Ms. Foster’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, if Ms. Foster’s employment is terminated by death or Disability, Ms. Foster (or her estate, as applicable) would be paid a severance amount of \$2,000,000, such amount representing (a) a lump sum payment equal to her then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

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(2)Ms. Foster’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, if Ms. Foster’s employment is terminated by our general partner without Cause or by Ms. Foster for reasons constituting Constructive Termination with or without a Change in Control, Ms. Foster (or her estate) would be paid a severance amount of \$2,000,000, such amount representing (a) a lump sum payment equal to her then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(3)Ms. Foster’s new employment agreement provides for a base salary of \$500,000 and a 2019 STIP target amount of \$500,000. Under the new agreement, in the event of non-renewal, in addition to receiving a lump sum payment equal to 200% of her then base salary (\$1,000,000), Ms. Foster would also receive payment of the performance-based and discretionary components, if any, of her STIP award for such year; for purposes of this calculation, we have assumed that Ms. Foster would receive payment of (a) 100% of the performance-based component (\$250,000), and (b) 0% of the discretionary component associated with her 2019 STIP target amount.

2018 Employment Agreement

The employment agreement with Ms. Foster may be terminated at any time by either party with proper notice. If Ms. Foster’s employment is terminated for any reason, Ms. Foster shall be paid (i) all amounts of her base salary due and owing up through the date of termination, (ii) all earned, but unpaid, bonuses, (iii) all reimbursements of expenses appropriately and timely submitted, and (iv) any and all other amounts, including vacation pay, that may be due to her as of the date of termination (the “Foster Accrued Obligations”).

If Ms. Foster’s employment is terminated by death or “Disability” (as defined in the employment agreement), she (or her estate) will be paid or receive (i) the Foster Accrued Obligations, (ii) a lump sum payment equal to 200% of her then base salary, (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of her cash or equity interests in long-term incentive plans, and (v) group health and similar insurance premiums on behalf of her and her spouse and dependents for 18 months following the date of termination.

If Ms. Foster’s employment is terminated by our general partner without “Cause” or by Ms. Foster for reasons constituting “Constructive Termination” (each quoted term as defined in the employment agreement), Ms. Foster shall be paid (i) the Foster Accrued Obligations, (ii) a lump sum payment equal to 200% of her then base salary, (iii) an amount equal to 200% of target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of her cash and equity interests in long-term incentive plans, (v) group health and similar insurance premiums on behalf of her spouse and dependents for 18 months following the date of termination, and (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Ms. Foster pursuant to Section 4999 of the Code.

Further, if Ms. Foster’s employment is terminated by our general partner without Cause or Ms. Foster terminates her employment for Constructive Termination, at any time within three (3) months before a Change in Control and twelve (12) months following a Change of Control, then, in addition to the foregoing severance compensation and benefits, Ms. Foster shall receive 100% accelerated vesting on any and all outstanding Partnership options, restricted units, phantom units, unit appreciation rights and other similar rights (under the LTIP or otherwise) held by Ms. Foster as in effect on the date of termination, such accelerated vesting to occur on the later of (i) the date of termination, or (ii) the date of the Change of Control.

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New Employment Agreement

Ms. Foster and our general partner entered into a new employment agreement, effective as of January 1, 2019 (the “Foster 2019-2021 Agreement”), that provides that if Ms. Foster’s employment is terminated for any reason, she (or her estate, as applicable) shall be paid (i) all amounts of base salary due and owing up through the date of termination, (ii) any earned but unpaid bonus, (iii) all reimbursements of eligible business expenses, and (iv) the Foster Accrued Obligations.

If Ms. Foster’s employment is terminated due to her death or disability, the Foster 2019-2021 Agreement provides that she (or her estate, as applicable) will be paid (i) the Foster Accrued Obligations, plus (ii) a lump sum payment equal to 200% of her base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of her cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of her and her spouse and dependents, if any, for 18 months following the date of termination.

If Ms. Foster’s employment is terminated by our general partner without Cause or by Mr. Foster for reasons constituting Constructive Termination, the Foster 2019-2021 Agreement provides that she shall be paid (i) the Foster Accrued Obligations, plus (ii) a lump sum payment equal to 200% of her base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of her cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of her and her spouse and dependents, if any, for 18 months following the date of termination, plus (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Foster pursuant to Section 4999 of the Code.

If Ms. Foster’s employment agreement is not renewed by our general partner and she does not continue to serve as our general partner’s Chief Financial Officer following the expiration of her employment agreement pursuant to a different employment agreement with our general partner, the Foster 2019-2021 Agreement provides that she shall be paid (i) the Foster Accrued Obligations, (ii) a lump sum payment equal to 200% of her then base salary, and (iii) the performance-based and discretionary components, if any, of her STIP award for such year.

Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom units held by Ms. Foster automatically shall become fully vested.

Andrew Slifka

Name	Change in Control (\$)	Death (\$)(1)	Disability (\$)(1)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(3)
				No Change in Control (\$)(2)	With a Change in Control (\$)(2)	
Andrew Slifka						
Severance						
Amount	—	1,450,000	1,450,000	1,450,000	1,450,000	850,000
LTIP awards	720,036	720,036	720,036	720,036	720,036	—
LTCIP award	400,000	400,000	400,000	400,000	400,000	—
Fringe benefits	—	43,609	43,609	43,609	43,609	—

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Life insurance benefits	—	500,000	—	—	—	—
Total	1,120,036	3,113,645	2,613,645	2,613,645	2,613,645	850,000

(1)Mr. Slifka’s new employment agreement provides for a base salary of \$475,000 and a 2019 STIP target amount of \$335,000. Under the new agreement, if Mr. Slifka’s employment is terminated by death or Disability, Mr. Slifka (or his estate, as applicable) would be paid a severance amount of \$1,620,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

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(2)Mr. Slifka’s new employment agreement provides for a base salary of \$475,000 and a 2019 STIP target amount of \$335,000. Under the new agreement, if Mr. Slifka’s employment is terminated by our general partner without Cause or by Mr. Slifka for reasons constituting Constructive Termination with or without a Change in Control, Mr. Slifka (or his estate) would be paid a severance amount of \$1,620,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%.

(3)Mr. Slifka’s new employment agreement provides for a base salary of \$475,000 and a 2019 STIP target amount of \$335,000. Under the new agreement, in the event of non-renewal, in addition to receiving a lump sum payment equal to 200% of his then base pay (\$950,000) Mr. Slifka would also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year; for purposes of this calculation, we have assumed that Mr. Slifka would receive payment of (a) 100% of the performance-based component (\$167,500), and (b) 0% of the discretionary component associated with his 2019 STIP target amount.

2018 Employment Agreement

If Mr. Slifka’s employment is terminated for any reason, he shall be paid (i) all amounts of his base salary due and owing up through the date of termination, (ii) any earned but unpaid bonus, (iii) all reimbursements of expenses appropriately and timely submitted and (iv) any and all other amounts, including vacation pay, that may be due to him as of the date of termination (the “Andrew Slifka Accrued Obligations”).

If Mr. Slifka’s employment is terminated due to death or “Disability” (as defined in the employment agreement), he (or his estate) shall be paid (i) the Andrew Slifka Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash or equity interests in long-term incentive plans, and (v) group health and similar insurance premiums on behalf of him and his spouse and dependents for 24 months following the date of termination.

If Mr. Slifka’s employment is terminated by our general partner without “Cause” or by Mr. Slifka for reasons constituting “Constructive Termination,” each as defined in the employment agreement, he shall be paid (i) the Andrew Slifka Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, (iii) an amount equal to 200% of target incentive amount under the then applicable short-term incentive plan, (iv) acceleration of vesting of his cash and equity interests in long-term incentive plans, (v) group health and similar insurance premiums on behalf of his spouse and dependents for 24 months following the date of termination, and (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Slifka pursuant to Section 4999 of the Code.

If Mr. Slifka’s employment is terminated by our general partner without Cause or Mr. Slifka terminates his employment for Constructive Termination, at any time within three (3) months before a Change in Control and twelve (12) months following a Change of Control, then, in addition to the foregoing severance compensation and benefits, Mr. Slifka shall receive 100% accelerated vesting on any and all outstanding Partnership options, restricted units, phantom units, unit appreciation rights and other similar rights (under the LTIP or otherwise) held by Mr. Slifka as in effect on the date of termination, such accelerated vesting to occur on the later of (i) the date of termination, or (ii) the date of the Change of Control. If Mr. Slifka’s employment agreement is not renewed by our general partner at the end of the applicable term and Mr. Slifka does not continue to serve as Executive Vice President or President of the Partnership’s Gasoline Distribution and Station Operations Division following the expiration of the employment agreement, Mr. Slifka shall be paid (i) the Andrew Slifka Accrued Obligations, and (ii) a lump sum payment equal to 200% of his then base salary.

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New Employment Agreement

Mr. Slifka and our general partner entered into a new employment agreement, effective as of January 1, 2019 (the “Andrew Slifka 2019-2021 Agreement”), that provides that if Mr. Slifka’s employment is terminated for any reason, he (or his estate, as applicable) shall be paid the Andrew Slifka Accrued Obligations.

If Mr. Slifka’s employment is terminated due to his death or disability, the Andrew Slifka 2019-2021 Agreement provides that he (or his estate, as applicable) will be paid (i) the Andrew Slifka Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 24 months following the date of termination.

If Mr. Slifka’s employment is terminated by our general partner without Cause or by Mr. Slifka for reasons constituting Constructive Termination, the Andrew Slifka 2019-2021 Agreement provides that he shall be paid (i) the Andrew Slifka Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) payment of group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 24 months following the date of termination, plus (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Slifka pursuant to Section 4999 of the Code.

If Mr. Slifka’s employment is terminated by our general partner for Cause, the Andrew Slifka 2019-2021 Agreement provides that Mr. Slifka shall receive payment of the Accrued Obligations.

If Mr. Slifka’s employment agreement is not renewed by our general partner and he does not continue to serve as our general partner’s Executive Vice President or President of the GDSO Division of the Partnership following the expiration of his employment agreement pursuant to a different employment agreement with our general partner, the Andrew Slifka 2019-2021 Agreement provides that he shall be paid (i) the Andrew Slifka Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, and (iii) the performance-based and discretionary components, if any, of his STIP award for such year. Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom units held by Mr. Slifka automatically shall become fully vested.

Matthew Spencer

Name	Change in Control (\$)	Death (\$)(1)	Disability (\$)(1)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal \$(3)
				No Change in Control \$(2)	With a Change in Control \$(2)	
Matthew Spencer						
LTIP awards	265,543	—	—	—	265,543	—
LTCIP award	275,000	—	—	—	275,000	—
Fringe benefits	—	—	—	—	—	—
	—	500,000	—	—	—	—

Life insurance
benefits

Total	540,543	500,000	—	—	540,543	—
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(1)Mr. Spencer’s new employment agreement provides for a base salary of \$275,000 and a 2019 STIP target amount of \$200,000. Under the new agreement, if Mr. Spencer’s employment is terminated by death or Disability, Mr. Spencer (or his estate, as applicable) would be paid a severance amount of \$950,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%. Mr. Spencer would also be paid acceleration of vesting of his cash and equity interests in his LTIP (\$265,543) and LTCIP (\$275,000) grants. He would also be paid group health and similar insurance premiums on behalf of him and his spouse and

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dependents, if any, for 18 months following the date of termination (\$32,868).

(2)Mr. Spencer's new employment agreement provides for a base salary of \$275,000 and a 2019 STIP target amount of \$200,000. Under the new agreement, if Mr. Spencer's employment is terminated by our general partner without Cause or by Mr. Spencer for reasons constituting Constructive Termination with or without a Change in Control, Mr. Spencer (or his estate, as applicable) would be paid a severance amount of \$950,000, such amount representing (a) a lump sum payment equal to his then base salary multiplied by 200%, plus (b) an amount equal to the target incentive amount under the then applicable short-term incentive plan multiplied by 200%. Mr. Spencer would also be paid acceleration of vesting of his cash and equity interests in his LTIP (\$265,543) and LTCIP (\$275,000) grants. He would also be paid group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination (\$32,868).

(3)Mr. Spencer's new employment agreement provides for a base salary of \$275,000 and a 2019 STIP target amount of \$200,000. Under the new agreement, in the event of non-renewal, in addition to a lump sum payment equal to 200% of his then base salary (\$550,000), Mr. Spencer would also receive payment of the performance-based and discretionary components, if any, of his STIP award for such year; for purposes of this calculation, we have assumed that Mr. Spencer would receive payment of (a) 100% of the performance-based component (\$100,000), and (b) 0% of the discretionary component associated with his 2019 STIP target amount.

New Employment Agreement

Mr. Spencer and our general partner entered into an employment agreement, effective January 1, 2019. Prior to such date, Mr. Spencer did not have an employment agreement with our general partner. The employment agreement with Mr. Spencer may be terminated at any time by either party with proper notice. Upon termination of Mr. Spencer's employment for any reason, he (or his estate, as applicable) shall be paid (i) all amounts of base salary due and owing up through the date of termination, (ii) any earned but unpaid bonus, (iii) all reimbursements of eligible business expenses, and (iv) any and all other amounts, including vacation pay, that may be due to him as of the date of termination (collectively, the "Spencer Accrued Obligations").

If Mr. Spencer's employment is terminated due to his death or disability, he (or his estate, as applicable) will be paid (i) the Spencer Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination.

If Mr. Spencer's employment is terminated by our general partner without "Cause" or by Mr. Spencer for reasons constituting "Constructive Termination" (each as defined in the employment agreement), he shall be paid (i) the Spencer Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his base salary, plus (iii) an amount equal to 200% of the target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in certain long-term incentive plans, plus (v) group health and similar insurance premiums on behalf of him and his spouse and dependents, if any, for 18 months following the date of termination, plus (vi) a potential gross-up payment in the event that any of the payments described above result in taxes being imposed on Mr. Spencer pursuant to Section 4999 of the Code.

If Mr. Spencer's employment agreement is not renewed by our general partner and he does not continue to serve as our general partner's Chief Accounting Officer following the expiration of his employment agreement pursuant to a different employment agreement with our general partner, the employment agreement provides that he shall be paid (i) the Spencer Accrued Obligations, (ii) a lump sum payment equal to 200% of his then base salary, and (iii) the performance-based and discretionary components, if any, of his STIP award for such year.

Upon a Change of Control, the unvested portions of any outstanding LTCIP Awards and outstanding phantom units held by Mr. Spencer automatically shall become fully vested.

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Other Benefits

Pension Benefits

The table below sets forth information regarding the present value as of December 31, 2018 of the accumulated benefits of our named executive officers under the Global Partners LP Pension Plan, and, with respect to Mr. Faneuil, the Global and Alliance Deferred Compensation Agreements. Amounts with respect to the Global and Alliance Deferred Compensation Agreements are reflected in the table below because they represent a fixed entitlement.

Pension Benefits at December 31, 2018

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Eric Slifka	(1)	23	544,389	—
Mark A. Romaine	(1)	11	191,501	—
Edward J. Faneuil	(1)	19	740,233	—
Edward J. Faneuil	(2)	n/a	645,736	70,000
Edward J. Faneuil	(3)	n/a	645,736	70,000
Daphne H. Foster	(1)	3	38,148	—
Andrew P. Slifka	(1)	7	25,349	—
Andrew P. Slifka	(4)	12	218,914	—
Matthew Spencer	—	—	—	—

- (1) Global Partners LP Pension Plan
(2) Global Deferred Compensation Agreement
(3) Alliance Deferred Compensation Agreement
(4) Global Montello Group Corp. Pension Plan
Global Partners LP Pension Plan

Effective December 31, 2009, the Global Partners LP Pension Plan (the “Global Pension Plan”) was amended to freeze participation in and benefit accruals under the Global Pension Plan. Prior to the freeze, all employees who (1) were 21 years of age or older, (2) were not covered by a collective bargaining agreement providing for union pension benefits, and (3) had been employed by our predecessor, our general partner or one of our operating subsidiaries for one year prior to enrollment in the Global Pension Plan were eligible to participate in the Global Pension Plan. An employee is fully vested in benefits under the Global Pension Plan after completing five years of service or upon termination due to death or disability. Certain employees are entitled to a supplemental benefit that vested over five years with 20% vesting on each December 31 beginning in 2010 and lasting through 2014. When an employee retires at age 65 or, if later, upon reaching five years' service, the employee can elect to receive a monthly annuity or an equivalent lump sum payment. An employee's benefit payable at retirement is equal to (1) 23% of the employee's average monthly compensation for the five consecutive calendar years during which the employee received the highest amount of pay (“Average Compensation”) plus (2) 19.5% of the employee's Average Compensation in excess of his monthly “covered compensation” for Social Security purposes, as provided in the Global Pension Plan. However, if an employee has completed less than 30 years of service on his termination at or after reaching age 65, the monthly benefit will be reduced by 1/30th for each year less than 30 years completed by the employee. When an employee retires at an age other than 65, the employee retirement benefit will be the actuarial equivalent of the benefit he or she would have received if he or she had retired at age 65. An employee who terminates employment after completing at

least five years of service will be eligible for an early retirement benefit determined as described in the preceding sentence at any time after attaining age 60.

Benefits under the formula are based upon the employee's highest consecutive five-year average compensation and are not subject to offset for social security benefits. Compensation for such purposes means compensation including overtime, but excluding bonuses, 50% of commissions, taxable fringe benefits, relocation allowances, transportation allowances, housing allowances, cash and DERs pursuant to any long-term incentive plan and any cash payable in lieu of

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group healthcare coverage.

GMG Pension Plan

As a result of the Alliance Acquisition, effective as of March 1, 2012, sponsorship of Alliance Energy LLC Pension Plan was transferred to GMG, which is a part of our controlled group, and the name of the plan was changed to the Global Montello Group Corp. Pension Plan (the “GMG Pension Plan”). Effective May 15, 2012, the GMG Pension Plan was amended to freeze participation in and benefit accruals. Prior to the freeze, all employees who (1) were 21 years of age or older, (2) were not covered by a collective bargaining agreement providing for union pension benefits, (3) had been employed by GMG or a predecessor employer for one year prior to enrollment in the Pension Plan, (4) were not nonresident aliens, (5) had not become employees as a result of Code Section 410(b)(6)(C) transaction during the current or next preceding year and (6) were not non-exempt gas station/c-store employees hired on or after January 1, 2007 or employees hired after September 30, 2009 were eligible to participate in the GMG Pension Plan. An employee is fully vested in benefits under the GMG Pension Plan after completing five years of service or, if earlier, upon termination due to death or disability. When an employee retires at age 65 with 5 years of service, the employee can elect to receive a monthly annuity or an equivalent lump sum payment. The employee's benefit payable at retirement is equal to (1) 23% of the employee's average monthly compensation for the five consecutive calendar years during which the employee received the highest amount of pay (“Average Compensation”) plus (2) 19.5% of the employee's Average Compensation in excess of his monthly “covered compensation” for Social Security purposes, as provided in the GMG Pension Plan. When an employee retires at an age other than 65, the employee retirement benefit will be the actuarial equivalent of the benefit he or she would have received if he or she had retired at age 65. An employee who terminates employment after completing at least five years of service will be eligible for an early retirement benefit determined as described in the preceding sentence at any time after attaining age 60.

Benefits under the GMG Pension Plan formula are based upon the employee's highest consecutive five-year average compensation and are not subject to offset for social security benefits. Compensation for such purposes means compensation including overtime, but excluding bonuses, 50% of commissions, deferred compensation, employee benefits, moving expenses, transportation allowance, salary continuation and non-cash remuneration.

Supplemental Executive Retirement Agreement

On December 31, 2009, our general partner entered into a SERP agreement with Edward J. Faneuil. Mr. Faneuil's SERP benefit became fully vested on December 31, 2014. The value of the SERP benefit to be provided under the agreement, expressed as a single lump sum payment, is \$159,355 for Mr. Faneuil.

Global and Alliance Deferred Compensation Agreements

For a description of the deferred compensation arrangements provided to Mr. Faneuil pursuant to the Global Deferred Compensation Plan and the Alliance Deferred Compensation Plan, please read “Employment and Related Agreements—Deferred Compensation Agreements” and “Potential Payments upon a Change of Control or Termination.”

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Compensation of Directors

The following table sets forth (i) certain information concerning the compensation earned by our directors in 2018, and (ii) the aggregate amounts of stock awards and option awards, if any, held by each director at the end of the last fiscal year:

Name	Fees Earned or Paid in	
	Cash (\$)	Total (\$)
Richard Slifka	77,500	77,500
Eric Slifka (1)	—	—
Andrew Slifka (1)	—	—
Kenneth I. Watchmaker (2)	107,500	107,500
Robert J. McCool (2)	92,500	92,500
David McKown (2)	92,500	92,500
John T. Hailer (2)	42,750	42,750
Daphne H. Foster (1)	—	—

- (1) Messrs. Eric Slifka and Andrew Slifka and Ms. Foster, as executive officers of our general partner, are otherwise compensated for their services and therefore receive no separate compensation for their service as directors.
- (2) As of December 31, 2018, our non-employee directors held the following aggregate number of unvested phantom units: Mr. Richard Slifka (0), Mr. Watchmaker (5,971), Mr. McCool (5,374), Mr. McKown (4,777) and Mr. Hailer (0).

Employees of our general partner who also serve as directors do not receive additional compensation. In 2018, directors who are not employees of our general partner (1) received: (a) a \$67,500 annual cash retainer; (b) \$1,000 for each meeting of the board of directors attended; (c) \$2,000 for each audit committee meeting attended (limited to payment for one committee meeting per day); and (d) \$1,000 for each committee meeting other than the audit committee meeting attended (limited to payment for one committee meeting per day), and (2) are eligible to participate in the LTIP and the LTCIP.

Each director also is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees.

On March 6, 2019, Mr. Watchmaker, Mr. McCool and Mr. McKown, respectively, were awarded LTCIP grants in the amounts of \$140,000, \$125,000, and \$115,000 in respect of services rendered in 2017. Each such LTCIP award will fully vest as of March 1, 2022.

