

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, 2019
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

74-3140887

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

P.O. Box 9161
800 South Street

Waltham, Massachusetts 02454-9161

(Address of principal executive offices, including zip code)

(781) 894-8800

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 28, 2019 was approximately \$528,864,114 based on a price per common unit of \$19.91, the price at which the common units were last sold as reported on the New York Stock Exchange on such date.

As of March 4, 2020, 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 the pricing of and 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, implementation of regulations and directives related to these aforementioned services as well as a disruption in any of 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, resulting in a decrease in gasoline sales and/or sales of food, sundries and other on-site services. Any of these outcomes could negatively affect our financial condition, results of operations and cash available for distribution to our unitholders.

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- Physical effects from climate change and impacts to areas prone to sea level rise or other extreme weather events could have the potential to adversely affect our assets and operations.
- Changes in government usage mandates and tax credits could adversely affect the availability and pricing of ethanol and renewable fuels, 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, each of 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 by 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.

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- Our gasoline station and convenience store business could expose us to an increase in consumer litigation and result in an unfavorable outcome or settlement of one or more lawsuits where insurance proceeds are insufficient or otherwise unavailable.
- Congress has given the Food and Drug Administration (“FDA”) broad authority to regulate tobacco and nicotine products, and the FDA and states have enacted and are pursuing enactment of numerous regulations restricting the sale of such products. These governmental actions, as well as national, state and municipal campaigns to discourage smoking, tax increases, and imposition of regulations restricting the sale of e-cigarettes and vapor products, have and could result in reduced consumption levels, higher costs which we may not be able to pass on to our customers, and reduced overall customer traffic. Also, increasing regulations related to and restricting the sale of vapor products and e-cigarettes may offset some of the gains we have experienced from selling these types of products. These factors could materially affect the sale of this product mix which in turn could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.
- Our results can be adversely affected by unforeseen events, such as adverse weather, natural disasters, terrorism, pandemics, or other catastrophic events which could have an adverse effect on our financial condition, results of operations and cash available for distributions 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.

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, 2019, we had a portfolio of 1,551 owned, leased and/or supplied gasoline stations, including 289 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”).

2019 Events

2027 Notes Offering and 2022 Notes Tender Offer and Redemption— On July 31, 2019, we and GLP Finance Corp. (the “Issuers”) issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 (the “2027 Notes”) to several initial purchasers (the “2027 Notes Initial Purchasers”) in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The 2027 Notes were resold by the 2027 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering to fund the repurchase of our 6.25% senior notes due 2022 (the “2022 Notes”) in a tender offer and to repay a portion of the borrowings outstanding under our credit agreement. The redemption of the 2022 Notes occurred on August 30, 2019. Please read Note 8 of Notes to Consolidated Financial Statements for additional information on the 2027 Notes.

Amended Credit Agreement— On April 19, 2019, we entered into the third amendment to the third amended and restated credit agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. Please read Note 8 of Notes to Consolidated Financial Statements for additional information on our credit agreement.

2018 Event

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 18 of Notes to Consolidated Financial Statements for additional information.

Operating Segments

We operate our businesses under three segments: (i) Wholesale, (ii) GDSO and (iii) Commercial. In 2019, our Wholesale, GDSO and Commercial sales accounted for approximately 57%, 33% 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, trucks 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, 2019, we had a portfolio of owned, leased and/or supplied gasoline stations, primarily in the Northeast, that consisted of the following:

Company operated	289
Commissioned agents	258
Lessee dealers	216
Contract dealers	788
Total	<u>1,551</u>

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 respond to publicly issued requests for product proposals and quotes. We generally arrange for the delivery of the product to the customer’s designated location. Our Commercial segment also includes sales of custom blended fuels delivered by barges or from a terminal dock to ships through bunkering activity.

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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	75 %	74 %	65 %
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	21 %	22 %	26 %
Crude oil sales and crude oil logistics revenue	1 %	1 %	5 %
Convenience store sales, rental income and sundries	3 %	3 %	4 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Gasoline. We sell substantially 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.

Distillates. Distillates are primarily divided into home heating oil, diesel and kerosene. In 2019, sales of home heating oil, diesel and kerosene accounted for approximately 47%, 52% 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 2019, approximately 33% 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.

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

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, 2019, 2018 and 2017.

Assets

Terminals

As of December 31, 2019, we owned, leased or maintained dedicated storage facilities at 24 bulk terminals, each with the capacity of more than 50,000 barrels, with a collective storage capacity of approximately 10.8 million barrels. Twenty-one 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 ethanol and other products 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, 2019, we supported our rail activity with a fleet of approximately 200 leased railcars. The makeup of this fleet is split between general-purpose cars used for refined products and pressurized tank cars used for propane. We lease railcars from third parties through various lease arrangements with various expiration dates, and we also lease barges from third parties through various time charter lease arrangements also with various expiration dates. We also have various pipeline connection agreements that extend for two to five years.

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 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, 2019, we had a portfolio of 1,551 owned, leased and/or supplied gasoline stations, including 289 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 2019, we purchased an average of approximately 425,000 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 the use of 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 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

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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.

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 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. 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 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. However, in 2019, the EPA proposed a rule that would retain the 2016 obligation. Even if that rule is not finalized and our 2016 obligation is retroactively changed, 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.