On August 16, 2017, Mr. Watchmaker was granted an award of 5,971 phantom units, Mr. McCool was granted an award of 5,374 phantom units and Mr. McKown was granted an award of 4,777 phantom units. Each of these awards cliff vest as to 100% of the phantom units on August 1, 2020. The awards granted to Messrs. Watchmaker and McCool will be settled in common units while the award granted to Mr. McKown will be settled in cash.

Each director will be fully indemnified by us for actions associated with being a director to the extent permitted under Delaware law.

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Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Eric Slifka, our CEO.

For 2018, our last completed fiscal year:

- The median of the annual total compensation of our employees (other than the CEO) was \$22,816; and
- The annual total compensation of our CEO, as reported in the Summary Compensation Table above, was \$2,490,920.
- Based on this information, for 2018, the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was reasonably estimated to be 109 to 1.

To put this into context, approximately 79% of our employee population consists of convenience store employees, approximately 45% of whom are employed on a part-time basis. Our part-time employees who work less than thirty hours per week receive (i) wages, and (ii) if eligible, sick time and/or 401(k) benefits, but are not eligible for vacation or other fringe benefits. In comparison, if we were to only look at our non-convenience store employee population, the median employee would be employed on a full-time basis, with a total annual compensation of \$80,000 in 2017. The ratio of the annual total compensation of our CEO to this median employee was reasonably estimated to be 31 to 1.

To identify the median of the annual total compensation of all of our employees, as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- We determined that, as of December 31, 2018, our employee population consisted of approximately 3,925 individuals with all of these individuals located in the United States. This population consisted of our full-time, part-time, and temporary (including seasonal) employees. We selected December 31, 2018 as identification date for determining our median employee because it enabled us to make such identification in a reasonably efficient and economic manner.
- We used a consistently applied compensation measure to identify our median employee by comparing the amount of salary or wages, bonuses and equity awards, if any, reflected in our payroll records as reported to the Internal Revenue Service on Form W-2 for 2018.
- We identified our median employee by consistently applying this compensation measure to all of our employees included in our analysis. Since all of our employees, including our CEO, are located in the United States, we did not make any cost of living adjustments in identifying the median employee.
- After we identified our median employee, we combined all of the elements of such employee's compensation for the 2018 year in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$22,816.
- With respect to the annual total compensation of our CEO, we used the amount reported in the "Total" column of the Summary Compensation Table above.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth as of March 5, 2019 the beneficial ownership of units representing limited partner interests in Global Partners LP (“Units”) held by certain beneficial owners of more than five percent (5%) of the Units, by each director and named executive officer of Global GP LLC, the general partner of Global Partners LP (“General Partner”) and by all current directors and executive officers of our General Partner as a group:

Name of Beneficial Owner (1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	
Richard Slifka (2)(3)(4)(5)(6)(7)	5,275,197	15.5	%
Alfred A. Slifka 1990 Trust Under Article II-A (2)(3)(5)(6)(8)	4,429,709	13.0	%
OppenheimerFunds Inc. (9)	4,935,927	14.5	%
Kayne Anderson Capital Advisors L.P. (12)	2,408,459	7.1	%
Richard A. Kayne (12)	2,408,459	7.1	%
Montello Oil Corporation (2)	2,348,078	6.9	%
Global Petroleum Corp. (3)	1,725,463	5.1	%
Eric Slifka (5)(10)(11)	1,564,814	4.6	%
Larea Holdings LLC (10)	564,984	1.7	%
Andrew Slifka (7)	509,382	1.5	%
Global GP LLC (5)	241,643	*	
Edward J. Faneuil	81,706	*	
Mark Romaine	42,476	*	
Daphne H. Foster	12,481	*	
Matthew Spencer	2,986	*	
Robert J. McCool	31,235	*	
Kenneth I. Watchmaker	32,885	*	
David K. McKown	7,857	*	
John T. Hailer	—	*	
Larea Holdings II LLC (7)	282,492	*	
Chelsea Terminal Limited Partnership (4)	60,178	*	
All directors and executive officers as a group (11 persons)	7,319,376	21.5	%

* Less than 1%

- (1) The address for each person or entity listed other than (i) Kayne Anderson Capital Advisors, L.P., (ii) Richard A. Kayne, and (iii) OppenheimerFunds, Inc., is P.O. Box 9161, 800 South Street, Suite 500, Waltham, Massachusetts 02454 9161.
- (2) Richard Slifka and the Alfred A. Slifka 1990 Trust Under Article II-A share voting and investment power with respect to and, therefore, may be deemed to beneficially own, the units owned by Montello Oil Corporation.
- (3) Richard Slifka and the Alfred A. Slifka 1990 Trust Under Article II-A share voting and investment power with respect to and, therefore, may be deemed to beneficially own, the units owned by Global Petroleum Corp.
- (4) Richard Slifka has sole voting and investment power with respect to and, therefore, may be deemed to beneficially own, the units owned by Chelsea Terminal Limited Partnership.
- (5)

Purchased by our general partner for the purpose of assisting us in meeting our anticipated obligations to deliver common units under our Long-Term Incentive Plan to officers, directors and employees. Richard Slifka and the Alfred A. Slifka 1990 Trust Under Article II-A control Global GP LLC, and thus may be deemed to beneficially own the units owned by Global GP LLC. The co-trustees of the Alfred A. Slifka 1990 Trust Under Article II-A have delegated the voting rights in Global GP LLC of the Alfred A. Slifka 1990 Trust Under Article II-A to Eric Slifka in Global GP LLC, and thus Eric Slifka may be deemed to beneficially own the units owned by Global GP LLC.

- (6) Beneficially owned unit amounts for each of Richard Slifka and the Alfred A. Slifka 1990 Trust Under Article II-A include the units owned by Montello Oil Corporation, Global Petroleum Corp., and Global GP LLC. Beneficially owned unit amounts for Richard Slifka also include the units owned by Chelsea Terminal Limited Partnership and Larea Holdings II LLC. Beneficially

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owned unit amounts for the Alfred A. Slifka 1990 Trust Under Article II-A also include 50,110 units that are held by the Alfred A. Slifka 1990 Trust Under Article II-A. Richard Slifka and the late Alfred A. Slifka are brothers.

- (7) Richard Slifka is the trustee of a voting trust with sole voting and investment power with respect to units owned by Larea Holdings II LLC. Richard Slifka may, therefore, be deemed to beneficially own, the units held by Larea Holdings II LLC. Richard Slifka's son, Andrew Slifka, is a one-third owner of Larea Holdings II LLC. Because Andrew Slifka does not share voting and investment power with respect to the units owned by Larea Holdings II LLC, he is not deemed to beneficially own such units.
- (8) Alfred A. Slifka passed away on March 9, 2014. His estate closed effective February 28, 2017 and his beneficially owned interests set forth on the above table have accordingly been transferred to the Alfred A. Slifka 1990 Trust Under Article II-A on that date.
- (9) According to a Schedule 13G/A filed on January 24, 2019, OppenheimerFunds, Inc. beneficially owned 4,935,927 common units, representing 14.52% of the common units then outstanding. The address for OppenheimerFunds, Inc. is 225 Liberty Street, New York, NY 10281.
- (10) Eric Slifka has sole voting and investment power with respect to units owned by Larea Holdings LLC. Eric Slifka may, therefore, be deemed to beneficially own, the units held by Larea Holdings LLC. Eric Slifka is the son of the late Alfred A. Slifka.
- (11) Beneficially owned unit amounts for Eric Slifka include the units owned by Global GP LLC and Larea Holdings LLC.
- (12) According to a Schedule 13G/A filed on February 1, 2019, Kayne Anderson Capital Advisors, L.P. beneficially owned 2,408,459 common units, representing 7.08% of the common units then outstanding and Richard A. Kayne beneficially owned 2,408,459 common units, representing 7.08% of the common units then outstanding. The address for Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne is 1800 Avenue of the Stars, Third Floor, Los Angeles, California 90067.

Equity Compensation Plan Table

The following table summarizes information about our equity compensation plans as of December 31, 2018:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	730,141	—	2,964,821
Equity compensation plans not approved by security holders	—	—	—
Total	730,141	—	2,964,821

Item 13. Certain Relationships and Related Transactions, and Director Independence.

As of March 5, 2019, affiliates of our general partner, including current directors and executive officers of our general partner, owned 7,319,376 common units representing 21.5% of the common units. In addition, our general partner owns a 0.67% general partner interest in us.

Alfred A. Slifka, former Chairman of the board of our general partner, passed away on March 9, 2014. Mr. Slifka's estate closed effective February 28, 2017 and his interests in our general partner and his beneficially owned interests in Global Partners LP and its affiliates were transferred to the Alfred A. Slifka 1990 Trust Under Article II-A on that date.

Steven McCool, the son of Robert J. McCool, one of our independent directors, is an employee of Global GP LLC. During our fiscal year ended December 31, 2018, his total compensation earned was approximately \$160,000.

Maxwell Foster, the son of Daphne H. Foster, our Chief Financial Officer, is an employee of Global GP LLC. During our fiscal year ended December 31, 2018, his total compensation earned was approximately \$174,000.

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James Cook, the son-in-law of Richard Slifka, our Chairman, and the brother-in-law of Andrew Slifka, our Executive Vice President and director, is an employee of Global GP LLC. During our fiscal year ended December 31, 2018, his total compensation earned was approximately \$273,000.

Operational Stage

Distributions of available cash to our general partner and its affiliates We will generally make cash distributions of 99.33% to the common unitholders, including affiliates of our general partner (including directors and executive officers of our general partner), as the holders of an aggregate of 7,319,376 common units and 0.67% to our general partner. In addition, if distributions exceed the minimum quarterly distribution and other higher target levels, our general partner will be entitled to increasing percentages of the distributions, up to 48.67% of the distributions above the highest target level.

Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding common units for four quarters, our general partner and its affiliates, including directors and executive officers of our general partner, would receive an annual distribution of approximately \$13.5 million on their common units and \$0.4 million on the 0.67% general partner interest.

Payments to our general partner and its affiliates Our general partner does not receive a management fee or other compensation for its management of Global Partners LP. Our general partner and its affiliates are reimbursed for expenses incurred on our behalf. Our partnership agreement provides that our general partner determines the amount of these expenses.

Withdrawal or removal of our general partner If our general partner withdraws or is removed, its general partner interest and its incentive distribution rights will either be sold to the new general partner for cash or converted into common units, in each case for an amount equal to the fair market value of those interests.

Liquidation Stage

Liquidation Upon our liquidation, the partners, including our general partner, will be entitled to receive liquidating distributions according to their particular capital account balances.

Noncompetition

We are a party to an omnibus agreement with Mr. Richard Slifka and our general partner that addresses the agreement of Mr. Richard Slifka not to compete with us and to cause his affiliates not to compete with us under certain circumstances. The omnibus agreement also addressed certain environmental indemnity obligations of Global Petroleum Corp. and certain of its affiliates, which indemnity obligations have expired. In connection with our acquisition of Alliance, Richard Slifka, Chairman of our general partner, entered into a business opportunity agreement with our general partner containing noncompetition provisions which are broader than those contained in the omnibus agreement in order to encompass our expanded lines of business since 2005.

Pursuant to the omnibus agreement and the business opportunity agreement, Richard Slifka agreed, for himself and his respective affiliates, not to engage in, acquire or invest in any of the following businesses: (1) the wholesale

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and/or retail marketing, sale, distribution and transportation (other than transportation by truck) of refined petroleum products, crude oil, ethanol, propane and biofuels; (2) the storage of refined petroleum products and/or any of the other products identified in (1) or asphalt in connection with any of the activities described in (1); (3) bunkering; and (4) such other activities in which the Partnership, and its direct or indirect subsidiaries, or any of their businesses are engaged or, to the knowledge of Richard Slifka, are planning to become engaged. These noncompetition obligations survive under the omnibus agreement for so long as Richard Slifka, Eric Slifka and/or any of their respective affiliates, individually or as part of a group, control our general partner, and under the business opportunity agreement indefinitely.

Pursuant to Eric Slifka's and Andrew Slifka's respective employment agreements with our general partner, each of Eric Slifka and Andrew Slifka agreed, for themselves and their respective affiliates, to not work (as an employee, consultant, advisor, director or otherwise), engage in, acquire or invest in any of the following businesses: (1) the wholesale or retail marketing, sale, distribution and transportation of refined petroleum products, crude oil, renewable fuels (including ethanol and biofuels), and natural gas liquids (including ethane, butane, propane and condensates); (2) the storage of refined petroleum products and/or any of the other products identified in clause (1) above in connection with any of the activities described in said clause (1); (3) the retail sale of convenience store items and sundries and related food service, whether or not related to the retail sale of refined petroleum products including, without limitation, gasoline; (4) bunkering; and (5) any other business in which the general partner or its affiliates (a) becomes engaged during the period that they are employed by the general partner or any of its affiliates, or (b) is preparing to become engaged as of the time that their employment with the general partner or any of its affiliates ends and, with respect to parts (a) and (b) of this clause (5), they have participated in or obtained Confidential Information about such business or anticipated business. Each of Eric Slifka and Andrew Slifka further agreed to not directly or indirectly solicit any employees, contractors, vendors, suppliers or customers of the general partner or any of its affiliates to cease to be employed by or otherwise do business with the general partner or any of its affiliates, or to reduce the same. The foregoing noncompetition and nonsolicitation restrictions may be waived only by the conflicts committee of the general partner's board of directors. Eric Slifka's and Andrew Slifka's noncompetition and non-solicitation obligations survive for one year following the termination of their respective employment for any reason other than death or the termination of their employment by the general partner without Cause (as defined in their respective employment agreements). In consideration for their respective noncompetition obligations, the general partner shall pay to each of Eric Slifka and Andrew Slifka a total payment equal to fifty percent (50%) of their highest annualized Base Salary (as defined in their respective employment agreements) within the two years preceding termination; provided, that the general partner shall have no obligation to make such payments in the event that Eric Slifka or Andrew Slifka breaches any of the terms of their noncompetition obligations.

In addition, Eric Slifka's and Andrew Slifka's employment agreements include, and Eric Slifka and Andrew Slifka both agreed to, a confidentiality provision, which generally will continue for two years following Eric Slifka's and Andrew Slifka's termination of employment.

Shared Services Agreement

We are party to a shared services agreement with Global Petroleum Corp. We believe the terms of this agreement are at least as favorable as could have been obtained from unaffiliated third parties. Under this agreement, we provide Global Petroleum Corp. with certain accounting, treasury, legal, information technology, human resources and financial operations support for which Global Petroleum Corp. pays or paid us an amount based upon the cost associated with the provision of such services. We will continue to provide Global Petroleum Corp. with such services for an indefinite term, and Global Petroleum Corp. may terminate its receipt of some or all of the services thereunder upon 90 days' prior written notice. As of December 31, 2018, no notice of termination had been given under the agreement with Global Petroleum Corp. as then in effect.

Revere Terminal Acquisition from Global Petroleum Corp.

On January 14, 2015, we acquired the Revere terminal from Global Petroleum Corp. for a purchase price of approximately \$23.7 million. Global Petroleum Corp. is currently owned by the Alfred A. Slifka 1990 Trust Under Article II-A and Richard Slifka. Pursuant to the purchase agreement entered into by both parties, we assumed all liabilities and obligations of Global Petroleum Corp. related to the terminal and the underlying real property, except for

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certain liabilities as set forth in the purchase agreement. We released Global Petroleum Corp. from and agreed to indemnify Global Petroleum Corp. from all known and unknown environmental liabilities relating to the terminal and underlying real property, provided that we will be responsible for the first remediation expenses arising from unknown conditions up to \$1.5 million, in the aggregate, and then Global Petroleum Corp. will reimburse us for any remediation expenses in excess of \$1.5 million up to \$2.3 million, provided further that (i) Global Petroleum Corp. will have no obligation to reimburse us for expenses in excess of \$750,000 in the aggregate, and (ii) Global Petroleum Corp.'s reimbursement obligations will survive for a period of three years following the closing of the acquisition. Global Petroleum Corp.'s reimbursement obligations expired in January 2018, and any and all remediation expenses will be our responsibility.

In the event that we sell, within eight years of the closing of the acquisition, all or substantially all of the real property underlying the Revere terminal to a third party not affiliated with Global Petroleum Corp. or us and such third party does not intend to use the real property for petroleum related purposes, then we will pay Global Petroleum Corp. an amount equal to fifty percent of the net proceeds (as defined in the purchase agreement) received by us in connection with such sale.

Relationship of Management with Global Petroleum Corp.

Some members of our management team are also officers and/or directors of our affiliate, Global Petroleum Corp. Global Petroleum Corp. is wholly owned by ASRS Global General Partnership, an entity that is owned equally by Richard Slifka and by the Alfred A. Slifka 1990 Trust Under Article II-A. Messrs. Faneuil and Spencer spend a portion of their time providing services to Global Petroleum Corp. under a shared services agreement. Please read “—Shared Services Agreement.”

Policies Relating to Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner and its affiliates, on the one hand, and us and our unaffiliated limited partners, on the other hand. The directors and officers of our general partner have fiduciary duties to manage our general partner in a manner beneficial to its owners. At the same time, our general partner has a fiduciary duty to manage us in a manner beneficial to our unitholders and us. Our partnership agreement modifies and limits our general partner's fiduciary duties to unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under applicable Delaware law. The Delaware Revised Uniform Limited Partnership Act provides that Delaware limited partnerships may, in their partnership agreements, expand, restrict or eliminate the fiduciary duties otherwise owed by a general partner to limited partners and the partnership.

Under our partnership agreement, whenever a conflict arises between our general partner or its affiliates, on the one hand, and us or any other partner, on the other, our general partner will resolve that conflict. Our general partner will not be in breach of its obligations under our partnership agreement or its duties to us or our unitholders if the resolution of the conflict is:

- approved by the conflicts committee of our general partner, although our general partner is not obligated to seek such approval;
- approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner or any of its affiliates;
- on terms no less favorable to us than those generally being provided to or available from unaffiliated third parties; or
- fair and reasonable to us, taking into account the totality of the relationships between the parties involved, including other transactions that may be particularly favorable or advantageous to us.

Our general partner may, but is not required to, seek the approval of such resolution from the conflicts committee of the board of directors of our general partner. If our general partner does not seek approval from the conflicts committee and its board of directors determines that the resolution or course of action taken with respect to the

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conflict of interest satisfies either of the standards set forth in the third and fourth bullet points above, then it will be presumed that, in making its decision, the board acted in good faith, and in any proceeding brought by or on behalf of us or any limited partner of ours, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict. When our partnership agreement requires someone to act in good faith, it requires that person to reasonably believe that he is acting in the best interests of the partnership, unless the context otherwise requires.

Director Independence

Please read Part III, Item 10, “Directors, Executive Officers and Corporate Governance” for information regarding director independence.

Item 14. Principal Accounting Fees and Services.

The audit committee of the board of directors of Global GP LLC selected Ernst & Young LLP, Independent Registered Public Accounting Firm, to audit the books, records and accounts of Global Partners LP for the 2018 and 2017 calendar years. The audit committee’s charter, which is available on our website at www.globalp.com, requires the audit committee to approve in advance all audit and non-audit services to be provided by our independent registered public accounting firm. All services reported in the audit, audit-related, tax and all other fees categories below were approved by the audit committee.

Pre-approved fees to Ernst & Young LLP for the fiscal year ended December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Audit Fees (1)	\$ 4,495	\$ 4,225
Audit—Related Fees	122	112
Tax Fees (2)	1,455	1,870
Total	\$ 6,072	\$ 6,207

(1) Represents fees for professional services provided primarily in connection with the audits of our annual financial statements and reviews of our quarterly financial statements. Audit fees also included Ernst & Young’s audits of the effectiveness of our internal control over financial reporting at December 31, 2018 and 2017.

(2) Tax fees included tax planning and tax return preparation.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are included with the filing of this Annual Report:

1. Financial statements—See “Index to Financial Statements” on page F 1.
2. Financial statement schedules—Schedule II—Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits—The following is a list of exhibits required by Item 601 of Registration S-K to be filed as part of this Annual Report.

Exhibit Number	Description
2.1**	— <u>Agreement of Purchase and Sale dated as of January 14, 2015 between Global Revco Dock, L.L.C., Global Revco Terminal, L.L.C., Global South Terminal, L.L.C., Global Petroleum Corp. and Global Companies LLC (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8 K filed on January 21, 2015 (File No. 001 32593)).</u>
3.1	— <u>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).</u>
3.2	— <u>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).</u>
4.1	— <u>Registration Rights Agreement, dated March 1, 2012, by and among Global Partners LP and AE Holdings Corp. (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8 K filed on March 7, 2012).</u>
4.2	— <u>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).</u>
4.3	— <u>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).</u>
10.1	— <u>Omnibus Agreement, dated October 4, 2005, by and among Global Petroleum Corp., Montello Oil Corporation, Global Revco Dock, L.L.C., Global Revco Terminal, L.L.C., Global South Terminal, L.L.C., Sandwich Terminal, L.L.C., Chelsea Terminal Limited Partnership, Global GP LLC, Global Partners LP, Global Operating LLC, Alfred A. Slifka, Richard Slifka and Eric Slifka (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on October 11, 2005).</u>
10.2	— <u>Amended and Restated Services Agreement, dated October 4, 2005, by and among Global Petroleum Corp., Global Companies LLC, Global Montello Group LLC, and Chelsea Sandwich LLC (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8 K filed on October 11, 2005).</u>
10.3	— <u>Terminals Sale and Purchase Agreement, dated March 16, 2007 by and between Global Partners LP and ExxonMobil Oil Corporation (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10 Q filed on August 9, 2007).</u>
10.4	— <u>Terminals Sale and Purchase Agreement, dated July 9, 2007 by and between Global Partners LP and ExxonMobil Oil Corporation (incorporated herein by reference to Exhibit 10.21 to the Annual Report on Form 10 K filed on March 14, 2008).</u>

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- 10.5[^] — Supplemental Executive Retirement Plan dated December 31, 2009, between Global GP LLC and Edward J. Faneuil (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on January 7, 2010).
- 10.6 — Sale and Purchase Agreement, dated May 24, 2010 among ExxonMobil Oil Corporation and Exxon Mobil Corporation, as sellers, and Global Companies LLC (incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10 Q filed on August 6, 2010).
- 10.7 — First Amendment to Sale and Purchase Agreement, effective August 12, 2010 among ExxonMobil Oil Corporation and Exxon Mobil Corporation, as sellers, and Global Companies LLC (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on August 31, 2010).
- 10.8 — Second Amendment to Sale and Purchase Agreement, dated September 7, 2010, among ExxonMobil Oil Corporation and Exxon Mobil Corporation, as sellers, and Global Companies LLC, as buyer (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on September 9, 2010).
- 10.9^{††} — Brand Fee Agreement, dated September 3, 2010, between ExxonMobil Oil Corporation and Global Companies LLC (incorporated herein by reference to Exhibit 10.6 to the Quarterly Report on Form 10 Q/A filed on January 20, 2011).
- 10.10 — Assignment of Branded Wholesaler PMPA Franchise Agreements, effective March 1, 2011 between Global Companies LLC, Alliance Energy LLC and ExxonMobil Oil Corporation (incorporated herein by reference to Exhibit 10.49 to the Annual Report on Form 10 K filed on March 11, 2011).
- 10.11 — Business Opportunity Agreement dated March 1, 2012, by and among Alfred A. Slifka, Richard Slifka and Global Partners LP (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on March 7, 2012).
- 10.12[^] — Deferred Compensation Agreement dated September 23, 2009, by and between Alliance Energy LLC and Edward J. Faneuil (incorporated herein by reference to Exhibit 10.53 to the Annual Report on Form 10 K filed on March 12, 2012).
- 10.13 — First Amendment to Amended and Restated Services Agreement, dated as of July 24, 2006, by and among Global Petroleum Corp., Global Companies LLC, Global Montello Group Corp. and Chelsea Sandwich LLC (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on March 15, 2012).
- 10.14 — Second Amendment to Amended and Restated Services Agreement, dated March 9, 2012, by and among Global Petroleum Corp., Global Companies LLC, Global Montello Group Corp., Chelsea Sandwich LLC and Alliance Energy LLC (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8 K filed on March 15, 2012).
- 10.15[^] — Global Partners LP Long Term Incentive Plan (As Amended and Restated Effective June 22, 2012) (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on June 25, 2012).
- 10.16[^] — Form of Phantom Unit Award Agreement for Employees under Global Partners LP Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on July 3, 2013).
- 10.17[^] — Form of Phantom Unit Award Agreement for Directors under Global Partners LP Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8 K filed on July 3, 2013).
- 10.18[^] — Form of Confidentiality, Non Solicitation, and Non Competition Agreement for Phantom Unit Award Recipients (incorporated herein by reference to Exhibit 10.6 to the Current Report on Form 8 K filed on July 3, 2013).
- 10.19[^] — Form of Director Unit Award Letter (incorporated herein by reference to Exhibit 10.46 to the Annual Report on Form 10 K filed on March 13, 2015).
- 10.20 — Second Amended and Restated Services Agreement, dated as of March 11, 2015, by and among Global Petroleum Corp. and Global Companies LLC (incorporated herein by reference to Exhibit 10.49 to the

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- 10.21 — Purchase Agreement, dated June 1, 2015 among the Issuers, the Guarantors and the Initial Purchasers (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8 K filed on June 4, 2015).
- 10.22^ — Form of Restricted Unit Award Grant Letter (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10 Q filed on August 7, 2015).
- 10.23^ — Form of Cash Award Grant Letter (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10 Q filed on August 7, 2015).
- 10.24^ — Form of Phantom Unit Agreement (Cash Settlement) (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10 Q filed on November 6, 2015).
- 10.25††† — Third Amended and Restated Credit Agreement, dated as of April 25, 2017, among Global Operating LLC, Global Companies LLC, Global Montello Group Corp., Glen Hes Corp., Chelsea Sandwich LLC, GLP Finance Corp., Global Energy Marketing LLC, Global CNG LLC, Alliance Energy LLC, Cascade Kelly Holdings LLC and Warren Equities, Inc. as borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender, Alternative Currency Fronting Lender and L/C Issuer, JPMorgan Chase Bank, N.A. as an L/C Issuer, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A. as Co-Syndication Agents, Citizens Bank, N.A., Societe Generale, BNP Paribas and The Bank of Tokyo-Mitsubishi UFJ, Ltd. NY Branch as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, Citizens Bank N.A., Societe Generale, BNP Paribas, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. NY Branch as Joint Lead Arrangers and Joint Book Managers (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q Q filed on May 9, 2017).
- 10.26^ — Form of Phantom Unit Award Agreement for Executive Officers under Global Partners LP Long-Term Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8 K filed on August 22, 2017).
- 10.27^ — Amended and Restated Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Eric S. Slifka (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 13, 2018).
- 10.28^ — Amended and Restated Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Andrew P. Slifka (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 23, 2018).
- 10.29^ — Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Daphne H. Foster (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 23, 2018).
- 10.30^ — Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Mark Romaine (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on April 23, 2018).
- 10.31^ — Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Edward J. Faneuil (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on April 23, 2018).
- 10.32^ — Employment Agreement effective as of January 1, 2018, by and between Global GP LLC and Charles A. Rudinsky (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed on May 21, 2018).
- 10.33^ — Global Partners LP 2018 Long-Term Cash Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 12, 2018).
- 10.34^ — Global Partners LP 2018 Long-Term Cash Incentive Plan Form of Award Agreement (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on October 12, 2018).
- 10.35 — First Amendment to Third Amended and Restated Credit Agreement dated September 10, 2018 (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10 Q filed on November 8, 2018).

10.36 — Second Amendment to Third Amended and Restated Credit Agreement dated September 10, 2018 (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on November 8, 2018).

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10.37 [^]	— <u>First Amendment to 2018 Amended and Restated Employment Agreement effective as of December 31, 2018, by and between Global GP LLC and Eric S. Slifka (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.38 [^]	— <u>Employment Agreement effective as of February 1, 2019, by and between Global GP LLC and Eric S. Slifka (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.39 [^]	— <u>Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Mark Romaine (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.40 [^]	— <u>Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Daphne H. Foster (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.41 [^]	— <u>Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Edward J. Faneuil (incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.42 [^]	— <u>Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Andrew P. Slifka (incorporated herein by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.43 [^]	— <u>Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Matthew Spencer (incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on February 5, 2019).</u>
10.44 ^{**^}	<u>Global Partners LP 2018 Long-Term Cash Incentive Plan Award Agreement</u>
21.1 [*]	— <u>List of Subsidiaries of Global Partners LP.</u>
23.1 [*]	— <u>Consent of Ernst & Young LLP.</u>
31.1 [*]	— <u>Rule 13a 14(a)/15d 14(a) Certification of Principal Executive Officer of Global GP LLC, general partner of Global Partners LP.</u>
31.2 [*]	— <u>Rule 13a 14(a)/15d 14(a) Certification of Principal Financial Officer of Global GP LLC, general partner of Global Partners LP.</u>
32.1 [†]	— <u>Section 1350 Certification of Chief Executive Officer of Global GP LLC, general partner of Global Partners LP.</u>
32.2 [†]	— <u>Section 1350 Certification of Chief Financial Officer of Global GP LLC, general partner of Global Partners LP.</u>
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.DEF [*]	— XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith.

[^] Management contract or compensatory plan or arrangement.

** Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S K. The Partnership undertakes to furnish supplementally copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

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

†† Portions of this exhibit have been omitted pursuant to an order granting confidential treatment, dated February 14, 2011 (SEC File No. 001-32593).

††† Portions of this exhibit have been omitted pursuant to an order granting confidential treatment, dated June 15, 2017 (SEC File No. 001-32593).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 8, 2019 By: /s/ Eric Slifka
Eric Slifka
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 8, 2019.

Signature	Title
/s/ Eric Slifka Eric Slifka	President, Chief Executive Officer, Vice Chairman and Director (Principal Executive Officer)
/s/ Daphne H. Foster Daphne H. Foster	Chief Financial Officer and Director (Principal Financial Officer)
/s/ Matthew Spencer Matthew Spencer	Chief Accounting Officer (Principal Accounting Officer)
/s/ Andrew Slifka Andrew Slifka	Executive Vice President and Director
/s/ Richard Slifka Richard Slifka	Chairman
/s/ David K. McKown David K. McKown	Director
/s/ Robert J. McCool Robert J. McCool	Director
/s/ Kenneth I. Watchmaker Kenneth I. Watchmaker	Director
/s/ John T. Hailer John T. Hailer	Director

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GLOBAL PARTNERS LP FINANCIAL STATEMENTS

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<u>Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016</u>	F 5
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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Global GP LLC and Unitholders of Global Partners LP

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Global Partners LP (the Partnership) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), partners' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2004.

Boston, Massachusetts

March 8, 2019

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Global GP LLC and Unitholders of Global Partners LP

Opinion on Internal Control over Financial Reporting

We have audited Global Partners LP's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Global Partners LP (the Partnership) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) the consolidated balance sheets as of December 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income (loss), partners' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes of the Partnership and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Partnership's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report. Our responsibility is to express an opinion on the Partnership's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Boston, Massachusetts

March 8, 2019

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GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

	December 31, 2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,121	\$ 14,858
Accounts receivable, net (less allowance of \$2,433 and \$4,605 at December 31, 2018 and 2017, respectively)	334,777	417,263
Accounts receivable—affiliates	5,435	3,773
Inventories	386,442	350,743
Brokerage margin deposits	14,766	9,681
Derivative assets	26,390	3,840
Prepaid expenses and other current assets	98,977	77,977
Total current assets	874,908	878,135
Property and equipment, net	1,132,632	1,036,667
Intangible assets, net	58,532	56,545
Goodwill	327,406	312,401
Other assets	30,813	36,421
Total assets	\$ 2,424,291	\$ 2,320,169
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	\$ 308,979	\$ 313,412
Working capital revolving credit facility—current portion	103,300	126,700
Environmental liabilities—current portion	6,092	5,009
Trustee taxes payable	42,613	110,321
Accrued expenses and other current liabilities	117,274	99,507
Derivative liabilities	4,494	13,708
Total current liabilities	582,752	668,657
Working capital revolving credit facility—less current portion	150,000	100,000
Revolving credit facility	220,000	196,000
Senior notes	664,455	661,774
Environmental liabilities—less current portion	57,132	52,968
Financing obligations	149,997	150,334
Deferred tax liabilities	42,856	40,105
Other long-term liabilities	57,905	56,013
Total liabilities	1,925,097	1,925,851
Commitments and contingencies (see Note 10)	—	—
Partners' equity		
Global Partners LP equity:		
Series A preferred limited partners (2,760,000 and 0 units issued and outstanding at December 31, 2018 and 2017, respectively)	67,226	—

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Common limited partners (33,995,563 units issued and 33,751,435 outstanding at December 31, 2018 and 33,995,563 units issued and 33,645,092 outstanding at December 31, 2017)	437,874	399,399
General partner interest (0.67% interest with 230,303 equivalent units outstanding at December 31, 2018 and 2017)	(2,509)	(2,978)
Accumulated other comprehensive loss	(5,260)	(5,468)
Total Global Partners LP equity	497,331	390,953
Noncontrolling interest	1,863	3,365
Total partners' equity	499,194	394,318
Total liabilities and partners' equity	\$ 2,424,291	\$ 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)

	Year Ended December 31,		
	2018	2017	2016
Sales	\$ 12,672,602	\$ 8,920,552	\$ 8,239,639
Cost of sales	12,022,193	8,337,500	7,693,149
Gross profit	650,409	583,052	546,490
Costs and operating expenses:			
Selling, general and administrative expenses	171,002	155,033	149,673
Operating expenses	321,115	283,650	288,547
(Gain) loss on trustee taxes	(52,627)	16,194	—
Lease exit and termination (gain) expenses	(3,506)	—	80,665
Amortization expense	10,960	9,206	9,389
Net loss (gain) on sale and disposition of assets	5,880	(1,624)	20,495
Goodwill and long-lived asset impairment	414	809	149,972
Total costs and operating expenses	453,238	463,268	698,741
Operating income (loss)	197,171	119,784	(152,251)
Interest expense	(89,145)	(86,230)	(86,319)
Income (loss) before income tax (expense) benefit	108,026	33,554	(238,570)
Income tax (expense) benefit	(5,623)	23,563	(53)
Net income (loss)	102,403	57,117	(238,623)
Net loss attributable to noncontrolling interest	1,502	1,635	39,211
Net income (loss) attributable to Global Partners LP	103,905	58,752	(199,412)
Less: General partner's interest in net income (loss), including incentive distribution rights	1,033	394	(1,336)
Less: Series A preferred limited partner interest in net income	2,691	—	—
Net income (loss) attributable to common limited partners	\$ 100,181	\$ 58,358	\$ (198,076)
Basic net income (loss) per common limited partner unit	\$ 2.97	\$ 1.74	\$ (5.91)
Diluted net income (loss) per common limited partner unit	\$ 2.95	\$ 1.74	\$ (5.91)
Basic weighted average common limited partner units outstanding	33,701	33,589	33,525
Diluted weighted average common limited partner units outstanding	33,972	33,634	33,525

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income (loss)	\$ 102,403	\$ 57,117	\$ (238,623)
Other comprehensive income (loss):			
Change in fair value of cash flow hedges	133	1,037	2,486
Change in pension liability	75	(1,064)	167
Total other comprehensive income (loss)	208	(27)	2,653
Comprehensive income (loss)	102,611	57,090	(235,970)
Comprehensive loss attributable to noncontrolling interest	1,502	1,635	39,211
Comprehensive income (loss) attributable to Global Partners LP	\$ 104,113	\$ 58,725	\$ (196,759)

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)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ 102,403	\$ 57,117	\$ (238,623)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	106,838	105,652	111,942
Amortization of deferred financing fees	5,372	5,644	6,019
Amortization of leasehold interests	327	631	1,252
Amortization of senior notes discount	1,501	1,445	1,393
Bad debt expense	588	211	231
Unit-based compensation expense	2,738	2,755	4,145
Write-off of financing fees	—	573	1,828
Gain on trustee taxes	(52,627)	—	—
Net loss (gain) on sale and disposition of assets	5,880	(1,624)	20,495
Goodwill and long-lived asset impairment	414	809	149,972
Deferred income taxes	2,751	(25,949)	(18,782)
Changes in operating assets and liabilities, excluding net assets acquired:			
Accounts receivable	81,898	3,886	(110,237)
Accounts receivable-affiliate	(1,662)	(630)	(565)
Inventories	(29,778)	173,167	(135,888)
Broker margin deposits	(5,085)	17,972	3,674
Prepaid expenses, all other current assets and other assets	(15,912)	(13,674)	2,987
Accounts payable	(4,433)	(6,850)	17,410
Trustee taxes payable	(15,081)	9,155	5,902
Change in derivatives	(31,764)	2,346	40,218
Accrued expenses, all other current liabilities and other long-term liabilities	14,488	15,806	16,741
Net cash provided by (used in) operating activities	168,856	348,442	(119,886)
Cash flows from investing activities			
Acquisitions	(171,620)	(38,479)	—
Capital expenditures	(69,174)	(49,866)	(71,279)
Seller note issuances	(3,337)	(6,086)	—
Proceeds from sale of property and equipment	18,411	32,787	77,726
Net cash (used in) provided by investing activities	(225,720)	(61,644)	6,447
Cash flows from financing activities			
Net proceeds from issuance of Series A preferred units	66,366	—	—
Net borrowings from (payments on) working capital revolving credit facility	26,600	(197,900)	176,500

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Net borrowings from (payments on) revolving credit facility	24,000	(20,700)	(52,300)
Proceeds from sale-leaseback, net	—	—	62,469
LTIP units withheld for tax obligations	(835)	(522)	—
Noncontrolling interest capital contribution	—	279	—
Distribution to noncontrolling interest	—	(465)	(1,798)
Distributions to limited partners and general partner	(66,004)	(62,660)	(62,520)
Net cash provided by (used in) financing activities	50,127	(281,968)	122,351
Cash and cash equivalents			
Decrease (increase) in cash and cash equivalents	(6,737)	4,830	8,912
Cash and cash equivalents at beginning of year	14,858	10,028	1,116
Cash and cash equivalents at end of year	\$ 8,121	\$ 14,858	\$ 10,028
Supplemental information			
Cash paid during the period for interest	\$ 55,444	\$ 62,512	\$ 64,112
Cash paid during the period for income taxes	\$ 653	\$ 7,356	\$ 16,990

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)

	Partners' Equity			Accumulated		Total
	Series A Preferred Limited Partners	Common Limited Partners	General Partner Interest	Other Comprehensive Loss	Noncontrolling Interest	Partners' Equity
Balance at December 31, 2015	\$ —	\$ 657,071	\$ (1,188)	\$ (8,094)	\$ 46,195	\$ 693,984
Net loss	—	(198,076)	(1,336)	—	(39,211)	(238,623)
Distributions to limited partners and general partner	—	(62,892)	(424)	—	—	(63,316)
Distribution to noncontrolling interest	—	—	—	—	(1,798)	(1,798)
Unit-based compensation	—	4,145	—	—	—	4,145
Other comprehensive income	—	—	—	2,653	—	2,653
Dividends on repurchased units	—	796	—	—	—	796
Balance at December 31, 2016	—	401,044	(2,948)	(5,441)	5,186	397,841
Net income (loss)	—	58,358	394	—	(1,635)	57,117
Noncontrolling interest capital contribution	—	—	—	—	279	279
Distributions to limited partners and general partner	—	(62,892)	(424)	—	—	(63,316)
Distribution to noncontrolling interest	—	—	—	—	(465)	(465)
Unit-based compensation	—	2,755	—	—	—	2,755
Other comprehensive loss	—	—	—	(27)	—	(27)
LTIP units withheld for tax obligations	—	(522)	—	—	—	(522)
Dividends on repurchased units	—	656	—	—	—	656
Balance at December 31, 2017	—	399,399	(2,978)	(5,468)	3,365	394,318

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Issuance of Series A preferred units	66,366	—	—	—	—	66,366
Net income (loss)	2,691	100,181	1,033	—	(1,502)	102,403
Distributions to limited partners and general partner	(1,831)	(63,744)	(564)	—	—	(66,139)
Unit-based compensation	—	2,738	—	—	—	2,738
Other comprehensive income	—	—	—	208	—	208
LTIP units withheld for tax obligations	—	(835)	—	—	—	(835)
Dividends on repurchased units	—	135	—	—	—	135
Balance at December 31, 2018	\$ 67,226	\$ 437,874	\$ (2,509)	\$ (5,260)	\$ 1,863	\$ 499,194

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

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

The Partnership is a master limited partnership formed in March 2005. The Partnership owns, controls or has access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the “Northeast”). The Partnership is one of the region’s largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of December 31, 2018, the Partnership had a portfolio of 1,579 owned, leased and/or supplied gasoline stations, including 297 directly operated convenience stores, primarily in the Northeast. The Partnership is also one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. The Partnership engages in the purchasing, selling, gathering, blending, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane and in the transportation of petroleum products and renewable fuels by rail from the mid continent region of the United States and Canada.

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

The General Partner, which holds a 0.67% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of December 31, 2018, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,340,941 common units, representing a 21.6% limited partner interest.

2018 Transactions

Series A Preferred Unit Offering—On August 7, 2018, the Partnership issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units, liquidation preference of \$25.00 per unit (the “Series A Preferred Units”), for \$25.00 per Series A Preferred Unit in an offering registered under the Securities Act of 1933. See Note 17.

Acquisition from Cheshire Oil Company, LLC—On July 24, 2018, the Partnership acquired the assets of company-operated gasoline stations and convenience stores from New Hampshire-based Cheshire Oil Company, LLC (“Cheshire”). See Note 19.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain”). See Note 19.

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

The financial results of Cheshire and Champlain since the respective acquisition date are included in the accompanying consolidated statements of operations for the year ended December 31, 2018. On October 18, 2017, the Partnership acquired retail gasoline and convenience store assets from Honey Farms, Inc. (“Honey Farms”). The financial results of Honey Farms since the acquisition date are included in the accompanying consolidated statements of operations.

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See Note 19, “Business Combinations,” for additional information on the Partnership’s acquisitions. The accompanying consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 reflect the accounts of the Partnership. Upon consolidation, all intercompany balances and transactions have been eliminated.

Noncontrolling Interest

These financial statements reflect the application of Accounting Standards Codification (“ASC”) Topic 810, “Consolidations” (“ASC 810”) which establishes accounting and reporting standards that require: (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within shareholder’s equity, but separate from the parent’s equity; (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statements of operations; and (iii) changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently.

The Partnership acquired a 60% interest in Basin Transload LLC (“Basin Transload”) on February 1, 2013. After evaluating ASC 810, 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates under different assumptions or conditions. Among the estimates made by management are (i) estimated fair value of assets and liabilities acquired in a business combination and identification of associated goodwill and intangible assets, (ii) fair value of derivative instruments, (iii) accruals and contingent liabilities, (iv) allowance for doubtful accounts, (v) assumptions used to evaluate goodwill, property and equipment and intangibles for impairment; (vi) environmental and asset retirement obligation provisions; and (vii) cost of sales accrual. Although the Partnership believes these estimates are reasonable, actual results could differ from these estimates.

Cash and Cash Equivalents

The Partnership considers highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. The carrying value of cash and cash equivalents, including broker margin accounts, approximates fair value.

Accounts Receivable

The Partnership’s accounts receivable primarily results from sales of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane to its customers. The majority of the Partnership’s accounts receivable relates to

its petroleum marketing activities that can generally be described as high volume and low margin activities. The Partnership makes a determination of the amount, if any, of a line of credit it may extend to a customer based on the form and amount of financial performance assurances the Partnership requires. Such financial assurances are commonly provided to the Partnership in the form of standby letters of credit, personal guarantees or corporate guarantees.