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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 markets, 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 renewable fuels, gasoline and gasoline blendstocks, 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 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 a total of approximately 3,860 employees, including 2,540 full-time employees as of December 31, 2019, of which approximately 105 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 Global Petroleum Corp. 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.

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: Heating Oil Plus[™] and the Heating Oil Plus[®] logo, SubZero[®] and the SubZero[®] logo, Diesel One[®] and the Diesel One[®] logo, Diesel 1[®], the Diesel 1[™] logo and the tagline Legacy.Technology.Performance.[®].

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We also use the following trademarks for our convenience store business: ALLTOWN[®], ALLTOWN INSIDERS[™], 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 use a number of petroleum and other products storage and distribution facilities. These facilities include 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, 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.

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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 municipal 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 14 and 23 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, air 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 municipal 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.

We believe we are in substantial compliance with applicable hazardous material releases and waste handling requirements related to our operations. We do not believe that compliance with federal, state or municipal hazardous material releases and waste handling 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 releases and waste handling could directly and indirectly increase our operating and compliance costs. 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.

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.

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 municipal 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, as applicable. 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 a 2015 rulemaking expanding the definition of waters of the United States and a 2019 rulemaking that rescinded the 2015 rule. Litigation regarding the 2019 rulemaking has been filed. 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 periodic 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 material adverse effect on our financial condition, results of operations or cash available for distribution to our unitholders.

Various federal, state and municipal 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 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 precursors 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’s GHG regulations and the efforts of states. To the extent that our operations are subject to the EPA’s GHG regulations or regulatory protocol promulgated by states where we operate our businesses, 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. 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.

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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 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.

The EPA has also issued Corporate Average Fuel Economy ("CAFE") standards to regulate emissions of GHGs from the use of fossil fuels for mobile sources. In 2012, the EPA issued CAFE standards for fleets of 2022-2025 model year vehicles. In 2016, the National Highway Traffic Safety Administration ("NHTSA") finalized a rule imposing stricter penalties against those who exceed CAFE standards. In 2018, the EPA proposed a rule that would amend the 2022-2025 CAFE standards. In 2019, the EPA and NHTSA jointly finalized a rule to reduce the penalties for violations of CAFE standards and to revoke California's authority to set its own fuel economy standards. California and a coalition of other states have filed suit to challenge the 2019 rule. Should stricter standards or penalties standards become effective or should California's authority to set its own fuel economy standards be upheld, reductions in emissions of GHGs from the operation of motor vehicles may be required, which may reduce demand for our products and services.

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 effect 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. 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 energy companies whose businesses are related to the use of fossil fuels. This could make it more difficult to secure funding for projects related to the use of fossil fuels.

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.

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In June 2009, Congress passed the Family Smoking Prevention and Tobacco Control Act (“FSPTCA”) which gave the FDA broad authority to regulate tobacco and nicotine products. Under the FSPTCA, the FDA has enacted numerous regulations restricting the sale of such products 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. These governmental actions, as well as national, state and municipal campaigns to discourage smoking, tax increases, and imposition of regulations restricting the sale of e-cigarettes and vapor products, have and could result in reduced consumption levels, higher costs which we may not be able to pass on to our customers, and reduced overall customer traffic. Also, increasing regulations related to and restricting the sale of vapor products and e-cigarettes may offset some of the gains we have experienced from selling these types of products. These factors could materially affect the sale of this product mix which in turn could have an 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. 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.

Environmental Insurance

We maintain insurance which may cover, in whole or in part, certain costs relating to environmental matters associated with releases of products we store, sell and/or ship. We maintain insurance policies with insurers in amounts and with coverage and deductibles 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 municipal 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/or 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, 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, crude oil and propane. 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 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 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 February 2019, PHMSA finalized that proposal. 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. In addition to action taken or proposed by federal agencies, a number of states have proposed or enacted laws in recent years that encourage safer rail operations or urge the federal government to enhance 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 municipal 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 other products, 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 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;

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- 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 does not depend solely on profitability.

The amount of cash we have available for distribution depends primarily on our cash flow, including borrowings, and does not depend solely on profitability. Our cash flow 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 individually and 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 recognized.

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.

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;

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- 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.

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 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 the pricing of and 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 the pricing of and 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

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demand for products we sell, including 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 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, including hybrids, 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 logistics activities, such costs and expenses may not decrease ratably or at all. As a result, we may experience declines in our margin if these volumes decrease.

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 moves in petroleum product and renewable fuel prices 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 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 products we sell at the then lower market price from a competitor.

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, 2019, our total debt, including amounts outstanding under our credit agreement and senior notes, was approximately \$1.2 billion. We have the ability to incur additional debt, including the capacity to borrow up 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.