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The Partnership reviews all accounts receivable balances on a monthly basis and records a reserve for estimated amounts it expects will not be fully recovered. At December 31, 2018 and 2017, substantially all of the Partnership's accounts receivable were classified as current assets and there were no non-standard payment terms.

Inventories

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

Inventories consisted of the following at December 31 (in thousands):

	2018	2017
Distillates: home heating oil, diesel and kerosene	\$ 173,403	\$ 183,059
Gasoline	93,534	81,504
Gasoline blendstocks	52,195	26,789
Crude oil	21,325	10,809
Residual oil	21,054	28,442
Propane and other	1,447	1,659
Renewable identification numbers (RINs)	1,034	380
Convenience store inventory	22,450	18,101
Total	\$ 386,442	\$ 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 (see Revenue Recognition) and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to \$3.8 million and \$9.5 million at December 31, 2018 and 2017, respectively. Negative exchange balances are accounted for as accounts payable and amounted to \$14.9 million and \$8.4 million at December 31, 2018 and 2017, respectively. Exchange transactions are valued using current carrying costs.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Minor expenditures for routine maintenance, repairs and renewals are charged to expense as incurred, and major improvements that extend the useful lives of the related assets are capitalized. Depreciation related to the Partnership's terminal assets and gasoline stations is charged to cost of sales and all other depreciation is charged to selling, general and administrative expenses. Depreciation is charged over the estimated useful lives of the applicable assets using straight line methods, and accelerated methods are used for income tax purposes. When applicable and based on policy, which considers the construction period and project cost, the Partnership capitalizes interest on qualified long term projects and depreciates it over the life of the related asset.

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The estimated useful lives are as follows:

Gasoline station buildings, improvements and storage tanks	15-25 years
Buildings, docks, terminal facilities and improvements	5-25 years
Gasoline station equipment	7 years
Fixtures, equipment and capitalized internal use software	3-7 years

The Partnership capitalizes certain costs, including internal payroll and external direct project costs incurred in connection with developing or obtaining software designated for internal use. These costs are included in property and equipment and are amortized over the estimated useful lives of the related software.

Intangibles

Intangibles are carried at cost less accumulated amortization. For assets with determinable useful lives, amortization is computed over the estimated economic useful lives of the respective intangible assets, ranging from 1 to 20 years.

Goodwill and Long-Lived Asset Impairment

The following table presents goodwill and long-lived asset impairment charges recognized during the years ended December 31 (in thousands):

	2018	2017	2016
Goodwill impairment	\$ —	\$ —	\$ 121,752
Long-lived asset impairment	414	809	28,220
Total	\$ 414	\$ 809	\$ 149,972

Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. The Partnership has concluded that its operating segments are also its reporting units. Goodwill is tested for impairment annually as of October 1 or when events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Derecognized goodwill associated with the Partnership's disposition activities of Gasoline Distribution and Station Operation ("GDSO") sites is included in the carrying value of assets sold in determining the gain or loss on disposal, to the extent the disposition of assets qualifies as a disposition of a business under ASC 805. The GDSO reporting unit's goodwill that was derecognized related to the disposition of sites that met the definition of a business was \$3.9 million, \$4.0 million and \$17.9 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 6).

Goodwill Impairment Test—2018 and 2017

On January 1, 2017, the Partnership early adopted Accounting Standards Update ("ASU") 2017-04, "Intangibles-Goodwill and Other" ("ASU 2017-04"), which eliminates step two from the goodwill impairment test, and instead requires an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value.

During both 2018 and 2017, the Partnership completed a quantitative assessment for the GDSO reporting unit. Factors included in the assessment included both macro economic conditions and industry specific conditions, and the fair value of the GDSO reporting unit was estimated using a weighted average of a discounted cash flow approach and a market comparables approach. Based on the Partnership's assessment, no impairment was identified.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill Impairment Test—2016

As disclosed in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015, the declining crude oil prices, changes in certain market conditions and decline in the Partnership's common unit price, collectively caused the Partnership to reassess its goodwill allocated to the Wholesale reporting unit for impairment as of December 31, 2015. The Partnership's results in 2015 were negatively impacted by tighter crude oil differentials. Certain of the key assumptions in the development of discounted cash flows used to evaluate the Wholesale reporting unit included the expectation of a recovery from tight crude oil differentials and low crude oil prices within 2017.

During the first quarter ended March 31, 2016 and second quarter ended June 30, 2016, the Partnership considered whether there were any change of circumstances or events which would more likely than not reduce the fair value of the Wholesale reporting unit below its carrying amount. While the Partnership had then concluded that such events and circumstances had not occurred, the Partnership disclosed the possibility that a continuation of low crude oil prices and tight crude oil differentials might cause the Partnership to conclude that the timing of a market recovery might be more extended than estimated within the Partnership's five-year forecast and estimate of terminal values.

The Partnership further disclosed in its Annual Report on Form 10-K for the year ended December 31, 2015 and in its Quarterly Reports on Forms 10-Q as of March 31, 2016 and June 30, 2016, that a further sustained decline in commodity prices may cause the Partnership to reassess its long-lived assets and goodwill for impairment, and could result in future non-cash impairment charges as a result of such impairment assessments. If the Partnership is required to perform step two in the future for the Wholesale reporting unit, up to \$121.7 million of goodwill assigned to this reporting unit could be written off in the period of such impairment assessment.

During the third quarter ended September 30, 2016, the Partnership continued to monitor the extent and timing of future demand. Crude oil prices had remained at lower levels but, more importantly, tight crude oil differentials continued such that the Partnership might no longer reasonably include an assumption that the market for crude oil by rail to the coasts might recover sometime within 2017 as previously expected. Factors contributing to the Partnership's assumption included:

- Lack of logistics nominations by one particular customer and the expectations for limited, if any, nominations for the balance of 2016 by that customer;
- A decline in spot crude oil volume indicating weakening demand for the Partnership's services/assets;
- Increased pipeline capacity out of the Bakken region; and
- The lifting of the export ban, which provides another clearing mechanism for crude oil.

These market conditions, in addition to declines noted during fiscal year 2015 as well as the first and second quarters of 2016, negatively affected the Partnership's then current period results and future projections sufficiently to constitute triggering events for the Wholesale reporting unit. Based on its consideration of the factors above, the Partnership concluded it was necessary to perform an interim goodwill impairment test for the Wholesale reporting unit pursuant to the guidelines of ASC Topic 350, "Intangibles—Goodwill and Other" ("ASC 350"). The Partnership did not extend the interim test for recoverability to the GDSO reporting unit, as the indicators described above were specific to the Wholesale reporting unit.

The process of testing goodwill for impairment involves numerous judgments, assumptions and estimates made by management which inherently reflect a high degree of uncertainty. Prior to the adoption of ASU 2017-04, the impairment test included either a qualitative assessment or a two-step quantitative assessment. The impairment test's

qualitative assessment was to be used in order to conclude if it was more likely than not that the reporting unit's fair value exceeded its carrying value. Factors considered in the qualitative analysis included changes in the business and industry, as well as macro-economic conditions, that would have influenced the fair value of the reporting unit as well as changes in the carrying values of the reporting unit. In the impairment test's two-step quantitative assessment, the fair

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value of each reporting unit was to be determined and compared to the book value of the reporting unit as determined under step one. If the fair value of the reporting unit was less than the book value, including goodwill, then step two was to be performed to compare the carrying amount of reporting unit goodwill to the implied fair value of that goodwill. If the carrying amount of reporting unit goodwill exceeded the implied fair value of that goodwill, an impairment loss would have been recognized for that excess with a charge to operations. The Partnership calculated the fair value of each reporting unit using a combination of discounted cash flows and market comparables.

In 2016, the key assumptions included in the development of the discounted cash flow value for each reporting unit included:

Future commodity volumes and margins. The discounted cash flows were based on a five-year forecast with an estimate of terminal values. In general, the reporting units' fair values were most sensitive to volume and gross margin assumptions. The Wholesale reporting unit's cash flows were significantly influenced by the crude oil market, given the Partnership's 2013 investment in transloading terminals in North Dakota and Oregon.

Discount rate commensurate with the risks involved. The Partnership applied a discount rate to its expected cash flows based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. A higher discount rate decreases the net present value of cash flows.

Future capital requirements. The Partnership's estimates of future capital requirements were based upon a combination of authorized spending and internal forecasts.

As of September 30, 2016, as a result of the impairment indicators discussed above, the Partnership completed a preliminary assessment of the impairment of the Wholesale reporting unit's goodwill. As a result of the step one assessment, the Partnership concluded that the fair value of the Wholesale reporting unit no longer exceeded its carrying value and as a result, performed a step two assessment to measure the impairment. In step two of the quantitative assessment, the implied fair value of goodwill is determined by assigning the fair value of a reporting unit to all the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for that excess. Upon applying step two of the impairment test, the Partnership preliminarily determined that the implied fair value of the Wholesale reporting unit goodwill was \$0, and accordingly the Partnership recorded an impairment charge of \$121.7 million as of September 30, 2016, or all of the goodwill previously allocated to this reporting unit.

The following procedures were, among others, the more significant analyses that the Partnership completed during the fourth quarter of 2016 to finalize its step one and step two impairment tests:

- Final appraisals to determine the estimated fair value of Wholesale, Commercial and GDSO reporting units, including final calculation of discount rates;
- Final appraisals, certain of which were determined by third-party valuation specialists, to determine the estimated fair value of intangible assets, leases, and property and equipment within the Wholesale reporting unit; and
- Final analysis for the Wholesale reporting unit to determine the estimated fair value adjustments required to certain other assets and liabilities of the reporting unit.

As a result of finalizing the step one assessment, the Partnership concluded that no impairment was identified for the GDSO reporting unit and that there was no change to the conclusion that the fair value of the Wholesale reporting unit

no longer exceeded its carrying value.

In connection with finalizing the step two impairment test, the Partnership made what it considered to be

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reasonable estimates of each of the above items in order to determine the goodwill impairment loss under the theoretical purchase price allocation required for a step two impairment test. Based on finalizing its assessment, the impairment charges recognized in the third quarter for goodwill and long-lived assets were appropriate and no additional charges were necessary.

Evaluation of Long-Lived Asset Impairment

Accounting and reporting guidance for long lived assets requires that a long lived asset (group) be reviewed for impairment when events or changes in circumstances indicate that the carrying amount might not be recoverable. Accordingly, the Partnership evaluates long-lived assets for impairment whenever indicators of impairment are identified. If indicators of impairment are present, the Partnership assesses impairment by comparing the undiscounted projected future cash flows from the long lived assets to their carrying value. If the undiscounted cash flows are less than the carrying value, the long lived assets will be reduced to their fair value.

The Partnership recognized an impairment charge of \$0.4 million and \$0.8 million for the years ended December 31, 2018 and 2017, respectively, relating to long-lived assets at certain gasoline stations and convenience stores. These assets are allocated to the GDSO segment, and the respective impairment is included in goodwill and long-lived asset impairment in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017.

In 2016, the Partnership recognized an impairment charge of \$23.2 million relating to long-lived assets used at its crude oil transloading terminals in North Dakota. Additionally, the Partnership recognized an impairment charge of approximately \$2.9 million associated with certain long-lived assets at its Albany, New York terminal and all development work in Port Arthur, Texas associated with the initial investments related to expanding the Partnership's ability to handle crude oil at those locations. The long-term recoverability of these assets has been adversely impacted by a prolonged decline in crude oil prices and crude oil differentials. The method used for determining fair value of these assets relied on a combination of the cost and market approaches. These terminal assets are allocated to the Wholesale segment, and the total impairment charge of \$26.1 million is included in goodwill and long-lived asset impairment in the accompanying consolidated statements of operations for the year ended December 31, 2016.

Also in 2016, the Partnership recognized an impairment charge of \$1.9 million associated with the long-lived assets used in supplying compressed natural gas ("CNG") which is viewed as an alternative fuel to oil. The long-term recoverability of these assets has been adversely impacted by the decline in commodity prices and the cost differential between natural gas and oil. As oil has remained an attractive alternative to CNG due to lower oil prices, the related impact on the CNG operating and cash flows was determined to be an impairment indicator, resulting in the impairment of the CNG long-lived assets during the year ended December 31, 2016. The method used for determining fair value of the CNG assets relied on the market approach. The impairment charge is included in goodwill and long-lived asset impairment in the accompanying consolidated statements of operations for the year ended December 31, 2016. The CNG assets were allocated to the Commercial segment. On November 1, 2016, the Partnership sold its CNG assets.

Additionally in 2016, the Partnership recognized an impairment charge of \$0.3 million associated with the long-lived assets of one discrete GDSO site in its GDSO segment. The method used for determining fair value of this site relied on the market approach. The impairment charge is included in goodwill and long-lived asset impairment in the accompanying consolidated statements of operations for the year ended December 31, 2016.

Environmental and Other Liabilities

The Partnership accrues for all direct costs associated with the estimated resolution of contingencies at the earliest date at which it is deemed probable that a liability has been incurred and the amount of such liability can be

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reasonably estimated. Costs accrued are estimated based upon an analysis of potential results, assuming a combination of litigation and settlement strategies and outcomes.

Estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Loss accruals are adjusted as further information becomes available or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Recoveries of environmental remediation costs from other parties are recognized when related contingencies are resolved, generally upon cash receipt.

The Partnership is subject to other contingencies, including legal proceedings and claims arising out of its businesses that cover a wide range of matters, including environmental matters and contract and employment claims. Environmental and other legal proceedings may also include matters with respect to businesses previously owned. Further, due to the lack of adequate information and the potential impact of present regulations and any future regulations, there are certain circumstances in which no range of potential exposure may be reasonably estimated. See Notes 13 and 22.

Asset Retirement Obligations

The Partnership is required to account for the legal obligations associated with the long lived assets that result from the acquisition, construction, development or operation of long lived assets. Such asset retirement obligations specifically pertain to the treatment of underground gasoline storage tanks (“USTs”) that exist in those states which statutorily require removal of the USTs at a certain point in time. Specifically, the Partnership’s retirement obligations consist of the estimated costs of removal and disposals of USTs. The liability for an asset retirement obligation is recognized on a discounted basis in the year in which it is incurred, and the discount period applied is based on statutory requirements for UST removal or policy. The associated asset retirement costs are capitalized as part of the carrying cost of the asset. The Partnership had approximately \$8.8 million and \$8.0 million in total asset retirement obligations at December 31, 2018 and 2017, respectively, which are included in other long term liabilities in the accompanying consolidated balance sheets.

Leases

The Partnership has terminal and throughput lease arrangements with various oil terminals and third parties, certain of which arrangements have minimum usage requirements. In addition, the Partnership leases certain gasoline stations from third parties under long term arrangements with various expiration dates. The Partnership also has several long term lease agreements with Getty Realty, which enables the Partnership to supply and operate certain Getty Realty gasoline station sites, and with the Port of Columbia County (formerly known as Port of St. Helens) in Clatskanie, Oregon for land and for access rights to a rail spur and dock located at its Oregon facility.

The Partnership has future commitments, principally for office space and computer equipment, under the terms of operating lease arrangements. The Partnership also leases railcars and barges through various lease arrangements with various expiration dates. 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 its terminals.

In addition, in June of 2016, the Partnership sold real property assets, including the buildings, improvements and appurtenances thereto, at 30 gasoline stations and convenience stores. In connection with this sale-leaseback transaction, the Partnership is party to a master unitary lease agreement with the buyer to lease back those real property assets sold with respect to such sites (see Note 7).

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Accounting and reporting guidance for leases requires that leases be evaluated and classified as operating or capital leases for financial reporting purposes. The lease term used for lease evaluation includes option periods only in instances in which the exercise of the option period can be reasonably assured and failure to exercise such options would result in an economic penalty. Lease rental expense and income is recognized on a straight line basis over the term of the lease.

Early Termination of Railcar Sublease

On December 21, 2016 (effective December 31, 2016), the Partnership voluntarily terminated early a sublease with a counterparty for 1,610 railcars that were underutilized due to unfavorable market conditions in the crude oil by rail market. Separately, the Partnership entered into a fleet management services agreement (effective January 1, 2017) with the counterparty, pursuant to which the Partnership will provide railcar storage, freight, cleaning, insurance and other services on behalf of the counterparty. As a result of the sublease termination, the Partnership recognized a lease exit expense of \$80.7 million consisting of (i) \$61.7 million cash consideration in settlement of the remaining lease payments, (ii) \$10.7 million of accrued incremental costs relating to the Partnership's obligations under the sublease to return and manage the railcars through lease expiration, and (iii) \$8.3 million associated with derecognizing prepaid rent accumulated from the recognition of lease rental expense on a straight line basis over the original term of the lease. The \$10.7 million of accrued incremental costs include future railcar storage, freight, cleaning, insurance and other services, and were recognized at present value based on the estimated timing of when the costs would be incurred using a discount rate of 10%. These incremental costs will be incurred through August of 2019 in conjunction with the services to be performed by the Partnership under the fleet management services agreement entered into with the counterparty contemporaneously with the sublease termination.

Total cash paid by the Partnership to the counterparty at the time of the lease termination was \$76.4 million, consisting of \$61.7 million to settle the future lease payments and \$14.7 million to cover the incremental costs (including storage, freight, cleaning and insurance) associated with 1,250 of the railcars for which the Partnership was always responsible. The balance of 360 railcars subleased were originally intended for the counterparty's own commercial use, and the counterparty is, and has always been, responsible for those incremental costs. Pursuant to the fleet management service agreement, in January 2017, the counterparty paid the Partnership \$19.1 million to cover the incremental costs associated with all 1,610 railcars that, as of December 31, 2016, were under control of the counterparty as a result of the sublease termination.

The \$61.7 million cash settlement of the contractual commitment represented a \$10.2 million savings of the Partnership's lease rental obligations remaining over the lease term through August of 2019. The termination of the sublease eliminated lease payments related to these railcars of approximately \$30.0 million and \$29.0 million in 2017 and 2018, respectively, and future lease payments of approximately \$13.0 million in 2019.

Lease Exit Termination Gain

During 2018, the Partnership was released from certain of its obligations to provide railcar storage, freight, insurance and other services for 500 railcars under the fleet management services agreement discussed above. The release resulted in a \$3.5 million reduction of the remaining accrued incremental costs, which benefit is included in lease exit and termination (gain) expenses in the accompanying consolidated statements of operations for the year ended December 31, 2018. The remaining accrued incremental costs were \$5.9 million at December 31, 2018.

On February 1, 2019, the Partnership was released from certain of its obligations to provide railcar storage, freight, insurance and other services for an additional 360 railcars under the fleet management services agreement. After settlement of certain cash costs, the Partnership estimates that the release will result in a \$0.8 million reduction of the remaining accrued incremental costs, which benefit will be included in lease exit and termination (gain) expenses in the first quarter of 2019.

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Revenue Recognition

The Partnership's sales relate primarily to the sale of refined petroleum products, gasoline blendstocks, 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, as well as other factors. As a result, the price of the products fluctuates to remain competitive with other available product supplies. The revenue associated with such arrangements is recognized upon delivery.

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

Logistics agreements may require counterparties to throughput a minimum volume over an agreed-upon period and 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 sundries 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, gasoline blendstocks, 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.

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. See Note 11 for additional information.

The Partnership may be subject to audits of its state and federal tax returns prepared for trustee taxes. Historically, any tax adjustments from such audits have been deemed immaterial by the Partnership and have been included in cost of sales. In November of 2017, the Partnership received an assessment from a state taxing authority in connection with

its audit of the Partnership's fuel and sales tax returns for the periods from December 2008 through August 2013 (the "Audit"). In February of 2018, the Partnership agreed to administratively close the Audit, and, as a result, recognized a loss on trustee taxes of \$16.2 million during the fourth quarter of 2017, which is included in the accompanying consolidated statements of operations for the year ended December 31, 2017. The loss on trustee taxes consists of both tax and interest, with no penalties being assessed. Although the Audit has been administratively closed, the Partnership has the right to seek recovery of the payment of the trustee tax. While the Partnership believes it has

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meritorious arguments and defenses to recover a majority of the tax and interest assessed, the Partnership cannot be certain of such outcome.

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 (loss) on trustee taxes in the accompanying consolidated statements of operations for the year ended December 31, 2018, did not impact cash flows from operations for the year ended December 31, 2018.

Income Taxes

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

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

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

and assumptions that could differ from actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified. See Note 12.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Concentration of Risk

Financial instruments that potentially subject the Partnership to concentration of credit risk consist primarily of cash, cash equivalents, accounts receivable, firm commitments and, under certain circumstances, futures contracts, forward fixed price contracts, options and swap agreements, all of which may be used to hedge commodity and interest rate risks. The Partnership invests excess cash in investment grade securities. The Partnership provides credit in the normal course of its business. The Partnership performs ongoing credit evaluations of its customers and provides for credit losses based on specific information and historical trends. Credit risk on trade receivables is minimized as a result of the Partnership's large customer base. Losses have historically been within management's expectations. See Note 8 for a discussion regarding risk of credit loss related to futures contracts, forward fixed price contracts, options and swap agreements. The Partnership's wholesale and commercial customers of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane are primarily located in the Northeast. The Partnership's retail gasoline stations and directly operated convenience stores are located primarily in the Northeast.

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

The following table presents the Partnership's product sales and other revenues as a percentage of the consolidated sales for the years ended December 31:

	2018	2017	2016
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	74 %	65 %	64 %
Crude oil sales and crude oil logistics revenue	1 %	5 %	7 %
Distillates (home heating oil, diesel and kerosene), residual oil, natural gas and propane sales	22 %	26 %	24 %
Convenience store sales, rental income and sundries	3 %	4 %	5 %
Total	100 %	100 %	100 %

Prior to the February 2017 sale of the Partnership's natural gas marketing and electricity brokerage businesses, the Partnership sold natural gas to industrial and commercial customers.

The following table presents the Partnership's product margin by segment as a percentage of the consolidated product margin for the years ended December 31:

	2018	2017	2016
Wholesale segment	19 %	23 %	23 %
Gasoline Distribution and Station Operations segment	78 %	74 %	73 %
Commercial segment	3 %	3 %	4 %

Total 100 % 100 % 100 %

Prior to the February 2017 sale of the Partnership's natural gas marketing and electricity brokerage businesses, product margin from natural gas was included in the Commercial segment.

See Note 20, "Segment Reporting," for additional information on the Partnership's operating segments.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Partnership is dependent on a number of suppliers of fuel related products, both domestically and internationally. The Partnership is dependent on the suppliers being able to source product on a timely basis and at favorable pricing terms. The loss of certain principal suppliers or a significant reduction in product availability from principal suppliers could have a material adverse effect on the Partnership, at least in the near term. The Partnership believes that its relationships with its suppliers are satisfactory and that the loss of any principal supplier could be replaced by new or existing suppliers.

Derivative Financial Instruments

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

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

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.

Cash Flow Hedges

Derivatives designated as cash flow hedges are used to hedge interest rate risk from fluctuations in interest rates and may include various interest rate derivative instruments entered into with major financial institutions. For a derivative

instrument being designated as a cash flow hedge, the effective portion of the derivative gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into the consolidated statement of operations through interest expense in the same period that the hedged exposure affects earnings. The ineffective portion is recognized in the consolidated statement of operations immediately.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 businesses, such as weather conditions. In connection with managing these positions, the Partnership is aided by maintaining a constant presence in the marketplace. The Partnership also engages in a controlled trading program for up to an aggregate of 250,000 barrels of commodity products at any one point in time. Changes in fair value of these derivative instruments are recognized in the consolidated statement of operations through cost of sales.

Natural Gas Commodity Contracts

Prior to the sale of the Partnership’s natural gas marketing and electricity brokerage businesses in February 2017, the Partnership used physical forward purchase contracts to hedge price risk associated with the marketing and selling of natural gas to third party users. These physical forward purchase commitments for natural gas were typically executed when the Partnership entered into physical forward sale commitments of product for physical delivery. These physical forward contracts, to the extent they met the definition of a derivative, were reflected as derivative assets and derivative liabilities in the consolidated balance sheet. Changes in fair value of the forward purchase and sale commitments were recognized in the consolidated statement of operations through cost of sales.

Foreign Currency Contracts

The Partnership may use forward foreign currency contracts to hedge certain foreign denominated (Canadian) commodity product purchases. These forward foreign currency contracts are not designated by the Partnership as hedges and are reflected as prepaid expenses and other current assets or accrued expenses and other current liabilities in the consolidated balance sheets. Changes in fair values of these forward foreign currency contracts are reflected in cost of sales.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

See Note 8, “Derivative Financial Instruments,” for additional information.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Partnership utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Partnership primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Partnership utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Partnership is able to classify fair value balances based on the observability of those inputs. The fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). At each balance sheet reporting date, the Partnership categorizes its financial assets and liabilities using the three levels of the fair value hierarchy defined as follows:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as the Partnership’s exchange-traded derivative instruments and pension plan assets.

Level 2—Quoted prices in active markets are not available; however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Level 2 primarily consists of non-exchange-traded derivatives such as OTC derivatives.

Level 3—Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value. Level 3 includes certain OTC forward derivative instruments related to crude oil and propane.

Please see Note 9, “Fair Value Measurements,” for additional information.

Net Income (Loss) 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 and to the General Partner's general partner interest.

Common units outstanding as reported in the accompanying consolidated financial statements at December 31,

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2018 and 2017 excludes 244,128 and 350,471 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program (see Note 16). These units are not deemed outstanding for purposes of calculating net income per common limited partner unit (basic and diluted). For the year ended December 31, 2018, the Series A Preferred Units are not potentially dilutive securities based on the nature of the conversion feature.

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

	Year Ended December 31, 2018			
	Total	Common Limited Partners	General Partner Interest	IDRs
Numerator:				
Net income attributable to Global Partners LP	\$ 103,905	\$ 102,872	\$ 1,033	\$ —
Declared distribution	\$ 65,794	\$ 65,019	\$ 439	\$ 336
Assumed allocation of undistributed net income	38,111	37,853	258	—
Assumed allocation of net income	\$ 103,905	\$ 102,872	\$ 697	\$ 336
Less net income attributable to Series A preferred limited partners		2,691		
Net income attributable to common limited partners		\$ 100,181		
Denominator:				
Basic weighted average common units outstanding		33,701		
Dilutive effect of phantom units		271		
Diluted weighted average common units outstanding		33,972		
Basic net income per common limited partner unit		\$ 2.97		
Diluted net income per common limited partner unit		\$ 2.95		

	Year Ended December 31, 2017			
	Total	Common Limited Partners	General Partner Interest	IDRs
Numerator:				
Net income attributable to Global Partners LP	\$ 58,752	\$ 58,358	\$ 394	\$ —
Declared distribution	\$ 63,316	\$ 62,892	\$ 424	\$ —
Assumed allocation of undistributed net loss	(4,564)	(4,534)	(30)	—
Assumed allocation of net income	\$ 58,752	\$ 58,358	\$ 394	\$ —
Denominator:				
Basic weighted average common units outstanding		33,589		
Dilutive effect of phantom units		45		
Diluted weighted average common units outstanding		33,634		
Basic net income per common limited partner unit		\$ 1.74		

Diluted net income per common limited partner unit	\$ 1.74
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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31, 2016			
	Total	Common Limited Partners	General Partner Interest	IDRs
Numerator:				
Net loss attributable to Global Partners LP	\$ (199,412)	\$ (198,076)	\$ (1,336)	\$ —
Declared distribution	\$ 63,316	\$ 62,892	\$ 424	\$ —
Assumed allocation of undistributed net loss	(262,728)	(260,968)	(1,760)	—
Assumed allocation of net loss	\$ (199,412)	\$ (198,076)	\$ (1,336)	\$ —
Denominator:				
Basic weighted average common units outstanding		33,525		
Dilutive effect of phantom units		—		
Diluted weighted average common units outstanding		33,525		
Basic net loss per common limited partner unit		\$ (5.91)		
Diluted net loss per common limited partner unit		\$ (5.91)		

The board of directors of the General Partner declared the following quarterly cash distributions on its common units for the four quarters ended December 31, 2018:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Ended
April 27, 2018	\$ 0.4625	March 31, 2018
July 27, 2018	\$ 0.4750	June 30, 2018
October 26, 2018	\$ 0.4750	September 30, 2018
January 28, 2019	\$ 0.5000	December 31, 2018

The board of directors of the General Partner declared the following quarterly cash distributions on its Series A Preferred Units earned in 2018:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Covering
October 23, 2018	\$ 0.663500	August 7, 2018 - November 14, 2018 (1)
January 22, 2019	\$ 0.609375	November 15, 2018 - February 14, 2019

(1) This distribution commenced on August 7, 2018, the issuance date of the Series A Preferred Units. See Note 17, "Partners' Equity, Allocations and Cash Distributions" for further information.

Accounting Standards or Updates Recently Adopted

In May 2017, the Financial Accounting Standards Board ("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. The adoption of this standard will be applied prospectively to awards modified on or after the adoption

date. The Partnership adopted this standard on January 1, 2018 with no 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. The

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Partnership adopted this standard on January 1, 2018 with no 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. The Partnership adopted this standard on January 1, 2018 with no 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. The Partnership adopted this standard on January 1, 2018 with no material impact on the Partnership's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," and has modified the standard thereafter, now codified as ASC 606. ASC 606 supersedes previous revenue recognition requirements in ASC 605, includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services and expands disclosure requirements. ASC 606 became effective for annual reporting periods beginning January 1, 2018, at which point the Partnership adopted the standard. The adoption of this standard did not have a material impact on the recognition of revenue on the Partnership's consolidated financial statements as it did not materially impact the timing or measurement of the Partnership's revenue recognition. The Partnership adopted the standard using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership's historical accounting under ASC 605. See above for the Partnership's revenue recognition policy and Note 3 for the required disclosures under ASC 606.

Accounting Standards or Updates Not Yet Effective

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

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

not expected to have a material impact on the Partnership's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This standard requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. This standard is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted for annual periods beginning after December 15, 2018. The Partnership is assessing the impact this standard will have on its consolidated financial statements.

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, however lessor accounting under the new standard is substantially unchanged. This standard is effective beginning in the first quarter of 2019. The Partnership believes that the new standard will have a material impact on its consolidated balance sheet. The Partnership will adopt the accounting standard using a prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The Partnership has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Partnership to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. The Partnership has made an accounting policy election to keep leases with an initial term of 12 months or less off of the consolidated balance sheet. The Partnership has conducted analyses, conducted detailed contract reviews, considered expanded disclosure requirements, assessed internal control impacts and implemented a new lease accounting system as part of evaluating the impacts of ASU 2016-02 and adopting the accounting guidance. The Partnership does not expect this standard will have a material effect on its consolidated statement of operations. However, the Partnership estimates approximately \$0.3 billion of right-of-use assets and liabilities upon adoption.

Note 3. Revenue from Contracts with Customers

On January 1, 2018, the Partnership adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under ASC 606 while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership’s historic accounting under ASC 605, “Revenue Recognition,” (“ASC 605”). See Note 2 for the Partnership’s revenue recognition policy and below for the 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 year ended December 31, 2018 (in thousands):

Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total
Refined petroleum products, renewable fuels, crude oil and propane	\$ 1,580,156	\$ 4,081,498	\$ 769,271	\$ 6,430,925
Station operations	—	355,656	—	355,656
Total revenue from contracts with customers	1,580,156	4,437,154	769,271	6,786,581

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Other sales:

Revenue originating as physical forward contracts and exchanges	5,308,613	—	503,832	5,812,445
Revenue from leases	2,021	71,555	—	73,576
Total other sales	5,310,634	71,555	503,832	5,886,021
Total sales	\$ 6,890,790	\$ 4,508,709	\$ 1,273,103	\$ 12,672,602

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, GDSO and Commercial segments, revenue is recognized at the point where control of the product is transferred to the customer and collectability is reasonably assured.
- Station operations—Revenue from convenience store sales of grocery and other merchandise and sundries (such as car wash sales and lottery and ATM commissions) is recognized at the time of the sale to the customer.

Other Revenue:

- Revenue Originating as Physical Forward Contracts and Exchanges—The Partnership’s commodity contracts and derivative instrument activity include physical forward commodity sale contracts. The Partnership does not take the normal purchase and sale exemption available under ASC 815, “Derivatives and Hedging,” for any of its physical forward contracts. This income is recognized under ASC 815 and is included in sales at the contract value at the point where control of the product is transferred to the customer. Income from net exchange differentials included in sales is recognized under ASC 845, “Nonmonetary Transactions,” upon delivery of product to exchange partners.
- Revenue from Leases—The Partnership has rental income from gasoline stations and cobranding arrangements and lease income from space leased to several unrelated third parties at several of the Partnership’s terminals. This income is recognized under ASC 840, “Leases.”

Transaction Price Allocated to Remaining Performance Obligations

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

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

Contract Balances

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

The nature of the receivables related to revenue from contracts with customers and other revenue, as well as contract assets, are the same, given they are related to the same customers and have the same risk profile and securitization.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 December 31, 2018 and 2017. Payment terms on invoiced amounts are typically 2 to 30 days.

Note 4. Goodwill and Intangible Assets

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

Balance at December 31, 2017	\$ 312,401
Acquisition of Cheshire (1)	527
Acquisition of Champlain (1)	18,478
Acquisition of Honey Farms—change in goodwill (1)	(139)
Dispositions (2)	(3,861)
Balance at December 31, 2018	\$ 327,406

(1) See Note 19 for information on the Partnership's business combinations.

(2) Dispositions represent derecognition of goodwill associated with the sale and disposition of certain assets (see Note 6).

Intangible assets consisted of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Amortization Period
At December 31, 2018				
Intangible assets subject to amortization:				
Terminalling services	\$ 26,365	\$ (15,093)	\$ 11,272	20 years
Customer relationships	43,986	(41,195)	2,791	2-15 years
Supply contracts	87,578	(46,430)	41,148	5-15 years
Favorable leasehold interests	3,380	(3,045)	335	2-5 years
Brand incentive program	1,445	(1,445)	—	5 years
Other intangible assets	5,195	(2,209)	2,986	1-20 years
Total intangible assets	\$ 167,949	\$ (109,417)	\$ 58,532	
At December 31, 2017				
Intangible assets subject to amortization:				
Terminalling services	\$ 26,365	\$ (13,758)	\$ 12,607	20 years
Customer relationships	43,986	(40,760)	3,226	2-15 years
Supply contracts	77,771	(38,800)	38,971	5-15 years
Favorable leasehold interests	3,380	(2,717)	663	2-5 years

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Brand incentive program	1,445	(1,421)	24	5 years
Other intangible assets	1,729	(675)	1,054	20 years
Total intangible assets	\$ 154,676	\$ (98,131)	\$ 56,545	

The aggregate amortization expense was approximately \$11.0 million, \$9.2 million and \$9.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. In addition, the Partnership recognized amortization expense related to leasehold interests of \$0.3 million, \$0.6 million and \$1.3 million in 2018, 2017 and 2016, respectively. The decrease in amortization expense in 2017 compared to 2016 was due to intangible assets that became fully amortized during 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The estimated annual intangible asset amortization expense for future years ending December 31 is as follows (in thousands):

2019	\$ 11,857
2020	11,074
2021	10,349
2022	7,198
2023	6,768
Thereafter	11,286
Total intangible assets	\$ 58,532

Note 5. Property and Equipment

Property and equipment consisted of the following at December 31 (in thousands):

	2018	2017
Buildings and improvements	\$ 1,126,645	\$ 1,015,386
Land	456,334	409,146
Fixtures and equipment	44,479	42,959
Idle plant assets	30,500	30,500
Construction in process	37,636	22,403
Capitalized internal use software	32,127	30,626
Total property and equipment	1,727,721	1,551,020
Less accumulated depreciation	595,089	514,353
Total	\$ 1,132,632	\$ 1,036,667

Property and equipment includes assets held for sale of \$8.1 million and \$12.4 million at December 31, 2018 and 2017, respectively (see Note 6).

At December 31, 2018, the Partnership had a \$51.2 million remaining net book value of long-lived assets at its West Coast facility, including \$30.5 million related to the Partnership's ethanol plant acquired in 2013. In 2016, the Partnership shifted the facility from crude oil to ethanol transloading and began transloading ethanol. The Partnership would need to take certain measures to prepare the facility for ethanol production in order to place the plant into service and commence depreciation. Therefore, the \$30.5 million related to the ethanol plant was included in property and equipment and classified as idle plant assets at December 31, 2018 and 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.

Construction in process in 2018 included \$28.0 million in costs associated with the Partnership's gasoline stations and \$9.6 million in costs related to the Partnership's terminals.

Construction in process in 2017 included \$10.7 million in costs related to the Partnership's gasoline stations and \$11.7 million in costs associated with the Partnership's terminals.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Depreciation

Depreciation expense allocated to cost of sales was approximately \$86.9 million, \$88.5 million and \$95.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. The decrease in 2017 compared to 2016 was primarily due to the 2016 impairment of long-lived assets used at the Partnership's crude oil transloading terminals in North Dakota.

Depreciation expense allocated to selling, general and administrative expenses was approximately \$9.0 million, \$7.9 million and \$7.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Note 6. Sale and Disposition of Assets

The following table provides the Partnership's (gain) loss on sale and dispositions of assets for the years ended December 31 (in thousands):

	2018	2017	2016
Sale of natural gas brokerage and electricity businesses	\$ —	\$ (14,172)	\$ —
Periodic divestiture of gasoline stations	(263)	818	396
Strategic asset divestiture program - Mirabito disposition	—	—	3,868
Strategic asset divestiture program - Real estate firm coordinated sale	995	1,603	1,115
Loss on assets held for sale	4,650	9,988	14,952
Other	498	139	164
Total	\$ 5,880	\$ (1,624)	\$ 20,495

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 year ended December 31, 2017. Prior to the sale, the results of the natural gas marketing and electricity brokerage businesses were included in the Commercial segment.

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 (\$0.3 million) and losses of \$0.8 million and \$0.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Strategic Asset Divestiture Program

The Partnership identified certain non-strategic GDSO sites that are part of its Strategic Asset Divestiture Program (the "Divestiture Program"). The gain or loss on the sales of these sites, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain)

on sale and disposition of assets in the accompanying consolidated statements of operations.

Mirabito Disposition—On August 22, 2016, Drake Petroleum Company, Inc., an indirect wholly owned subsidiary of the Partnership, completed its sale to Mirabito Holdings, Inc. of 30 gasoline stations and convenience stores located in New York and Pennsylvania (the “Drake Sites”) for an aggregate total cash purchase price of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

approximately \$40.0 million (the “Mirabito Disposition”). The Partnership recognized a \$3.9 million loss on the sale of the Drake Sites for the year ended December 31, 2016, including the derecognition of \$12.8 million of GDSO goodwill.

Real Estate Firm Coordinated Sales—The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. The Partnership sold 28 sites during the year ended December 31, 2018. The Partnership recognized a loss of \$1.0 million on the sales of these sites for the year ended December 31, 2018, including the derecognition of \$3.9 million of GDSO goodwill.

The Partnership recognized losses of \$1.6 million and \$1.1 million on the sales of sites for the years ended December 31, 2017 and 2016, respectively, including the derecognition of \$4.0 million and \$5.1 million of GDSO goodwill for these respective periods.

Loss on Assets Held for Sale

In conjunction with the periodic divestiture of gasoline stations and the sale of sites within the Divestiture Program, the Partnership may classify certain gasoline station assets as held for sale. Impairment charges related to assets held for sale are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations.

The Partnership classified 16 sites as held for sale at December 31, 2018 associated with the periodic divestiture of gasoline station sites and the real estate firm coordinated sales discussed above. The Partnership recorded impairment charges related to these assets held for sale in the amount of \$4.7 million for the year ended December 31, 2018.

The Partnership recorded impairment charges related to assets held for sale associated with the periodic divestiture of gasoline station sites and the real estate firm coordinated sales in the amount of \$10.0 million and \$15.0 million for the years ended December 31, 2017 and 2016, respectively.

Assets held for sale of \$8.1 million and \$12.4 million at December 31, 2018 and 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 7. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

In addition, the Credit Agreement has an accordion feature whereby the Partnership may request on the same terms and conditions then applicable to the Credit Agreement, provided no Event of Default (as defined in the Credit Agreement) then exists, an increase to the working capital revolving credit facility, the revolving credit facility, or both, by up to another \$300.0 million, in the aggregate, for a total credit facility of up to \$1.6 billion. Any such request for an increase must be in a minimum amount of \$25.0 million. The Partnership cannot provide assurance, however, that its lending group will agree to fund any request by the Partnership for additional amounts in excess of the total available commitments of \$1.3 billion.

In addition, the Credit Agreement includes a swing line pursuant to which Bank of America, N.A., as the swing line lender, may make swing line loans in U.S. dollars in an aggregate amount equal to the lesser of (a) \$75.0 million and (b) the Aggregate WC Commitments (as defined in the Credit Agreement). Swing line loans will bear interest at the Base Rate (as defined in the Credit Agreement). The swing line is a sub-portion of the working capital revolving credit facility and is not an addition to the total available commitments of \$1.3 billion.

Pursuant to the Credit Agreement, and in connection with any agreement by and between a Loan Party and a Lender (as such terms are defined in the Credit Agreement) or affiliate thereof (an “AR Buyer”), a Loan Party may sell certain of its accounts receivables to an AR Buyer. The Loan Parties are permitted to sell or transfer any account receivable to an AR Buyer only pursuant to the provisions provided in the Credit Agreement. To date, the level of receivables sold has not been significant, and the Partnership has accounted for such transfers as sales pursuant to ASC 860, “Transfers and Servicing.” Due to the short term nature of the receivables sold to date, no servicing obligation has been recorded because it would have been de minimis.

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. Under the Credit Agreement, borrowings under the working capital revolving credit facility cannot exceed the then current borrowing base. 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. These and other events could require the Partnership to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. The Partnership can provide no assurance that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to the Partnership.

Borrowings under the working capital revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.00% to 2.50%, (2) the cost of funds rate plus 2.00% to 2.50%, or (3) the base rate plus 1.00% to 1.50%, each depending on the Utilization Amount (as defined in the Credit Agreement). Borrowings under the revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.00% to 3.00%, (2) the cost of funds rate plus 2.00% to 3.00%, or (3) the base rate plus 1.00% to 2.00%, each depending on the Combined Total Leverage Ratio (as defined in the Credit Agreement).

The average interest rates for the Credit Agreement were 4.0%, 3.7% and 3.5% for the years ended December 31, 2018, 2017 and 2016, respectively.

The Credit Agreement provides for a letter of credit fee equal to the then applicable working capital rate or then applicable revolver rate (each such rate as defined in the Credit Agreement) per annum for each letter of credit issued. In addition, the Partnership incurs a commitment fee on the unused portion of each facility under the Credit Agreement, ranging from 0.35% to 0.50% per annum.

The Partnership classifies a portion of its working capital revolving credit facility as a current liability and a

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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 December 31, 2018, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed \$150.0 million over the next twelve months and, therefore, classified \$103.3 million as the current portion at December 31, 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 \$150.0 million and \$100.0 million at December 31, 2018 and 2017, respectively, and the current portion was \$103.3 million and \$126.7 million at December 31, 2018 and 2017, respectively. The increase in total borrowings under the working capital revolving credit facility of \$26.6 million from December 31, 2017 was primarily due to increased inventory volume.

As of December 31, 2018, the Partnership had total borrowings outstanding under the Credit Agreement of \$473.3 million, including \$220.0 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of \$56.0 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$770.7 million and \$810.3 million at December 31, 2018 and 2017, respectively.