On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or

compelling banks to submit LIBOR rates after 2021. Under our credit agreement, if a comparable or successor rate to LIBOR is approved by Bank of America, N.A., in its capacity as administrative agent under our credit agreement, the approved rate will be applied in a manner consistent with market practice. To the extent market practice is not administratively feasible for the administrative agent, the approved rate will be applied in a manner otherwise reasonably determined by the administrative agent. We currently do not expect the transition from LIBOR to have a material impact on us. However, if clear market standards and replacement methodologies have not developed as of the time LIBOR becomes unavailable, we may have difficulty reaching agreement on acceptable replacement rates under our credit agreement. In the event that we do not reach agreement on an acceptable replacement rate for LIBOR, outstanding borrowings under the credit agreement denominated in U.S. dollars would revert to a floating rate equal to the base rate (which is equal to the greatest of the administrative agent's prime rate, the Federal Funds effective rate plus 0.50%, or 1-month LIBOR plus 1.00%) plus the applicable margin applicable to the alternative base rate which is currently equal to between 0.75% and 1.75%. If we are unable to negotiate replacement rates on favorable terms, it could have a material adverse effect on our financial condition, results of operations and cash distributions to unitholders. For more information about the interest rates under our senior secured credit agreement, please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreement."

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 energy companies whose businesses are related to the use of fossil fuels. 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 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;

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- 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.

Our ability to comply with the covenants and restrictions contained in our credit agreement and 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 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 indentures limit our ability to pay distributions upon the occurrence of certain events.

Our credit agreement and 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;

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- 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 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 8 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 8 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 January 2020, the CFTC 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.

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

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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, each of 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 to 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.

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

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in prices of petroleum products, renewable fuels and other products we sell 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 these increased costs can be passed along 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 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, resulting in a decrease in gasoline sales and/or sales of food, sundries and other on-site services. 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 utilizing 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 operations 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. Implementation of regulations and directives related to these aforementioned services as well as disruption in any of 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 and 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, trucks and barges, mechanical difficulties or bottlenecks and disruptions in transportation logistics could also disrupt our business operations. These events could result in service disruptions and increased costs 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.

Changes in government usage mandates and tax credits could adversely affect the availability and pricing of ethanol and renewable fuels, 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 renewable fuels 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

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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 products may be recoverable from the reimbursement fund of the applicable state and/or from third party insurance after any deductible or self-insured retention 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.

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 food preparation 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 and nicotine products, and the FDA and states have enacted and are pursuing enactment of numerous regulations restricting the sale of such products. These

governmental actions, as well as national, state and municipal campaigns to discourage smoking, tax increases, and imposition of regulations restricting the sale of e-cigarettes and vapor products, have and could result in reduced consumption levels, higher costs which we may not be able to pass on to our customers, and reduced overall customer traffic. Also, increasing regulations related to and restricting the sale of vapor products and e-cigarettes may offset some of the gains we have experienced from selling these types of products. These factors could materially affect the sale of this product mix which in turn could have an adverse effect on our financial condition, results of operations and cash available for distribution to our unitholders.

Our results can be adversely affected by unforeseen events, such as adverse weather, natural disasters, terrorism, pandemics, or other catastrophic events which could have an adverse effect on our financial condition, results of operations, and cash available for distributions to our unitholders.

Global and national health concerns, such as the outbreak of a pandemic or contagious disease like the recent coronavirus, may adversely affect us by reducing demand for our products. Such a health concern could result in people traveling less and avoiding public spaces, such as convenience stores and other locales where food and sundries are sold, either due to self-imposed or government-mandated restrictions to halt the spread of disease, thereby resulting in a decrease in the demand for our products, including gasoline and other refined petroleum products, and a decrease in sales of food, sundries and other on-site services. Such an event may impair our suppliers' ability to provide the volumes and types of product and goods we sell. A disease outbreak could affect the health of our workforce or result in travel restrictions, in either case rendering employees unable to work or travel. While these factors and the impact of these factors are difficult to predict, any one or more of them could disrupt our business as we may be unable to continue business operations in a continuous manner consistent with the level and extent of business activities prior to the occurrence of an unexpected event or events, lower our revenues, increase our costs, or reduce our 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 of those various products lines. 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. 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, and we compete with other providers of bunker fuels in those ports. 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 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, other locales providing food services 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, 2019, we owned, operated and maintained dedicated storage facilities at 18 bulk terminals, leased the entirety of one bulk terminal that we operated exclusively for our businesses, and maintained dedicated storage at five facilities at which we have terminalling agreements. The lease and terminalling agreements are subject to expiration through 2020 and 2023, respectively. If these lease and terminalling agreements are not renewed or we are unable to renew them at rates and on terms and conditions satisfactory us, 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 lease and/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/or may not be adequate to cover costs associated with ownership of that site. 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 pursuant to 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's ability to pay for or accept contracted volumes and a competitive marketplace for the services offered by us. If we cannot successfully renegotiate or replace our contracts or if we 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 terminals we own or control or to which we have access. Furthermore, the majority of those 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 developments due to catastrophic events or weather and corresponding 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, 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 such products. 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 municipal 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 municipal 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 future permits and renewals of permits may contain terms and conditions that limit our operations or result in additional compliance costs.

In recent years, the transport of gasoline, distillates, 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 gasoline, distillates, crude oil and ethanol may lead to shortages of compliant railcars available to transport these products, which could adversely affect our businesses. Likewise, in recent years, efforts have commenced to seek to use federal, state and municipal 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, gasoline, distillates, 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.

Our terminalling operations are subject to federal, state and municipal 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 municipal 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 municipal 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, or renewal of 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, state and municipal 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 municipal permits could impact our ability to build, expand and operate strategic facilities and infrastructure, which could adversely impact growth and operational efficiency.