The Credit Agreement is secured by substantially all of the assets of the Partnership and the Partnership's wholly-owned subsidiaries and is guaranteed by the Partnership and its subsidiaries, Bursaw Oil LLC, Global Partners Energy Canada ULC, Warex Terminals Corporation, Drake Petroleum Company, Inc., Puritan Oil Company, Inc. and Maryland Oil Company, Inc.

The Credit Agreement imposes certain requirements on the borrowers including, for example, a prohibition against distributions if any potential default or Event of Default (as defined in the Credit Agreement) would occur as a result thereof, and certain limitations on the Partnership's ability to grant liens, make certain loans or investments, incur additional indebtedness or guarantee other indebtedness, make any material change to the nature of the Partnership's businesses or undergo a fundamental change, make any material dispositions, acquire another company, enter into a merger, consolidation, sale-leaseback transaction or purchase of assets, or make capital expenditures in excess of specified levels.

The Credit Agreement also includes certain baskets that were not included in the prior credit agreement, including: (i) a \$25.0 million general secured indebtedness basket, (ii) a \$25.0 million general investment basket, (iii) a \$75.0 million secured indebtedness basket to permit the borrowers to enter into a Contango Facility (as defined in the Credit Agreement), (iv) a Sale/Leaseback Transaction (as defined in the Credit Agreement) basket of \$100.0 million, and (v) a basket of \$50.0 million in an aggregate amount over the life of the Credit Agreement for the purchase of common units of the Partnership, provided that no Event of Default exists or would occur immediately following such purchase(s).

In addition, the Credit Agreement provides the ability for the borrowers to repay certain junior indebtedness, subject to a \$100.0 million cap, so long as no Event of Default has occurred or will exist immediately after making such repayment.

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 December 31, 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).

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Supplemental cash flow information

The following table presents supplemental cash flow information related to the Credit Agreement for the years ended December 31 (in thousands) :

	2018	2017	2016
Borrowings from working capital revolving credit facility	\$ 2,002,700	\$ 1,311,700	\$ 1,675,100
Payments on working capital revolving credit facility	(1,976,100)	(1,509,600)	(1,498,600)
Net borrowings from (payments on) working capital revolving credit facility	\$ 26,600	\$ (197,900)	\$ 176,500
Borrowings from revolving credit facility	\$ 166,000	\$ 36,300	\$ 82,000
Payments on revolving credit facility	(142,000)	(57,000)	(134,300)
Net borrowings from (payments on) revolving credit facility	\$ 24,000	\$ (20,700)	\$ (52,300)
6.25% Senior Notes			

On June 19, 2014, the Partnership and GLP Finance Corp. (“GLP Finance” and, together with the Partnership, the “Issuers”) entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the “Initial Purchasers”) pursuant to which the Issuers agreed to sell \$375.0 million aggregate principal amount of the Issuers’ 6.25% senior notes due 2022 (the “6.25% Notes”) to the Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The 6.25% Notes were resold by the Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

Indenture

In connection with the private placement of the 6.25% Notes on June 24, 2014, the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “Indenture”).

The 6.25% Notes mature on July 15, 2022 with interest accruing at a rate of 6.25% per annum and payable semi-annually in arrears on January 15 and July 15 of each year, commencing January 15, 2015. The 6.25% Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 6.25% Notes may declare the 6.25% Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Partnership, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 6.25% Notes to become due and payable.

The Issuers have the option to redeem the 6.25% Notes, in whole or in part, at the redemption prices of 103.125% for the twelve-month period beginning July 15, 2018, 101.563% for the twelve-month period beginning July 15, 2019, and 100.0% beginning on July 15, 2020 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. The holders of the notes may require the Issuers to repurchase the 6.25% Notes following certain asset sales or a Change of Control (as defined in the Indenture) at the prices and on the terms specified in the Indenture.

The Indenture contains covenants that will limit the Partnership's ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by its subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 6.25% Notes, (ii) breach of the Partnership's covenants

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

under the Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of the Partnership or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$15.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$15.0 million.

7.00% Senior Notes

On June 1, 2015, the Issuers entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the “7.00% Notes Initial Purchasers”) pursuant to which the Issuers agreed to sell \$300.0 million aggregate principal amount of the Issuers’ 7.00% senior notes due 2023 (the “7.00% Notes”) to the 7.00% Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 7.00% Notes were resold by the 7.00% Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

Indenture

In connection with the private placement of the 7.00% Notes on June 4, 2015 the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “7.00% Notes Indenture”).

The 7.00% Notes will mature on June 15, 2023 with interest accruing at a rate of 7.00% per annum and payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2015. The 7.00% Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the 7.00% Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 7.00% Notes may declare the 7.00% Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Partnership, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 7.00% Notes to become due and payable.

The Issuers have the option to redeem the 7.00% Notes, in whole or in part, at the redemption prices of 105.250% for the twelve-month period beginning June 15, 2018, 103.500% for the twelve-month period beginning June 15, 2019, 101.750% for the twelve-month period beginning June 15, 2020, and 100.0% beginning June 15, 2021 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. The holders of the 7.00% Notes may require the Issuers to repurchase the 7.00% Notes following certain asset sales or a Change of Control (as defined in the 7.00% Notes Indenture) at the prices and on the terms specified in the 7.00% Notes Indenture.

The 7.00% Notes Indenture contains covenants that will limit the Partnership’s ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by its subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the 7.00% Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 7.00% Notes, (ii) breach of the Partnership’s covenants under the 7.00% Notes Indenture, (iii) certain events of bankruptcy and insolvency, (iv) any payment default or acceleration of indebtedness of the Partnership or certain subsidiaries if the total amount of such indebtedness unpaid or accelerated exceeds \$50.0 million and (v) failure to pay within 60 days uninsured final judgments exceeding \$50.0 million.

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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 \$9.4 million, \$9.6 million and \$9.6 million was recorded for the years ended December 31, 2018, 2017 and 2016, respectively, and 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 \$9.7 million, \$9.7 million and \$9.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The financing obligation balance outstanding at December 31, 2018 was \$87.5 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”). The Master Unitary Lease Agreement provides for an initial term of fifteen years that expires in 2031. The Partnership has one successive option to renew the lease for a ten-year period followed by two successive options to renew the lease for five-year periods on the same terms, covenants, conditions and rental as the primary non-revocable lease term. The Partnership does not have any residual interest nor the option to repurchase any of the sites at the end of the lease term. The proceeds from the Sale-Leaseback Transaction were used to reduce indebtedness outstanding under the Partnership’s revolving credit facility.

The sale did not meet the criteria for sale accounting as of December 31, 2018 due to prohibited continuing involvement. Specifically, the sale is considered a partial-sale transaction, which is a form of continuing involvement as the Partnership did not transfer to the Buyer the storage tank systems which are considered integral equipment of the Sale-Leaseback Sites. Additionally, a portion of the sold sites have material sub-lease arrangements, which is also a form of continuing involvement. As the sale of the Sale-Leaseback Sites did not meet the criteria for sale accounting, the Partnership did not recognize a gain or loss on the sale of the Sale-Leaseback Sites for the year ended December 31, 2018.

As a result of not meeting the criteria for sale accounting for these sites, the Sale-Leaseback Transaction is accounted for as a financing arrangement. As such, the property and equipment sold and leased back by the Partnership has not been derecognized and continues to be depreciated. The Partnership recognized a corresponding financing obligation of \$62.5 million equal to the \$63.5 million cash proceeds received for the sale of these sites, net of \$1.0 million

financing fees. During the term of the lease, which expires in June 2031, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Lease rental payments are recognized as both interest expense and a reduction of the principal balance associated with the financing obligation. Interest expense was \$4.4 million, \$4.4 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016, respectively, and lease rental payments were \$4.5 million, \$4.5 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The financing obligation balance outstanding at December 31, 2018 was \$62.5 million associated with the Sale-Leaseback Transaction.

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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 \$10.5 million and \$15.9 million at December 31, 2018 and 2017, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to \$5.5 million and \$9.6 million at December 31, 2018 and 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 \$4.2 million and \$5.4 million at December 31, 2018 and 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 \$0.8 million and \$0.9 million at December 31, 2018 and 2017, respectively.

On April 25, 2017, the Partnership entered into the Credit Agreement, a new facility that extended the maturity date and reduced the total commitment of the prior credit agreement. As a result, the Partnership incurred expenses of approximately \$0.6 million associated with the write-off of a portion of the related deferred financing fees. These expenses are included in interest expense in the accompanying consolidated statements of operations for the year ended December 31, 2017.

On February 24, 2016, under its prior credit agreement, the Partnership voluntarily elected to reduce its working capital revolving credit facility from \$1.0 billion to \$900.0 million and its revolving credit facility from \$775.0 million to \$575.0 million. As a result, the Partnership incurred expenses of approximately \$1.8 million associated with the write-off of a portion of the related deferred financing fees. These expenses are included in interest expense in the accompanying consolidated statements of operations for the year ended December 31, 2016.

Amortization expense of approximately \$5.4 million, \$5.6 million and \$6.0 million for the years ended December 31, 2018, 2017 and 2016, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Note 8. Derivative Financial Instruments

The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at December 31, 2018:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	42,019	Thousands of barrels
Short	(45,036)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	8,589	Thousands of barrels
Short	(6,600)	Thousands of barrels

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

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Derivatives Accounted for as Hedges

Fair Value Hedges

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

The following table presents the gains and losses from the Partnership's derivative instruments involved in fair value hedging relationships recognized in the consolidated statements of operations for the years ended December 31 (in thousands):

	Statement of Gain (Loss) Recognized in Income on Derivatives	2018	2017	2016
		Derivatives in fair value hedging relationship		
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	\$ 5,566	\$ 26,118	\$ (34,461)
Hedged items in fair value hedge relationship				
Physical inventory	Cost of sales	\$ (9,686)	\$ (23,247)	\$ 41,860

Cash Flow Hedges

The Partnership's cash flow hedges for 2018, 2017 and 2016 primarily included interest rate swaps that were hedges of variability in forecasted interest payments due to changes in the interest rate on LIBOR-based borrowings, a summary of which includes the following designations:

- In October 2009, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on May 16, 2011 and expired on May 16, 2016, was used to hedge the variability in interest payments due to changes in the one month LIBOR swap curve with respect to \$100.0 million of one month LIBOR based borrowings on the credit facility at a fixed rate of 3.93%.
- In April 2011, the Partnership executed an interest rate cap with a major financial institution. The rate cap, which became effective on April 13, 2011 and expired on April 13, 2016, was used to hedge the variability in interest payments due to changes in the one month LIBOR rate above 5.5% with respect to \$100.0 million of one month LIBOR based borrowings on the credit facility.

In September 2013, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on October 2, 2013 and expired on October 2, 2018, was used to hedge the variability in cash flows in monthly interest payments due to changes in the one month LIBOR swap curve with respect to \$100.0 million of one month LIBOR based borrowings on the credit facility at a fixed rate of 1.819%.

At December 31, 2018, the Partnership had no interest rate swap agreements.

The amount of gain (loss) recognized in other comprehensive income as effective for derivatives designated in cash flow hedging relationships was \$0.1 million, \$1.0 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016, 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 years ended December 31, 2018, 2017 and 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivatives Not Accounted for as Hedges

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 years ended December 31 (in thousands):

Derivatives not designated as hedging instruments	Statement of Gain (Loss)			
	Recognized in	2018	2017	2016
Commodity contracts	Income on Derivatives	\$ 3,783	\$ 9,502	\$ 3,118
Forward foreign currency contracts	Cost of sales	—	—	71
Total		\$ 3,783	\$ 9,502	\$ 3,189

Commodity Contracts and Other Derivative Activity

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

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

	Balance Sheet Location	December 31, 2018		Total
		Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ 5,121	\$ 120,992	\$ 126,113
Forward derivative contracts (1)	Derivative assets	—	26,390	26,390
Total asset derivatives		\$ 5,121	\$ 147,382	\$ 152,503

Liability Derivatives:

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Exchange-traded derivative contracts	Broker margin deposits	\$ —	\$ (42,496)	\$ (42,496)
Forward derivative contracts (1)	Derivative liabilities	—	(4,494)	(4,494)
Total liability derivatives		\$ —	\$ (46,990)	\$ (46,990)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

Credit Risk

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

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

Note 9. Fair Value Measurements

Recurring Fair Value Measures

Assets and liabilities are classified in the entirety based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels. The following tables present, by level within the fair value hierarchy, the Partnership's financial

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2018 and 2017 (in thousands):

	Fair Value at December 31, 2018			Cash Collateral Netting	Total
	Level 1	Level 2	Level 3		
Assets:					
Forward derivative contracts (1)	\$ —	\$ 24,183	\$ 886	\$ —	\$ 25,069
Swap agreements and options	—	1,321	—	—	1,321
Exchange-traded/cleared derivative instruments (2)	83,617	—	—	(68,851)	14,766
Pension plans	15,800	—	—	—	15,800
Total assets	\$ 99,417	\$ 25,504	\$ 886	\$ (68,851)	\$ 56,956
Liabilities:					
Forward derivative contracts (1)	\$ —	\$ (3,878)	\$ (616)	\$ —	\$ (4,494)

	Fair Value at December 31, 2017			Cash Collateral Netting	Total
	Level 1	Level 2	Level 3		
Assets:					
Forward derivative contracts (1)	\$ —	\$ 3,207	\$ 633	\$ —	\$ 3,840
Exchange-traded/cleared derivative instruments (2)	(38,600)	—	—	48,281	9,681
Pension plans	17,581	—	—	—	17,581
Total assets	\$ (21,019)	\$ 3,207	\$ 633	\$ 48,281	\$ 31,102
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 8.

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

The values of the Level 1 exchange-traded/cleared derivative instruments and pension plan assets were determined using quoted prices in active markets for identical assets. Specifically, the fair values of the Level 1 exchange-traded/cleared derivative instruments were based on quoted process obtained from the NYMEX, CME and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

ICE. The fair values of the Level 1 pension plan assets were based on quoted prices for identical assets which primarily consisted of fixed income securities, equity securities and cash and cash equivalents.

The values of the Level 2 derivative contracts were calculated using expected cash flow models and market approaches based on observable market inputs, including published and quoted commodity pricing data, which is verified against other available market data. Specifically, the fair values of the Level 2 derivative commodity contracts were derived from published and quoted NYMEX, CME, ICE, New York Harbor and third-party pricing information for the underlying instruments using market approaches. The fair value of the Level 2 interest rate instruments was derived from the implied forward LIBOR yield curve for the sale period as the future interest rate swap settlements using expected cash flow models. The Partnership has not changed its valuation techniques or Level 2 inputs during the years ended December 31, 2018 and 2017.

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 at December 31 (in thousands):

	2018		2017	
	Face Value	Fair Value	Face Value	Fair Value
6.25% senior notes	\$ 375,000	\$ 363,750	\$ 375,000	\$ 383,906
7.00% senior notes	\$ 300,000	\$ 294,000	\$ 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 (\$3.25) to \$2.00 per barrel and (\$8.50) to (\$1.00) per barrel as of December 31, 2018 and 2017, respectively. The estimates for these inputs for propane were \$0.02 to \$0.25 per barrel and (\$3.36) to \$8.40 per barrel as of December 31, 2018 and 2017, respectively. Gains and losses recognized in earnings (or changes in net assets) are disclosed in Note 8.

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

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

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Transportation	Short	Increase (decrease)	Loss (gain)
Throughput costs	Long	Increase (decrease)	Gain (loss)
Throughput costs	Short	Increase (decrease)	Loss (gain)

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The following table presents a reconciliation of changes in fair value of the Partnership's derivative contracts classified as Level 3 in the fair value hierarchy at December 31 (in thousands):

Fair value at December 31, 2017	\$ (404)
Derivatives entered into during the period	750
Derivatives sold during the period	(501)
Realized gains (losses) recorded in cost of sales	419
Unrealized gains (losses) recorded in cost of sales	6
Fair value at December 31, 2018	\$ 270

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

Non-Recurring Fair Value Measures

Certain nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as acquired assets and liabilities, losses related to firm non-cancellable purchase commitments or long-lived assets subject to impairment. For assets and liabilities measured on a non-recurring basis during the year, accounting guidance requires quantitative disclosures about the fair value measurements separately for each major category. See Note 2 for a discussion of the Partnership's losses on impairment of assets, Note 6 for assets held for sale and Note 19 for acquired assets and liabilities measured on a non-recurring basis during the year ended December 31, 2018.

Note 10. Commitments and Contingencies

The Partnership is subject to contingencies, including legal proceedings and claims arising out of the normal course of business that cover a wide range of matters, including, among others, environmental matters and contract and employment claims.

Leases of Office Space and Computer Equipment

The Partnership has future commitments, principally for office space and computer equipment, under the terms of operating lease arrangements. The following provides total future minimum payments under leases with non-cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 3,280
2020	2,800
2021	2,783
2022	2,796
2023	2,860
Thereafter	6,882
Total	\$ 21,401

Total rent expense under the operating lease arrangements amounted to approximately \$3.0 million, \$2.9 million and \$3.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Terminal and Throughput Leases

The Partnership is a party to terminal and throughput lease arrangements with certain counterparties at various unrelated oil terminals. Certain arrangements have minimum usage requirements. The following provides future minimum lease and throughput commitments under these arrangements with non cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 12,131
2020	7,239
2021	6,670
2022	4,426
2023	887
Thereafter	453
Total	\$ 31,806

Total rent expense related to terminal and throughput operating leases was approximately \$16.2 million, \$13.2 million and \$14.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. The increase in 2018 compared to 2017 and 2016 is due to an increase in storage capacity.

Leases of Gasoline Stations

The Partnership leases gasoline stations, primarily land and buildings, under operating leases with various expiration dates. The following provides future minimum lease commitments under these arrangements with non cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 41,491
2020	39,370
2021	35,087
2022	31,122
2023	28,112
Thereafter	79,874
Total	\$ 255,056

Total expenses under these operating lease arrangements amounted to approximately \$47.2 million, \$42.9 million and \$41.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Leases of Gasoline Stations to Station Operators

The Partnership leases gasoline stations and certain equipment to gasoline station operators under operating leases with various expiration dates. The aggregate carrying value of the leased gasoline stations and equipment at December 31, 2018 was \$479.1 million, net of accumulated depreciation of approximately \$154.3 million. The following

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provides future minimum rental income under non cancellable operating leases associated with these properties at December 31, 2018 (in thousands):

2019	\$ 46,489
2020	25,644
2021	10,631
2022	1,436
2023	621
Thereafter	806
Total	\$ 85,627

Total rental income, which includes reimbursement of utilities and property taxes in certain cases, amounted to approximately \$71.6 million, \$68.8 million and \$68.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Sale-Leaseback Transaction

The Partnership is party to a master unitary lease agreement to lease back the real property assets sold with respect to 30 gasoline stations and convenience stores (see Note 7). The following provides future minimum lease payments, which are subject to annual adjustments based on a consumer price index based calculation, for the non-cancelable operating lease terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 4,618
2020	4,704
2021	4,791
2022	4,879
2023	4,969
Thereafter	40,308
Total	\$ 64,269

The following provides future minimum sublease rentals from third-party tenants of certain of the sold sites for each of the next four years ending December 31:

2019	\$ 1,894
2020	1,182
2021	343
2022	10
Total	\$ 3,429

Total rental income from third-party tenants of the sold sites was \$2.4 million, \$2.3 million, and \$1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The increase in 2017 compared to 2016 is due to a full year of rental income in 2017 as compared to six months in 2016.

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Leases of Railcars

The Partnership leases railcars through various lease arrangements with various expiration dates. The following provides future minimum lease commitments under these arrangements with non-cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 11,104
2020	2,079
2021	1,540
Total	\$ 14,723

Total expenses under these operating lease arrangements amounted to approximately \$18.4 million, \$20.9 million and \$56.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. On December 31, 2016, the Partnership voluntarily terminated a sublease for 1,610 railcars leased from a third party. The termination of the sublease eliminated lease payments related to these railcars of approximately \$29.0 million and \$30.0 million in 2018 and 2017, respectively, and future lease payments of approximately \$13.0 million in 2019.

Leases of Barges

The Partnership leases barges through various time charter lease arrangements with various expiration dates. The following provides future minimum lease commitments under these arrangements with non-cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 30,818
2020	17,020
2021	12,672
2022	7,713
2023	5,876
Total	\$ 74,099

Total expenses under these operating lease arrangements amounted to approximately \$50.7 million, \$54.9 million and \$64.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. The decrease in 2017 compared to 2016 is due to the Partnership leasing fewer barges.

Purchase Commitments

The Partnership has minimum retail gasoline volume purchase requirements with various unrelated parties. These gallonage requirements are purchased at the fair market value of the product at the time of delivery. Should these gallonage requirements not be achieved, the Partnership may be liable to pay penalties to the appropriate supplier. As of

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December 31, 2018, the Partnership has fulfilled all gallonage commitments. The following provides minimum volume purchase requirements at December 31, 2018 (in thousands of gallons):

2019	518,517
2020	415,900
2021	351,900
2022	231,300
2023	187,200
Thereafter	319,500
Total	2,024,317

Brand Fee Agreement

The Partnership entered into a brand fee agreement with ExxonMobil Corporation (“ExxonMobil”) which entitles the Partnership to operate retail gasoline stations under the Mobil branded trade name and related trade logos. The fees, which are based upon an estimate of the volume of gasoline and diesel to be sold at the gasoline stations acquired from ExxonMobil in 2010, are due on a monthly basis. The following provides total future minimum payments under the agreement with non cancellable terms of one year or more at December 31, 2018 (in thousands):

2019	\$ 9,000
2020	9,000
2021	9,000
2022	9,000
2023	9,000
Thereafter	13,500
Total	\$ 58,500

Total expenses reflected in cost of sales related this agreement were approximately \$9.0 million for each of the years ended December 31, 2018, 2017 and 2016.