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 CAFE standards. In 2012, the EPA issued CAFE standards for fleets of 2022-2025 model year vehicles. In 2016, NHTSA finalized a rule imposing stricter penalties against those who exceed CAFE standards. In 2018, the EPA proposed a rule that would amend the 2022-2025 CAFE standards. In 2019, the EPA and NHTSA jointly finalized a rule to reduce the penalties for violations of CAFE standards and to revoke California's authority to set its own fuel economy standards. California and a coalition of other states have filed suit to challenge that rulemaking. Should stricter standards or penalties become effective or should California's authority to set its own fuel economy standards be upheld, reductions in emissions of GHGs from the operation of motor vehicles may be required, which may reduce 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 various modes of transportation, 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 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 or other products, 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.

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to our businesses, financial condition or results of operations. In addition, any derailment of railcars or other events related to 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.

We are subject to federal, state and municipal 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 municipal 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 adversely impact related 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 also result in substantial penalties.

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

Our retail operations are subject to extensive federal, state and municipal 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, food preparation, 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

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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 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, pipeline control systems, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, including 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 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 or disruption. 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.

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 could harm our businesses and could adversely influence 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 could 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 4, 2020, affiliates of our general partner, including directors and executive officers and their affiliates, owned 21.4% 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.

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- 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 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 such 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

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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;

- 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

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 (or if LIBOR is no longer available as otherwise provided for in our partnership agreement) 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 (or an

alternative rate, as applicable) increases during that period. As a result, the holders of the Series A Preferred Units will be subject to 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

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- 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.

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.

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, municipal 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 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. From time to time, members of Congress have proposed and considered substantive changes to the existing U.S. federal income tax laws that would affect publicly traded partnerships, including elimination of partnership tax treatment for publicly traded partnerships. For example, the “Clean Energy for America Act”, which is similar to legislation that was commonly proposed during the Obama Administration, was introduced in the Senate on May 2, 2019. If enacted, this proposal would, among other things, repeal the qualifying income exception within Section 7704(d)(1)(E) of the Internal Revenue Code upon which we rely for our treatment as a partnership for U.S. federal income tax purposes. In addition, the Treasury Department has issued, and in the future may issue, regulations interpreting those laws that affect publicly traded partnerships. There can be no assurance that there will not be further changes to U.S. federal income tax laws or the Treasury Department’s interpretation of such laws in a manner that could impact our ability to qualify as a publicly traded partnership in the future.

Any modification to the U.S. federal income tax laws or interpretations thereof 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 or 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, 2019, 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 operate 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 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 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 business 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 to the extent such depreciation, amortization, or depletion is not capitalized into cost of goods sold with respect to inventory. If our "business interest" is subject to limitation under these rules, our unitholders will be limited in their ability to deduct their share of any interest expense that has been allocated to them. As a result, common unitholders may be subject to limitation on their ability to deduct interest expense incurred by us which could 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

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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.

Moreover, the transferee of an interest in a partnership that is engaged in a U.S. trade or business is generally required to withhold 10% of the amount realized by the transferor unless the transferor certifies that it is not a foreign person, and we are required to deduct and withhold from the transferee amounts that should have been withheld by the transferee but were not withheld. Because the “amount realized” includes a partner’s share of the partnership’s liabilities, 10% of the amount realized could exceed the total cash purchase price for the units. However, pending the issuance of final regulations, the IRS has suspended the application of this withholding rule to transfers of publicly traded interests in publicly traded partnerships. If recently promulgated regulations are finalized as proposed, such regulations would provide, with respect to transfers of publicly traded interests in publicly traded partnerships effected through a broker, that the obligation to withhold is imposed on the transferor’s broker and that a partner’s “amount realized” does not include a partner’s share of a publicly traded partnership’s liabilities for purposes of determining the amount subject to withholding. However, it is not clear when such regulations will be finalized and if they will be finalized in their current form.

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

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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 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, municipal 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 income attributable to 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 distributions on the Series A Preferred Units were treated as payments on 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, recently issued final Treasury Regulations provide that income attributable to a guaranteed payment for the use of capital is not eligible for the 20% deduction for qualified publicly traded partnership

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income. As a result, income attributable to a guaranteed payment for use of capital recognized by holders of our Series A Preferred Units is not 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 payments for the use of capital to tax-exempt investors is not certain and the income resulting from 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 23 of Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

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 2, 2020, based upon information received from our transfer agent and brokers and nominees, we had 11,598 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 %
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.

Distributions on the Series A Preferred Units are cumulative from August 7, 2018, the original issue date of the Series A Preferred Units, and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each

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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.

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, 2019.

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,				
	2019	2018	2017	2016	2015
	(dollars in millions except per unit amounts)				
Statement of Income Data:					
Sales	\$ 13,081.7	\$ 12,672.6	\$ 8,920.6	\$ 8,239.6	\$ 10,314.9
Cost of sales	12,419.0	12,022.2	8,337.5	7,693.1	9,717.2
Gross profit	662.7	650.4	583.1	546.5	597.7
Selling, general and administrative expenses	170.9	171.0	155.0	149.7	177.0
Operating expenses	342.4	321.1	283.6	288.5	290.3
(Gain) loss on trustee taxes	—	(52.6)	16.2	—	—
Lease exit and termination (gain) expenses	(0.5)	(3.5)	—	80.7	—
Amortization expense	11.4	11.0	9.2	9.4	13.5
Net (gain) loss on sale and disposition of assets	(2.7)	5.9	(1.6)	20.5	2.1
Goodwill and long-lived asset impairment	2.0	0.4	0.8	149.9	—
Total operating costs and expenses	523.5	453.3	463.3	698.7	482.9
Operating income (loss)	139.2	197.1	119.8	(152.2)	114.7
Interest expense	(89.9)	(89.1)	(86.2)	(86.3)	(73.3)
Loss on early extinguishment of debt	(13.1)	—	—	—	—
Income (loss) before income tax (expense) benefit	36.2	108.0	33.5	(238.5)	41.4
Income tax (expense) benefit	(1.0)	(5.6)	23.6	(0.1)	1.9
Net income (loss)	35.2	102.4	57.1	(238.6)	43.3
Net loss attributable to noncontrolling interest (1)	0.7	1.5	1.6	39.2	0.3
Net income (loss) attributable to Global Partners LP	35.9	103.9	58.8	(199.4)	43.6
Less: General partners' interest in net income (loss)	1.4	1.0	0.4	(1.3)	7.7
Less: Series A preferred limited partner interest in net income	6.7	2.7	—	—	—
Net income (loss) attributable to common limited partners	\$ 27.8	\$ 100.2	\$ 58.4	\$ (198.1)	\$ 35.9
Per Unit Data					
Basic net income (loss) per common limited partner unit (2)	\$ 0.82	\$ 2.97	\$ 1.74	\$ (5.91)	\$ 1.12
Diluted net income (loss) per common limited partner unit (2)	\$ 0.81	\$ 2.95	\$ 1.74	\$ (5.91)	\$ 1.11
Cash distributions per common limited partner unit (3)	\$ 2.05	\$ 1.88	\$ 1.85	\$ 1.85	\$ 2.74
Cash Flow Data:					
Net cash provided by (used in):					
Operating activities	\$ 94.4	\$ 168.9	\$ 348.4	\$ (119.9)	\$ 62.5
Investment activities	\$ (67.2)	\$ (225.7)	\$ (61.6)	\$ 6.4	\$ (649.7)
Financing activities	\$ (23.3)	\$ 50.1	\$ (282.0)	\$ 122.4	\$ 583.1
Other Financial Data:					
EBITDA (4)	\$ 234.4	\$ 304.3	\$ 225.0	\$ (4.9)	\$ 225.7
Adjusted EBITDA (4)	\$ 233.7	\$ 310.6	\$ 224.2	\$ 129.7	\$ 227.8
Distributable cash flow (5)	\$ 95.7	\$ 173.7	\$ 108.3	\$ (121.4)	\$ 126.9
Capital expenditures—acquisitions (6)	\$ —	\$ 171.6	\$ 38.5	\$ —	\$ 561.2
Capital expenditures—maintenance and expansion (6)	\$ 82.9	\$ 69.2	\$ 49.8	\$ 71.3	\$ 92.9
Operating Data:					
Normal heating degree days (7)	5,630	5,630	5,630	5,661	5,630
Actual heating degree days	5,152	5,391	5,310	5,177	5,651
Variance from normal heating degree days	(8)%	(4)%	(6)%	(9)%	0.37 %
Variance from prior year actual degree days	(4)%	2 %	3 %	(8)%	(0.23)%
Total gallons sold (in millions)	6,519	5,863	4,766	5,133	5,648
Variance in volume sold from prior year	11 %	23 %	(7)%	(9)%	(11)%
Balance Sheet Data (at period end):					
Total assets	\$ 2,808.4	\$ 2,424.3	\$ 2,320.2	\$ 2,564.0	\$ 2,663.7
Long—term debt	\$ 1,058.2	\$ 1,034.5	\$ 957.8	\$ 1,025.9	\$ 1,075.6
Total debt	\$ 1,207.1	\$ 1,137.8	\$ 1,084.5	\$ 1,300.5	\$ 1,173.7
Total liabilities	\$ 2,349.2	\$ 1,925.1	\$ 1,925.9	\$ 2,166.2	\$ 1,969.7
Partners' equity	\$ 459.2	\$ 499.2	\$ 394.3	\$ 397.8	\$ 694.0

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 loss in the table above is attributable to the noncontrolling interest which represents Basin Transload’s 40% interest.

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- (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.
- (3) Cash distributions earned 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 18 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.
- (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. 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.”

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, 2019, we had a portfolio of 1,551 owned, leased and/or supplied gasoline stations, including 289 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 \$12.6 billion of refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane for the year ended December 31, 2019. In addition, we had other revenues of approximately \$0.5 billion for the year ended December 31, 2019 from convenience store sales at our directly operated stores, rental income from dealer leased and commissioned agent leased gasoline stations and from cobranding arrangements, and sundries.

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

2019 and Recent Events

2027 Notes Offering and 2022 Notes Tender Offer and Redemption— On July 31, 2019, we and GLP Finance Corp. (the “Issuers”) issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 (the “2027 Notes”) to several initial purchasers (the “2027 Notes Initial Purchasers”) in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The 2027 Notes were resold by the 2027 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering to fund the repurchase of our 6.25% senior notes due 2022 (the “2022 Notes”) in a tender offer and to repay a portion of the borrowings outstanding under our credit agreement. The redemption of the 2022 Notes occurred on August 30, 2019. Please read “—Liquidity and Capital Resources—Senior Notes” for additional information.