Port of Columbia County—Land and Equipment

The Partnership leases mobile equipment under non cancellable operating lease arrangements and has a continuing operating lease with the Port of Columbia County (formerly known as Port of St. Helens). The following provides total future minimum payments under these operating leases with initial terms one year or more at December 31, 2018 (in thousands):

2019	\$ 233
2020	230
2021	230
2022	230
2023	230
Thereafter	9,799
Total	\$ 10,952

Total rental expense was approximately \$0.2 million for each of the years ended December 31, 2018, 2017 and 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Commitments

In June 2014, the Partnership entered into a pipeline connection agreement with Meadowlark Midstream Company, LLC (“Meadowlark”) whereby Meadowlark would construct, own, operate and maintain a crude oil pipeline from its Divide County, North Dakota crude oil station to the Partnership’s Basin Transload crude oil storage facility in Columbus, North Dakota. In connection with the agreement, the Partnership is committed to a minimum take-or-pay throughput commitment of approximately \$55.0 million over a seven-year period beginning after the commissioning of the pipeline which occurred in December of 2015. At December 31, 2018, the remaining commitment on the take-or-pay commitment was approximately \$32.5 million.

In May 2014, the Partnership entered into a pipeline connection agreement with Tesoro High Plains Pipeline Company (“Tesoro High Plains”) whereby Tesoro High Plains would design, engineer, construct and place in service improvements on its pipeline system that will expand its capacity to ship crude oil from points in Dunn and McKenzie Counties, North Dakota to Ramberg Station/Beaver Lodge destination point in Williams County, North Dakota. In connection with this agreement, the Partnership is committed to a minimum take-or-pay throughput commitment of approximately \$38.2 million over a seven-year period beginning after the commissioning of the pipeline, which occurred in January of 2015. At December 31, 2018, the remaining commitment on the take-or-pay commitment, including a quarterly take-or-pay of \$1.4 million, was approximately \$15.2 million.

In April 2014, Basin Transload, of which the Partnership owns a 60% membership interest, entered into a pipeline connection agreement with Tesoro Logistics (“Tesoro”) whereby Tesoro would build, own and operate a four mile pipeline lateral from its existing block gate valve in Mercer Country, North Dakota to the Partnership’s Beulah Rail Facility near Beulah, North Dakota. In connection with this agreement, Basin Transload was committed to a minimum take-or-pay throughput commitment of approximately \$14.6 million over a five year period beginning after the commissioning of the pipeline, which occurred in January 2015. During the third quarter of 2017, this agreement was accelerated by Tesoro due to a lack of crude oil movement through the pipeline, and the Partnership recorded a \$13.1 million expense. In October 2017, the Partnership paid the \$13.1 million to Tesoro associated with the acceleration and corresponding termination of this agreement. At December 31, 2018, the remaining commitment on the take-or-pay commitment was \$0.

In February 2013, the Partnership assumed natural gas transportation and reservation agreements, which have various expiration dates, with Northwest Natural Gas Company (“NW Natural Gas”) and the Northwest Pipeline system (“NW Pipeline”) whereby NW Natural Gas and NW Pipeline provide the Partnership with the transportation and reservation of firm natural gas delivered to the Partnership’s Oregon facility. At December 31, 2018, the remaining commitment on the transportation and reservation agreements over the next five years was approximately \$5.8 million.

In February 2013, the Partnership assumed access right agreements with the Port of Columbia County (formerly known as Port of St. Helens) for access rights to the rail spur and dock located at the Partnership’s Oregon facility. The total expense under these agreements amounted to approximately \$0.9 million, \$1.0 million and \$0.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. At December 31, 2018, the remaining ratable commitment on these access right agreements, with expirations through 2066, was approximately \$31.5 million.

Environmental Liabilities

Please see Note 13 for a discussion of the Partnership's environmental liabilities.

Legal Proceedings

Please see Note 22 for a discussion of the Partnership's legal proceedings.

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Note 11. Trustee Taxes and Accrued Expenses and Other Current Liabilities

Trustee Taxes

The Partnership had trustee taxes payable of \$42.6 million and \$54.9 million in various pass through taxes collected on behalf of taxing authorities at December 31, 2018 and 2017, respectively. In addition, at December 31, 2017, the Partnership had trustee taxes of \$55.4 million related to an ethanol credit.

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. See Note 2 for additional information.

Loss on Trustee Taxes—The Partnership recognized a loss on trustee taxes of \$16.2 million for the year ended December 31, 2017 related to an administratively closed New York State tax audit of the Partnership's fuel and sales tax returns for the periods between December 2008 through August 2013. See Note 2 for additional information.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at December 31 (in thousands):

	2018	2017
Barging transportation, product storage and other ancillary cost accruals	\$ 39,379	\$ 31,243
Employee compensation	30,261	26,988
Accrued interest	12,049	12,247
Other	35,585	29,029
Total	\$ 117,274	\$ 99,507

Employee compensation consisted of bonuses, vacation and other salary accruals. Ancillary costs consisted of cost accruals related to product expediting and storage.

Note 12 Income Taxes

GMG, a wholly owned subsidiary of the Partnership, is a taxable entity for federal and state income tax purposes. Current and deferred income taxes are recognized on the separate earnings of GMG, and the after tax earnings of GMG are included in the consolidated earnings of the Partnership.

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The following table presents a reconciliation of the difference between the statutory federal income tax rate and the effective income tax rate for the years ended December 31:

	2018		2017		2016	
Federal statutory income tax rate	21.0	%	35.0	%	35.0	%
State income tax rate, net of federal tax benefit	2.8	%	1.2	%	(0.7)	%
Impairment of goodwill	0.3	%	1.6	%	(2.2)	%
Federal deferred rate change	—	%	(65.5)	%	—	%
Partnership income not subject to tax	(18.9)	%	(42.5)	%	(32.1)	%
Effective income tax rate	5.2	%	(70.2)	%	—	%

The following table presents the components of the provision for income taxes for the years ended December 31 (in thousands):

	2018	2017	2016
Current:			
Federal	\$ 162	\$ 1,371	\$ 14,499
State	2,706	1,011	4,345
Foreign	4	4	(9)
Total current	2,872	2,386	18,835
Deferred:			
Federal	1,961	(25,217)	(13,480)
State	790	(732)	(5,302)
Total deferred	2,751	(25,949)	(18,782)
Total	\$ 5,623	\$ (23,563)	\$ 53

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant components of long term deferred taxes were as follows at December 31 (in thousands):

	2018	2017
Deferred Income Tax Assets		
Accounts receivable allowances	\$ 760	\$ 989
Environmental liability	9,943	9,152
Asset retirement obligation	2,344	2,179
Deferred financing obligation	11,405	11,410
UNICAP	56	42
Other	1,384	1,726
Federal net operating loss carryforwards	14,811	4,709
State net operating loss carryforwards	1,087	1,216
Tax credit carryforward	284	314
Total deferred tax assets, gross	42,074	31,737
Valuation allowance	(3,138)	(2,813)
Total deferred tax assets, net	\$ 38,936	\$ 28,924
Deferred Income Tax Liabilities		
Property and equipment	\$ (69,356)	\$ (54,401)
Land	(12,189)	(9,369)
Intangible assets	(247)	(5,259)
Total deferred tax liabilities	\$ (81,792)	\$ (69,029)
Net deferred tax liabilities	\$ (42,856)	\$ (40,105)

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted in the United States. The Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. In December 2017, the Securities and Exchange Commission issued guidance under Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act,” directing taxpayers to consider the impact of the U.S. legislation as “provisional” when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. As of December 31, 2018, the Partnership completed its accounting for all of the tax effects of the enactment of the Act, including the effects on its existing deferred tax balances and one-time transition tax. There were no material adjustments to the provisional tax expense estimate that was previously recorded related to the Act.

The Partnership’s net deferred tax liabilities are primarily comprised of the differences in the historical tax basis and fair value book basis of property, equipment and land that were acquired in connection with the 2015 acquisition of Warren Equities, Inc.

At December 31, 2018, GMG had federal and state net operating loss carryforwards of approximately \$8.9 million and \$18.6 million, respectively, which will begin to expire in 2034 and 2019, respectively. In addition, GMG had federal and state net operating loss carryforwards of approximately \$49.5 and \$0.1 million, respectively, which can be carried forward indefinitely. Utilization of the net operating loss carryforwards may be subject to annual limitations due to the ownership percentage change limitations provided by the Internal Revenue Code Section 382 and similar state provisions. In the event of a deemed change in control under Internal Revenue Code Section 382, an annual limitation imposed on the utilization of net operating losses may result in the expiration of all or a portion of the net

operating loss carryforwards.

At December 31, 2018, the Partnership had \$30.7 million of net deferred tax liabilities (consisting of the \$42.9 million total net deferred tax liability less the \$12.2 million deferred tax liability relating to land discussed below) relating to property and equipment, net operating loss carryforwards, tax credit carryforwards and other temporary

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

differences, certain of which are available to reduce income taxes in future years. The Partnership recognizes deferred tax assets to the extent that the recoverability of these assets satisfies the “more likely than not” criteria in accordance with the FASB’s guidance regarding income taxes. A valuation allowance must be established when it is “more likely than not” that all or a portion of deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including a company’s performance, the market environment in which the company operates, length of carryback and carryforward periods and projections of future operating results. The Partnership concluded, based on an evaluation of future operating results and reversal of existing taxable temporary differences, that a portion of these assets will not be realized in a future period. The valuation allowance increased by approximately \$0.3 million as of December 31, 2018.

At December 31, 2018, the Partnership also had a \$12.2 million deferred tax liability relating to land. Land is an asset with an indefinite useful life and would not ordinarily serve as a source of income for the realization of deferred tax assets. This deferred tax liability will not reverse until some indefinite future period when the asset is either sold or written down due to impairment. Such taxable temporary differences generally cannot be used as a source of taxable income to support the realization of deferred tax assets relating to reversing deductible temporary differences, including loss carryforwards with expiration periods. It can be used as a source of income to benefit other indefinite lived assets.

The following presents a reconciliation of the differences between income (loss) before income tax (expense) benefit and income subject to income tax expense for the years ended December 31 (in thousands):

	2018	2017	2016
Income (loss) before income tax (expense) benefit	\$ 108,026	\$ 33,554	\$ (238,570)
Non—taxable loss (income)	(97,561)	(40,904)	224,609
Income (loss) subject to income tax expense	\$ 10,465	\$ (7,350)	\$ (13,961)

The Partnership made approximately \$0.7 million, \$7.4 million and \$17.0 million in income tax payments during 2018, 2017 and 2016, respectively. The taxes paid in 2016 largely reflect the Mirabito Disposition (see Note 6) which resulted in significant gains recognized for tax purposes.

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

The following presents the changes in gross unrealized tax benefits for the years ended December 31 (in thousands):

	2018	2017	2016
Balance at beginning of year	\$ 994	\$ 1,433	\$ 148
Increases for tax positions taken in prior years	—	28	1,572
Decreases for tax positions taken during the current year	—	—	(148)
Settlements of tax positions taken in prior years	—	(467)	(139)
Income subject to income tax expense	\$ 994	\$ 994	\$ 1,433

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, \$1.0 million and \$1.4 million for 2018, 2017 and 2016, respectively, of which \$1.0 million, \$1.0 million and \$1.4 million respectively, would favorably impact the

effective tax rate if recognized.

The FASB's accounting guidance for income taxes clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a minimum recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. The Partnership performed an evaluation of all material tax

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positions for the tax years that remain subject to examination by major tax jurisdictions as of December 31, 2018 (tax years ended December 31, 2018, 2017 and 2016). Tax positions that do not meet the more-likely-than-not recognition threshold at the financial statement date may not be recognized or continue to be recognized under the accounting guidance for income taxes. The Partnership classifies interest and penalties related to income taxes as components of its provision for income taxes. The amount of interest and penalties recorded in the accompanying statements of operations was \$0.1 million, \$0 and \$0.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The amount of interest and penalties recorded in the accompanying consolidated balance sheets was \$0.2 million and \$0.1 million as of December 31, 2018 and 2017, respectively. The Partnership does not anticipate the amount of unrecognized tax benefits to change over the next twelve months.

Note 13. Environmental Liabilities and Renewable Identification Numbers (RINs)

Environmental Liabilities

The Partnership owns or leases properties where refined petroleum products, gasoline blendstocks, renewable fuels and crude oil are being or may have been handled. These properties and the refined petroleum products, gasoline blendstocks, renewable fuels and crude oil handled thereon may be subject to federal and state environmental laws and regulations. Under such laws and regulations, the Partnership could be required to remove or remediate containerized hazardous liquids or associated generated wastes (including wastes disposed of or abandoned by prior owners or operators), to clean up contaminated property arising from the release of liquids, pollutants or wastes into the environment, including contaminated groundwater, or to implement best management practices to prevent future contamination.

The Partnership maintains insurance of various types with varying levels of coverage that it considers adequate under the circumstances to cover its operations and properties. The insurance policies are subject to deductibles that the Partnership considers reasonable and not excessive. In addition, the Partnership has entered into indemnification agreements with various sellers in conjunction with several of its acquisitions. Allocation of a known environmental liability is an issue negotiated in connection with each of the Partnership's acquisition transactions. In each case, the Partnership makes an assessment of potential environmental liability exposure based on available information. Based on that assessment and relevant economic and risk factors, the Partnership determines whether to, and the extent to which it will, assume liability for existing environmental conditions.

In connection with the July 2018 acquisitions of retail gasoline and convenience store assets from Cheshire and Champlain (see Note 19), the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$1.2 million and \$10.7 million for Cheshire and Champlain, respectively.

In connection with the October 2017 acquisition of retail gasoline and convenience store assets from Honey Farms (see Note 19), the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$1.1 million.

In connection with the June 2015 acquisition of retail gasoline stations from Capitol, the Partnership assumed certain environmental liabilities, including future remediation activities required by applicable federal, state or local law or regulation at certain of the retail gasoline stations owned by Capitol. Certain environmental remediation obligations at

most of the acquired retail gasoline station assets from Capitol are being funded by third parties who assumed certain liabilities in connection with Capitol's acquisition of these assets from ExxonMobil in 2009 and 2010 and, therefore, cost estimates for such obligations at these stations are not included in this estimate of liability to the Partnership. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$0.3 million for those locations not covered by third parties.

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In connection with the January 2015 acquisition of the Revere terminal (the “Revere Terminal”) located in Boston Harbor in Revere, Massachusetts from Global Petroleum Corp. (“GPC”) and related entities, the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$3.1 million.

In connection with the January 2015 acquisition of Warren Equities, Inc. (“Warren”), the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts at certain of the retail gasoline stations owned or leased by Warren and future remediation activities required by applicable federal, state or local law or regulation. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$36.5 million.

In connection with the December 2012 acquisition of six New England retail gasoline stations from Mutual Oil Company, the Partnership assumed certain environmental liabilities, including certain ongoing remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$0.6 million.

In connection with the March 2012 acquisition of Alliance Energy LLC (“Alliance”), the Partnership assumed Alliance’s environmental liabilities, including ongoing environmental remediation at certain of the retail gasoline stations owned by Alliance and future remediation activities required by applicable federal, state or local law or regulation. Remedial action plans are in place, as may be applicable with the state agencies regulating such ongoing remediation. Based on reports from environmental consultants, the Partnership’s estimated cost of the ongoing environmental remediation for which Alliance was responsible and future remediation activities required by applicable federal, state or local law or regulation is estimated to be approximately \$16.1 million to be expended over an extended period of time. Certain environmental remediation obligations at the retail stations acquired by Alliance from ExxonMobil in 2011 are being funded by a third party who assumed the liability in connection with the Alliance/ExxonMobil transaction in 2011 and, therefore, cost estimates for such obligations at these stations are not included in this estimate. As a result, the Partnership initially recorded, on an undiscounted basis, total environmental liabilities of approximately \$16.1 million.

In connection with the September 2010 acquisition of retail gasoline stations from ExxonMobil, the Partnership assumed certain environmental liabilities, including ongoing environmental remediation at and monitoring activities at certain of the acquired sites and future remediation activities required by applicable federal, state or local law or regulation. Remedial action plans are in place with the applicable state regulatory agencies for the majority of these locations, including plans for soil and groundwater treatment systems at certain sites. Based on consultations with environmental consultants, the Partnership’s estimated cost of the remediation is expected to be approximately \$30.0 million to be expended over an extended period of time. As a result, the Partnership initially recorded, on an undiscounted basis, total environmental liabilities of approximately \$30.0 million.

In connection with the June 2010 acquisition of three refined petroleum products terminals in Newburgh, New York, the Partnership assumed certain environmental liabilities, including certain ongoing remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately \$1.5 million.

In addition to the above-mentioned environmental liabilities related to the Partnership’s retail gasoline stations, the Partnership retains some of the environmental obligations associated with certain gasoline stations that the Partnership has sold.

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The following table presents a summary roll forward of the Partnership's environmental liabilities at December 31, 2018 (in thousands):

	Balance at December 31,	Additions	Payments	Dispositions	Other Adjustments	Balance at December 31,
Environmental Liability Related to:	2017	2018	2018	2018	2018	2018
Retail gasoline stations	\$ 53,569	\$ 11,931	\$ (2,660)	\$ (2,258)	\$ (1,449)	\$ 59,133
Terminals	4,408	—	(312)	—	(5)	4,091
Total environmental liabilities	\$ 57,977	\$ 11,931	\$ (2,972)	\$ (2,258)	\$ (1,454)	\$ 63,224
Current portion	\$ 5,009					\$ 6,092
Long-term portion	52,968					57,132
Total environmental liabilities	\$ 57,977					\$ 63,224

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 import and blending operations at certain facilities. As a wholesaler of transportation fuels through its terminals, the Partnership separates RINs from renewable fuel through blending with gasoline and can use those separated RINs to settle its RVO. While the annual compliance period for the RVO is a calendar year and the settlement of the RVO typically occurs by March 31 of the following year, the settlement of the RVO can occur, under certain EPA deferral actions, more than one year after the close of the compliance period.

The Partnership's Wholesale segment's operating results may be sensitive to the timing associated with its RIN position relative to its RVO at a point in time, and the Partnership may recognize a mark to market liability for a shortfall in RINs at the end of each reporting period. To the extent that the Partnership does not have a sufficient number of RINs

to satisfy the RVO as of the balance sheet date, the Partnership charges cost of sales for such deficiency based on the market price of the RINs as of the balance sheet date and records a liability representing the Partnership's obligation to purchase RINs. The Partnership's RVO deficiency was \$0.6 million at December 31, 2018 and immaterial at December 31, 2017.

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

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GLOBAL PARTNERS LP

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Note 14. Employee Benefit Plans

The Partnership sponsors and maintains the Global Partners LP 401(k) Savings and Profit Sharing Plan (the “Global 401(k) Plan”), a qualified defined contribution plan. Eligible employees may elect to contribute up to 100% of their eligible compensation to the Global 401(k) Plan for each payroll period, subject to annual dollar limitations which are periodically adjusted by the IRS. The General Partner makes safe harbor matching contributions to the Global Partners 401(k) Plan equal to 100% of the participant’s elective contributions that do not exceed 3% of the participant’s eligible compensation and 50% of the participant’s elective contributions that exceed 3% but do not exceed 5% of the participant’s eligible compensation. The General Partner also makes discretionary non matching contributions for certain groups of employees in amounts up to 2% of eligible compensation. Profit sharing contributions may also be made at the sole discretion of the General Partner’s board of directors.

GMG sponsors and maintains the Global Montello Group Corp. 401(k) Savings and Profit Sharing Plan (the “GMG 401(k) Plan”), a qualified defined contribution plan. Eligible employees may elect to contribute up to 100% of their eligible compensation to the GMG 401(k) Savings and Profit Sharing Plan for each payroll period, subject to annual dollar limitations which are periodically adjusted by the IRS. GMG makes safe harbor matching contributions to the 401(k) Savings and Profit Sharing Plan equal to 100% of the participant’s elective contributions that do not exceed 3% of the participant’s eligible compensation and 50% of the participant’s elective contributions that exceed 3% but do not exceed 5% of the participant’s eligible compensation. Profit sharing contributions may also be made at the sole discretion of GMG’s board of directors.

The Global 401(k) Plan and the GMG 401(k) Plan collectively had expenses of approximately \$3.1 million, \$3.0 million and \$2.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

In addition, the General Partner sponsors and maintains the Global Partners LP Pension Plan (the “Global Pension Plan,”) and GMG sponsors and maintains the Global Montello Group Corp. Pension Plan (the “GMG Pension Plan”), each being a qualified defined benefit pension plan. The Global Pension Plan and the GMG Pension Plan were amended to freeze participation and benefit accruals effective in 2009 and 2012, respectively.

The following table presents each plan’s funded status and the total amounts recognized in the consolidated balance sheets at December 31 (in thousands):

	December 31, 2018		Total
	Global Pension Plan	GMG Pension Plan	
Projected benefit obligation	\$ 16,213	\$ 3,873	\$ 20,086
Fair value of plan assets	13,372	2,428	15,800
Net unfunded pension liability	\$ 2,841	\$ 1,445	\$ 4,286

December 31, 2017

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	Global Pension Plan	GMG Pension Plan	Total
Projected benefit obligation	\$ 17,463	\$ 4,754	\$ 22,217
Fair value of plan assets	14,629	2,952	17,581
Net unfunded pension liability	\$ 2,834	\$ 1,802	\$ 4,636

Total actual return on plan assets was (\$0.7 million) and \$1.9 million in 2018 and 2017, respectively.