On February 18, 2020, we completed an exchange offer whereby holders of the 2027 Notes exchanged all of the 2027 Notes for an equivalent amount of senior notes registered under the Securities Act. The exchange notes are substantially identical to the 2027 Notes, except that the exchange notes are not subject to the restrictions on transfers or to any increase in annual interest rates for failure to comply with the 2027 Notes Registration Rights Agreement (defined below).

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Amended Credit Agreement—On April 19, 2019, we entered into the third amendment to the third amended and restated credit agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the existing revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. Please read “—Liquidity and Capital Resources—Credit Agreement” for additional information on our credit agreement.

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 18 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 20 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 \$138.2 million, including inventory. The acquisition included 37 company-operated gasoline stations with Jiffy Mart-branded convenience stores in Vermont and New Hampshire and approximately 24 fuel sites that 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 20 of Notes to Consolidated Financial Statements for additional information.

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

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”) for approximately \$38.5 million 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 20 of Notes to Consolidated Financial Statements for additional information.

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

Operating Segments

We purchase refined petroleum products, gasoline blendstocks, renewable fuels, crude oil and propane primarily from domestic and foreign refiners and ethanol producers, crude oil producers, major and independent oil

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

Company operated	289
Commissioned agents	258
Lessee dealers	216
Contract dealers	788
Total	<u>1,551</u>

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

Commercial

In our Commercial segment, we include sales and deliveries to end user customers in the public sector and to large commercial and industrial end users of unbranded gasoline, home heating oil, diesel, kerosene, residual oil and

bunker fuel. In the case of public sector commercial and industrial end user customers, we sell products primarily either through a competitive bidding process or through contracts of various terms. We respond to publicly issued requests for product proposals and quotes. We generally arrange for the delivery of the product to the customer's designated location. 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.
- *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. Implementation of regulations and directives related to these aforementioned services as well as disruption in any of 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 and 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, trucks and barges, mechanical difficulties or bottlenecks and disruptions in transportation logistics could also disrupt our business operations. These events could result in service disruptions and increased costs which could also adversely affect our financial condition, results of operations and cash available for distribution to our unitholders. Other disruptions, such as those due to an act of terrorism or war, could also adversely affect our businesses.
- *We have contractual obligations for certain transportation assets such as railcars, barges and pipelines.* A decline in demand for (i) the products we sell or (ii) our logistics activities, could result in a decrease in the utilization of our transportation assets, which could negatively impact our financial condition, results of operations and cash available for distribution to our unitholders.
- *Our gasoline financial results, with particular impact to our GDSO segment, are seasonal and can be lower in the first and fourth quarters of the calendar year.* Due to the nature of our businesses and our reliance, in part, on consumer travel and spending patterns, we may experience more demand for gasoline during the late spring and summer months than during the fall and winter. Travel and recreational activities are typically higher in these months in the geographic areas in which we operate, increasing the demand for gasoline that we sell. Therefore, our results of operations in gasoline can be lower in the first and fourth quarters of the calendar year.
- *Our heating oil and residual oil financial results are seasonal and can be lower in the second and third quarters of the calendar year.* Demand for some refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally higher during November through March than during April through October. We obtain a significant portion of these sales during the winter months. Therefore, our results of operations in heating oil and residual oil for the first and fourth calendar quarters can be better than for the second and third quarters.
- *Warmer weather conditions could adversely affect our results of operations and financial condition.* Weather conditions generally have an impact on the demand for both home heating oil and residual oil. Because we supply distributors whose customers depend on home heating oil and residual oil for space

heating purposes during the winter, warmer-than-normal temperatures during the first and fourth calendar quarters 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 and renewable fuels, 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 renewable fuels in the nation's fuel supply and, to that end, sets annual quotas for the quantity of renewable fuels (such as ethanol) that must be blended into transportation fuels consumed in the United States. A RIN is assigned to each gallon of renewable fuel produced in or imported into the United States. We are exposed to the volatility in the market price of RINs. We cannot predict the future prices of RINs. RIN prices are dependent upon a variety of factors, including EPA regulations related to the amount of RINs required and the total amounts that can be generated, the availability of RINs for purchase, the price at which RINs can be purchased, and levels of transportation fuels produced, all of which can vary significantly from quarter to quarter. If sufficient RINs are unavailable for purchase or if we have to pay a significantly higher price for RINs, or if we are otherwise unable to meet the EPA's RFS mandates, our results of operations and cash flows could be adversely affected. Future demand for ethanol will be largely dependent upon the economic incentives to blend based upon the relative value of gasoline and ethanol, taking into consideration the EPA's regulations on the RFS program and oxygenate blending requirements. A reduction or waiver of the RFS mandate or oxygenate blending requirements could adversely affect the availability and pricing of ethanol, which in turn could adversely affect our future gasoline and ethanol sales. In addition, changes in blending requirements or broadening the definition of what constitutes a renewable fuel could affect the price of RINs which could impact the magnitude of the mark-to-market liability recorded for the deficiency, if any, in our RIN position relative to our RVO at a point in time.
- *We may not be able to fully implement or capitalize upon planned growth projects.* We could have a number of organic growth projects that may require the expenditure of significant amounts of capital in the aggregate. Many of these projects involve numerous regulatory, environmental, commercial and legal uncertainties beyond our control. As these projects are undertaken, required approvals, permits and licenses may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, revenues associated with these organic growth projects may not increase immediately upon the expenditures of funds with respect to a particular project and these projects may be completed behind schedule or in excess of budgeted cost. We may pursue and complete projects in anticipation of market demand that dissipates or market growth that never materializes. As a result of these uncertainties, the anticipated benefits associated with our capital projects may not be achieved.

- *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 and nicotine products, and the FDA and states have enacted and are pursuing enactment of numerous regulations restricting the sale of such products. These governmental actions, as well as national, state and municipal campaigns to discourage smoking, tax increases, and imposition of regulations restricting the sale of e-cigarettes and vapor products, have and could result in reduced consumption levels, higher costs which we may not be able to pass on to our customers, and reduced overall customer traffic. Also, increasing regulations related to and restricting the sale of vapor products and e-cigarettes may offset some of the gains we have experienced from selling these types of products. These factors could materially affect the sale of this product mix which in turn could have an adverse effect on our financial condition, results of operations and cash available for distribution to our 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 municipal 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 municipal 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 municipal 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 include the cost of acquiring products and all associated costs including shipping and handling costs to bring such products to the point of sale as well as product costs related to convenience store items and costs associated with our logistics activities. We also look at product margin on a per unit basis (product margin divided by volume). Product margin is a non-GAAP financial measure used by management and external users of our consolidated financial statements to assess our business. Product margin should not be considered an alternative to net income, operating income, cash flow from operations, or any other measure of financial performance presented in accordance with GAAP. In addition, our product margin may not be comparable to product margin or a similarly titled measure of other companies.

Gross Profit

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

EBITDA and Adjusted EBITDA

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

- our compliance with certain financial covenants included in our debt agreements;
- our financial performance without regard to financing methods, capital structure, income taxes or historical cost basis;
- our ability to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;
- our operating performance and return on invested capital as compared to those of other companies in the wholesale, marketing, storing and distribution of refined petroleum products, 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,		
	2019	2018	2017
Net income attributable to Global Partners LP	\$ 35,867	\$ 103,905	\$ 58,752
EBITDA (1)(2)	\$ 234,374	\$ 304,312	\$ 225,020
Adjusted EBITDA (1)(2)	\$ 233,666	\$ 310,606	\$ 224,205
Distributable cash flow (3)(4)(5)	\$ 95,713	\$ 173,688	\$ 108,264
Wholesale Segment:			
Volume (gallons)	4,153,831	3,620,983	2,654,551
Sales			
Gasoline and gasoline blendstocks	\$ 5,358,550	\$ 4,732,028	\$ 2,097,811
Crude oil (6)	96,419	109,719	464,234
Other oils and related products (7)	1,974,897	2,049,043	1,725,537
Total	\$ 7,429,866	\$ 6,890,790	\$ 4,287,582
Product margin			
Gasoline and gasoline blendstocks	\$ 83,982	\$ 76,741	\$ 82,124
Crude oil (6)	(13,047)	7,159	7,279
Other oils and related products (7)	51,584	53,389	62,799
Total	\$ 122,519	\$ 137,289	\$ 152,202
Gasoline Distribution and Station Operations Segment:			
Volume (gallons)	1,622,122	1,596,453	1,582,056
Sales			
Gasoline	\$ 3,806,892	\$ 4,081,498	\$ 3,434,581
Station operations (8)	466,761	427,211	351,876
Total	\$ 4,273,653	\$ 4,508,709	\$ 3,786,457
Product margin			
Gasoline	\$ 374,550	\$ 373,303	\$ 326,536
Station operations (8)	225,078	203,098	174,986
Total	\$ 599,628	\$ 576,401	\$ 501,522
Commercial Segment:			
Volume (gallons)	743,545	645,393	529,705
Sales	\$ 1,378,211	\$ 1,273,103	\$ 846,513
Product margin	\$ 28,540	\$ 23,611	\$ 17,858
Combined sales and product margin:			
Sales	\$ 13,081,730	\$ 12,672,602	\$ 8,920,552
Product margin (9)	\$ 750,687	\$ 737,301	\$ 671,582
Depreciation allocated to cost of sales	(87,930)	(86,892)	(88,530)
Combined gross profit	\$ 662,757	\$ 650,409	\$ 583,052
GDSO portfolio as of December 31, 2019, 2018 and 2017:			
Company operated	289	297	264
Commissioned agents	258	259	267
Lessee dealers	216	237	230
Contract dealers	788	786	694
Total GDSO portfolio	1,551	1,579	1,455

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	Year Ended December 31,		
	2019	2018	2017
Weather conditions:			
Normal heating degree days	5,630	5,630	5,630
Actual heating degree days	5,152	5,391	5,310
Variance from normal heating degree days	(8)%	(4)%	(6)%
Variance from prior period actual heating degree days	(4)%	2 %	3 %