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The following presents the components of the net periodic change in benefit obligation for the Pension Plans for the years ended December 31 (in thousands):

	2018	2017	2016
Benefit obligation at beginning of year	\$ 22,217	\$ 20,631	\$ 20,931
Interest cost	714	724	780
Actuarial (gain) loss	(1,347)	2,392	778
Benefits paid	(1,498)	(1,530)	(1,858)
Benefit obligation at end of year	\$ 20,086	\$ 22,217	\$ 20,631

The following presents the weighted-average actuarial assumptions used in determining each plan's annual pension expense for the years ended December 31:

	Global Pension Plan			GMG Pension Plan		
	2018	2017	2016	2018	2017	2016
Discount rate	4.1%	3.4%	3.8%	4.2%	3.6%	4.1%
Expected return on plan assets	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

The discount rates were selected by performing a cash flow/bond matching analysis based on the FTSE Above Median Double-A Pension Discount Curve for December 2018. The discount rates for 2018 include updated mortality assumptions to reflect the most recently available mortality improvement scale released by the Society of Actuaries. The expected long-term rate of return on plan assets is determined by using each plan's respective target allocation and historical returns for each asset class.

The fundamental investment objective of each of the Pension Plans is to provide a rate of return sufficient to fund the retirement benefits under the applicable Pension Plan at a reasonable cost to the applicable plan sponsor. At a minimum, the rate of return should equal or exceed the discount rate assumed by the Pension Plan's actuaries in projecting the funding cost of the Pension Plan under the applicable Employee Retirement Income Security Act ("ERISA") standards. To do so, the General Partner's Pension Committee may appoint one or more investment managers to invest all or portions of the assets of the Pension Plans in accordance with specific investment guidelines, objectives, standards and benchmarks.

The following presents the Pension Plans' benefits as of December 31, 2018 expected to be paid in each of the next five fiscal years and in the aggregate for the next five fiscal years thereafter (in thousands):

2019	\$ 4,195
2020	1,407
2021	939
2022	1,088
2023	795
2024—2028	6,322
Total	\$ 14,746

The cost of annual contributions to the Pension Plans is not significant to the General Partner, the Partnership or its subsidiaries. Total contributions made by the General Partner, the Partnership and its subsidiaries to the Pension Plans were \$0.4 million, \$0.4 million and \$0.3 million in 2018, 2017 and 2016, respectively.

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Note 15. Related Party Transactions

The Partnership is a party to a Second Amended and Restated Services Agreement with 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 December 31, 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 \$104.8 million, \$106.0 million and \$101.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner's 401(k) Savings and Profit Sharing Plans (see Note 14) and the General Partner's qualified and non-qualified pension plans.

The table below presents receivables from GPC and the General Partner at December 31 (in thousands):

	December 31, 2018	December 31, 2017
Receivables from GPC	\$ 23	\$ 7
Receivables from the General Partner (1)	5,412	3,766
Total	\$ 5,435	\$ 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.

In addition, for the years ended December 31, 2018 and 2017, the Partnership incurred certain costs in connection with a compensation funding agreement with the General Partner. See Note 16, "Long-Term Incentive Plan—Repurchase Program."

Note 16. Long-Term Incentive Plans

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. A total of 2,964,821 units were available for issuance under the LTIP as of December 31, 2018.

Awards granted under the LTIP are authorized by the Compensation Committee of the board of directors of the General Partner (the “Committee”) from time to time. Additionally and in accordance with the LTIP, the Committee established a “CEO Authorized LTIP” program pursuant to which the Chief Executive Officer (“CEO”) could grant awards of phantom units without distribution equivalent rights to employees of the General Partner and the Partnership’s subsidiaries, other than named executive officers. The CEO Authorized LTIP program was approved for three consecutive calendar years and expired on December 31, 2017. During each calendar year of the program, the CEO was authorized to grant awards of up to an aggregate amount of \$2.0 million of phantom units payable in common units upon vesting, with unused dollar amounts carrying over in the next year, and no individual grant could be made for an award

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valued at the time of grant of more than \$550,000, unless otherwise previously approved by the Committee. Awards granted pursuant to the CEO Authorized LTIP generally were for a term of six years and vest in equal tranches at the end of each of the fourth, fifth and sixth anniversary dates of the particular award.

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 units at December 31, 2016	564,208	27.11
Granted (1)	579,588	9.34
Vested	(149,236)	27.91
Forfeited	(81,996)	23.83
Outstanding non-vested phantom units at December 31, 2017	912,564	15.99
Vested	(153,966)	27.93
Forfeited	(28,457)	13.40
Outstanding non-vested phantom units at December 31, 2018	730,141	13.57

(1) The Partnership currently intends and reasonably expects to issue and deliver the common units upon vesting. Accounting guidance for share-based compensation requires that a non-vested equity share unit awarded to an employee is to be measured at its fair value as if it were vested and issued on the grant date.

Compensation cost for an award of share-based employee compensation classified as equity is recognized over the requisite service period. The requisite service period for the Partnership is from the grant date through the vesting dates described in the grant agreement. The Partnership recognizes as compensation expense for the awards granted to employees and non-employee directors the value of the portion of the award that is ultimately expected to vest over the requisite service period on a straight-line basis. The Partnership recognizes forfeitures as they occur. Prior to the adoption of ASU 2016-09 on January 1, 2018, the Partnership estimated forfeitures at the time of grant. Such estimates, which were based on the Partnership's service history, would have been revised, if necessary, in subsequent periods if actual forfeitures differed from estimates.

The Partnership recorded total compensation expense related to the LTIP awards of \$3.1 million, \$3.9 million and \$4.2 million for the years ended December 31, 2018, 2017 and 2016, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

The total compensation cost related to the non-vested awards not yet recognized at December 31, 2018 was approximately \$5.0 million and is expected to be recognized ratably over the remaining requisite service periods.

Repurchase Program

In May 2009, the board of directors of the General Partner authorized the repurchase of the Partnership's common units (the "Repurchase Program") for the purpose of meeting the General Partner's anticipated obligations to deliver common units under the LTIP and meeting the General Partner's obligations under existing employment agreements

and other employment related obligations of the General Partner (collectively, the “General Partner’s Obligations”). The 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

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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 repurchased in 2018.

In June 2009, the Partnership and the General Partner entered into the Global GP LLC Compensation Funding Agreement (the “Agreement”) whereby the Partnership and the General Partner established obligations and protocol for (i) the funding, management and administration of a compensation funding account and underlying General Partner’s Obligations, and (ii) the holding and disposition by the General Partner of common units acquired in accordance with the Agreement for such purposes as otherwise set forth in the Agreement. The Agreement requires the Partnership to fund costs that the General Partner incurs in connection with performance of the Agreement. In accordance with the Agreement, the Partnership incurred approximately \$0.3 million and \$1.1 million in the aggregate for certain costs incurred in connection with the Agreement, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively. The Partnership paid members of the General Partner approximately \$0.4 million and \$0.8 million of these costs for the years ended December 31, 2018 and 2017, respectively.

Note 17. Partners’ Equity, Allocations and Cash Distributions

Partners’ Equity

Common Units and General Partners Units

At December 31, 2018 there were 33,995,563 common units issued, including 7,340,941 common units held by affiliates of the General Partner, including directors and executive officers, collectively representing a 99.33% limited partner interest in the Partnership, and 230,303 general partner units representing a 0.67% general partner interest in the Partnership. There have been no changes to common units or the general partner interest during the years ended December 31, 2018, 2017 and 2016.

Series A Preferred Units

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

Common Units

The common units have limited voting rights as set forth in the Partnership’s partnership agreement.

General Partner Units and Incentive Distribution Rights

The Partnership’s general partner interest is represented by general partner units. The General Partner is entitled to a percentage (equal to the general partner interest) of all cash distributions of available cash on all common units. The Partnership’s partnership agreement sets forth the calculation to be used to determine the amount and priority of cash distributions that the common unitholders, holders of the incentive distribution rights and the General Partner will receive. The Partnership’s general partner interest has the management rights as set forth in the Partnership’s

partnership agreement.

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from distributable cash flow after the target distribution levels have been achieved, as defined in the

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Partnership's partnership agreement. The General Partner holds all of the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in the Partnership's partnership agreement.

Series A Preferred Units

The Series A Preferred Units are a new class of equity security that ranks senior to the common units, the incentive distribution rights and each other class or series of the Partnership's equity securities established after August 7, 2018, the original issue date of the Series A Preferred Units (the "Original Issue Date"), that is not expressly made senior to or on parity with the Series A Preferred Units as to the payment of distributions and amounts payable on a liquidation event.

Allocations of Net Income

Net income is allocated between the General Partner and the common unitholders in accordance with the provisions of the Partnership's partnership agreement. Net income is generally allocated first to the General Partner and the common unitholders in an amount equal to the net losses allocated to the General Partner and the common unitholders in the current and prior tax years under the Partnership's partnership agreement. The remaining net income is allocated to the General Partner and the common unitholders in accordance with their respective percentage interests of the general partner units and common units.

Cash Distributions

Common Units

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

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

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

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

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

The Partnership paid the following cash distributions to common unitholders during 2018, 2017 and 2016 (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
2016						
2/16/2016	12/31/15	\$ 0.4625	\$ 15,723	\$ 106	\$ —	\$ 15,829
5/16/2016	03/31/16	0.4625	15,723	106	—	15,829
8/12/2016	06/30/16	0.4625	15,723	106	—	15,829
11/14/2016	09/30/16	0.4625	15,723	106	—	15,829
2017						
2/14/2017	12/31/16	\$ 0.4625	\$ 15,723	\$ 106	\$ —	\$ 15,829
5/15/2017	03/31/17	0.4625	15,723	106	—	15,829
8/14/2017	06/30/17	0.4625	15,723	106	—	15,829
11/14/2017	09/30/17	0.4625	15,723	106	—	15,829
2018						
2/14/2018	12/31/17	\$ 0.4625	\$ 15,723	\$ 106	\$ —	\$ 15,829
5/15/2018	03/31/18	0.4625	15,723	106	—	15,829
8/14/2018 (1)	06/30/18	0.4750	16,149	109	67	16,325
11/14/2018 (1)	09/30/18	0.4750	16,149	109	67	16,325

(1) This distribution resulted in the Partnership reaching its second target level distribution for the respective quarter.

As a result, the General Partner, as the holder of the IDRs, received an incentive distribution.

In addition, on January 28, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.50 per unit (\$2.00 per unit on an annualized basis) on all of its outstanding common units for the period from October 1, 2018 through December 31, 2018 to the Partnership's common unitholders of record as of the close of business February 8, 2019. On February 14, 2019, the Partnership paid the total cash distribution of approximately \$17.3 million.

Series A Preferred Units

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

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On November 15, 2018, the Partnership paid the initial quarterly cash distribution of \$0.6635 per unit on the Series A Preferred Units, covering the period from the Original Issue Date through November 14, 2018, totaling \$1.8 million. The initial distribution rate for the Series A Preferred Units from and including the Original Issue Date, but excluding, August 15, 2023 is 9.75% per annum of the \$25.00 liquidation preference per Series A Preferred Unit (equal to \$2.4375 per Series A Preferred Unit per annum). On and after August 15, 2023, distributions on the Series A Preferred Units will accumulate for each distribution period at a percentage of the \$25.00 liquidation preference equal to an annual floating rate of the three-month LIBOR plus a spread of 6.774% per annum.

In addition, on January 22, 2019, the board of directors of the General Partner declared a quarterly cash distribution of \$0.609375 per unit (\$2.4375 per unit on an annualized basis) on the Series A Preferred Units for the period from November 15, 2018 through February 14, 2019. On February 15, 2019, the Partnership paid the total cash distribution of approximately \$1.7 million.

Note 18. 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.

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

Note 19. Business Combinations

2018 Acquisitions

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

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

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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	\$ 1,591
Property and equipment	32,269
Intangibles	337
Total identifiable assets purchased	34,197
Liabilities assumed:	
Environmental liabilities	(1,174)
Other non-current liabilities	(109)
Total liabilities assumed	(1,283)
Net identifiable assets acquired	32,914
Goodwill	527
Net assets acquired	\$ 33,441

The Partnership engaged a third-party valuation firm to assist in the valuation of Cheshire's property and equipment and intangible assets consisting of in-place leases. The Partnership's third-party valuation firm considered the income, market and cost approaches in estimating the fair value of the property and equipment and intangible assets. The market and cost approaches were used to value the property and equipment based on the underlying asset class components of the property and equipment. The income approach was used to value the in-place leases.

The purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based on the valuation from the Partnership's third party valuation firm. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The \$0.5 million of goodwill was recognized as the transaction expanded the Partnership's retail presence in New Hampshire and enables the Partnership to benefit from economies of scale in the purchase of gasoline and convenience store merchandise. The goodwill is expected to be tax deductible. The operations of Cheshire have been integrated into the GDSO reporting segment.

The fair value of \$1.2 million assigned to the assumption of environmental liabilities was developed by management based on their estimates, assumptions and acquisition history (see Note 13).

The fair values of the remaining Cheshire 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 that are being amortized over one year. Amortization expense related to these intangible assets was \$0.1 million for the year ended December 31, 2018.

In connection with the acquisition of Cheshire, the Partnership incurred acquisition costs of approximately

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\$0.4 million for the year ended December 31, 2018, which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Cheshire's revenues and net income included in the Partnership's consolidated operating results from July 24, 2018, the acquisition date, through December 31, 2018 were immaterial.

Acquisition from Champlain Oil Company, Inc.—On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Champlain in a cash transaction. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire and approximately 24 fuel sites that are either owned or leased, including lessee dealer and commission agent locations. The transaction also included fuel supply agreements for approximately 65 gasoline stations, primarily in Vermont and New Hampshire. The stations primarily market major fuel brands such as Mobil, Shell, Citgo, Sunoco and Irving. The purchase price was approximately \$138.2 million, including inventory. The acquisition was financed with borrowings under the Partnership's revolving credit facility.

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

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

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

Assets purchased:	
Inventory	\$ 5,450
Prepaid expenses and other current assets	270
Property and equipment	112,871
Intangibles	12,936
Total identifiable assets purchased	131,527
Liabilities assumed:	
Accrued expenses and other current liabilities	(131)
Environmental liabilities	(10,757)
Other non-current liabilities	(938)
Total liabilities assumed	(11,826)
Net identifiable assets acquired	119,701
Goodwill	18,478
Net assets acquired	\$ 138,179

Management is in the process of evaluating the purchase price accounting. The Partnership engaged a third-party valuation firm to assist in the valuation of Champlain's property and equipment and intangible assets consisting of dealer supply contracts, in-place leases and franchise rights. This valuation continues to be in process and, during the

year ended December 31, 2018, the Partnership received preliminary fair values of these assets. The estimated fair values of property and equipment of \$112.9 million and intangibles assets of \$12.9 million were developed by management based on their estimates, assumptions and acquisition history, including preliminary reports from the third-party valuation firm. The estimated fair values of the property and equipment and intangible assets will be supported by the valuations performed by the third-party valuation firm. It is possible that once the Partnership receives the completed

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valuations on the property and equipment and intangible assets, the final purchase price accounting may be different than what is presented above.

The preliminary purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon their estimates and assumptions. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The \$18.5 million of goodwill was recognized as the transaction expanded the Partnership's retail portfolio and geographic footprint in New England and provides additional volume to the Partnership's terminals in New York and Vermont. The goodwill is expected to be tax deductible. The operations of Champlain have been integrated into the GDSO reporting segment.

The fair value of \$10.7 million assigned to the assumption of environmental liabilities was developed by management based on their estimates, assumptions and acquisition history (see Note 13).

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

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

As part of the purchase price allocation, identifiable intangible assets include dealer supply contracts, in-place leases and franchise rights that are being amortized between one and ten years. Amortization expense related to these intangible assets was \$1.2 million for the year ended December 31, 2018.

In connection with the acquisition of Champlain, the Partnership incurred acquisition costs of approximately \$3.5 million for the year ended December 31, 2018 which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Champlain's revenues and net income included in the Partnership's consolidated operating results from July 17, 2018, the acquisition date, through December 31, 2018 were immaterial.

2017 Acquisition

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

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

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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 year ended December 31, 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 December 31, 2018 from \$21.6 million at December 31, 2017 as follows (in thousands):

Goodwill – December 31, 2017	\$ 21,630
Decrease in environmental liabilities	(139)
Goodwill – December 31, 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 (see Note 13).

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

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

As part of the purchase price allocation, identifiable intangible assets include in-place leases, 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 \$0.9 million for the year ended December 31, 2018 and immaterial for the year ended December 31, 2017. 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.

In connection with the acquisition of Honey Farms, the Partnership incurred acquisition costs of approximately \$0.7 million which are included in selling, general and administrative expenses in the accompanying consolidated statements of operations for the year ended December 31, 2017.

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

Note 20. Segment Reporting

The Partnership engages in the purchasing, selling, gathering, blending, storing and logistics of transporting petroleum and related products, including gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane. The Partnership also receives revenue from convenience store sales, rental income and sundries. The Partnership’s three operating segments are based upon the revenue sources for which discrete financial information is reviewed by the chief operating decision maker (the “CODM”) to make key operating decisions and assess performance and include Wholesale, GDSO and Commercial.

These operating segments are also the Partnership’s reporting segments. Prior to 2018, the Commercial operating segment has not met the quantitative metrics for disclosure as a reportable segment on a stand alone basis as defined in accounting guidance related to segment reporting. However, the Partnership has elected to present segment disclosures for the Commercial operating segment as management believes such disclosures are helpful to the user of the Partnership’s financial information. The accounting policies of the segments are the same as those described in Note 2, “Summary of Significant Accounting Policies.”

In the Wholesale reporting segment, the Partnership sells branded and unbranded gasoline and gasoline blendstocks and diesel to wholesale distributors. The Partnership transports these products by railcars, barges and/or pipelines pursuant to spot or long term contracts. From time to time, the Partnership aggregates crude oil by truck or pipeline in the mid-continent region of the United States and Canada, transports it by rail and ships it by barge to refiners. The Partnership sells 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 the Partnership owns or controls or at which it has throughput or exchange arrangements.

Ethanol is shipped primarily by rail and by barge.

In the GDSO reporting 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

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gasoline stations leased to dealers, from commissioned agents and from cobranding arrangements and (iii) sundries (such as car wash sales and lottery and ATM commissions).

In the Commercial segment, the Partnership includes 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, the Partnership sells products primarily either through a competitive bidding process or through contracts of various terms. The Partnership generally arranges for the delivery of the product to the customer's designated location, and the Partnership responds to publicly-issued requests for product proposals and quotes. The Commercial segment also includes sales of custom blended fuels delivered by barges or from a terminal dock to ships through bunkering activity.

An important measure used by the Partnership and the CODM to evaluate segment performance is product margin, which the Partnership defines as product sales minus product costs. Based on the way the business is managed, components of indirect operating costs and corporate expenses are not allocated to the reportable segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized financial information for the Partnership's reportable segments for the years ended December 31 is presented in the table below (in thousands):

	2018	2017	2016
Wholesale Segment:			
Sales			
Gasoline and gasoline blendstocks	\$ 4,732,028	\$ 2,097,811	\$ 2,026,315
Crude oil (1)	109,719	464,234	546,541
Other oils and related products (2)	2,049,043	1,725,537	1,534,165
Total	\$ 6,890,790	\$ 4,287,582	\$ 4,107,021
Product margin			
Gasoline and gasoline blendstocks	\$ 76,741	\$ 82,124	\$ 83,742
Crude oil (1)	7,159	7,279	(13,098)
Other oils and related products (2)	53,389	62,799	74,271
Total	\$ 137,289	\$ 152,202	\$ 144,915
Gasoline Distribution and Station Operations Segment:			
Sales			
Gasoline	\$ 4,081,498	\$ 3,434,581	\$ 3,071,517
Station operations (3)	427,211	351,876	371,661
Total	\$ 4,508,709	\$ 3,786,457	\$ 3,443,178
Product margin			
Gasoline	\$ 373,303	\$ 326,536	\$ 289,420
Station operations (3)	203,098	174,986	183,708
Total	\$ 576,401	\$ 501,522	\$ 473,128
Commercial Segment:			
Sales	\$ 1,273,103	\$ 846,513	\$ 689,440
Product margin	\$ 23,611	\$ 17,858	\$ 24,018
Combined sales and Product margin:			
Sales	\$ 12,672,602	\$ 8,920,552	\$ 8,239,639
Product margin (4)	\$ 737,301	\$ 671,582	\$ 642,061
Depreciation allocated to cost of sales	(86,892)	(88,530)	(95,571)
Combined gross profit	\$ 650,409	\$ 583,052	\$ 546,490

(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 500 million gallons, 480 million gallons and 500 million gallons of the GDSO segment's sales for the years ended December 31, 2018, 2017 and 2016, respectively, were supplied from petroleum products and renewable

fuels sourced by the Wholesale segment. Except for natural gas (prior to the sale of the Partnership's natural gas marketing and electricity brokerage businesses in February 2017), 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.

None of the Partnership's customers accounted for greater than 10% of total sales for years ended December 31, 2018, 2017 and 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the totals reported for the reportable segments to the applicable line items in the consolidated financial statements for the years ended December 31 is as follows (in thousands):

	2018	2017	2016
Combined gross profit	\$ 650,409	\$ 583,052	\$ 546,490
Operating costs and expenses not allocated to operating segments:			
Selling, general and administrative expenses	171,002	155,033	149,673
Operating expenses	321,115	283,650	288,547
(Gain) loss on trustee taxes	(52,627)	16,194	—
Lease exit and termination (gain) expenses	(3,506)	—	80,665
Amortization expense	10,960	9,206	9,389
Net loss (gain) on sale and disposition of assets	5,880	(1,624)	20,495
Goodwill and long-lived asset impairment	414	809	149,972
Total operating costs and expenses	453,238	463,268	698,741
Operating income (loss)	197,171	119,784	(152,251)
Interest expense	(89,145)	(86,230)	(86,319)
Income tax (expense) benefit	(5,623)	23,563	(53)
Net income (loss)	102,403	57,117	(238,623)
Net loss attributable to noncontrolling interest	1,502	1,635	39,211
Net income (loss) attributable to Global Partners LP	\$ 103,905	\$ 58,752	\$ (199,412)

The Partnership's foreign assets and foreign sales were immaterial as of and for the years ended December 31, 2018, 2017 and 2016.

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 December 31, (in thousands):