- (1) EBITDA and Adjusted EBITDA are non-GAAP financial measures which are discussed above under “—Evaluating Our Results of Operations.” The table below presents reconciliations of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measures.
- (2) EBITDA and Adjusted EBITDA in 2019 include a \$13.1 million loss on the early extinguishment of debt related to the 2022 Notes (see Note 8 of Notes to Consolidated Financial Statements). EBITDA and Adjusted EBITDA in 2018 include a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit and a lease exit and termination gain of \$3.5 million (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 (gain) loss on sale and disposition of assets and long-lived asset impairment of (\$0.7 million), \$6.3 million and \$13.3 million in 2019, 2018 and 2017, respectively. Excluding the net (gain) loss on sale and disposition of assets and impairment charge, distributable cash flow would have been \$95.0 million, \$180.0 million and \$121.6 million for 2019, 2018 and 2017, respectively.
- (5) Distributable cash flow in 2019 includes a \$13.1 million loss on the early extinguishment of debt related to the repurchase of the 2022 Notes (see Note 8 of Notes to Consolidated Financial Statements). Distributable cash flow in 2018 includes a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit (see Note 2 of Notes to Consolidated Financial Statements). Distributable cash flow in 2017 includes a \$14.2 million gain on the sale of our natural gas marketing and electricity brokerage businesses in February 2017 (see Note 7 of Notes to Consolidated Financial Statements).
- (6) Crude oil consists of our crude oil sales and revenue from our logistics activities.
- (7) Other oils and related products primarily consist of distillates, residual oil and propane.
- (8) Station operations consist of convenience stores sales, rental income and sundries.
- (9) Product margin is a non-GAAP financial measure which is discussed above under “—Evaluating Our Results of Operations.” The table above includes a reconciliation of product margin on a combined basis to gross profit, a directly comparable GAAP measure.

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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,		
	2019	2018	2017
Reconciliation of net income to EBITDA and Adjusted EBITDA:			
Net income	\$ 35,178	\$ 102,403	\$ 57,117
Net loss attributable to noncontrolling interest	689	1,502	1,635
Net income attributable to Global Partners LP	35,867	103,905	58,752
Depreciation and amortization, excluding the impact of noncontrolling interest	107,557	105,639	103,601
Interest expense, excluding the impact of noncontrolling interest	89,856	89,145	86,230
Income tax expense (benefit)	1,094	5,623	(23,563)
EBITDA (1)	234,374	304,312	225,020
Net (gain) loss on sale and disposition of assets	(2,730)	5,880	(1,624)
Goodwill and long-lived asset impairment	2,022	414	809
Adjusted EBITDA (1)	<u>\$ 233,666</u>	<u>\$ 310,606</u>	<u>\$ 224,205</u>
Reconciliation of net cash provided by operating activities to EBITDA and Adjusted EBITDA:			
Net cash provided by operating activities	\$ 94,402	\$ 168,856	\$ 348,442
Net changes in operating assets and liabilities and certain non-cash items	48,968	40,385	(185,673)
Net cash from operating activities and changes in operating assets and liabilities attributable to noncontrolling interest	54	303	(416)
Interest expense, excluding the impact of noncontrolling interest	89,856	89,145	86,230
Income tax expense (benefit)	1,094	5,623	(23,563)
EBITDA (1)	234,374	304,312	225,020
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Adjusted EBITDA (1)	<u>\$ 233,666</u>	<u>\$ 310,606</u>	<u>\$ 224,205</u>

- (1) EBITDA and Adjusted EBITDA in 2019 include a \$13.1 million loss on the early extinguishment of debt related to the 2022 Notes (see Note 8 of Notes to Consolidated Financial Statements). EBITDA and Adjusted EBITDA in 2018 includes a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit and a lease exit and termination gain of \$3.5 million (see Note 2 of Notes to Consolidated Financial Statements for additional information on these events).

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Net income attributable to Global Partners LP	35,867	103,905	58,752
Depreciation and amortization, excluding the impact of noncontrolling interest	107,557	105,639	103,601
Amortization of deferred financing fees and senior notes discount	5,940	6,873	7,089
Amortization of routine bank refinancing fees	(3,754)	(4,088)	(4,277)
Non-cash tax reform benefit	—	—	(22,183)
Maintenance capital expenditures, excluding the impact of noncontrolling interest	(49,897)	(38,641)	(34,718)
Distributable cash flow (1)(2)(3)	95,713	173,688	108,264
Distributions to Series A preferred unitholders (4)	(6,728)	(2,691)	—
Distributable cash flow after distributions to Series A preferred unitholders	<u>\$ 88,985</u>	<u>\$ 170,997</u>	<u>\$ 108,264</u>
Reconciliation of net cash provided by operating activities to distributable cash flow:			
Net cash provided by operating activities	\$ 94,402	\$ 168,856	\$ 348,442
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- (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 (gain) loss on sale and disposition of assets and long-lived asset impairment of (\$0.7 million), \$6.3 million and \$13.3 million in 2019, 2018 and 2017, respectively. Excluding the net (gain) loss on sale and disposition of assets and impairment charge, distributable cash flow would have been \$95.0 million, \$180.0 million and \$121.6 million for 2019, 2018 and 2017, respectively.
- (3) Distributable cash flow in 2019 includes a \$13.1 million loss on the early extinguishment of debt related to the repurchase of the 2022 Notes (see Note 8 of Notes to Consolidated Financial Statements). Distributable cash flow in 2018 includes a one-time gain of approximately \$52.6 million as a result of the extinguishment of a contingent liability related to a Volumetric Ethanol Excise Tax Credit (see Note 2 of Notes to Consolidated Financial Statements). Distributable cash flow in 2017 includes a \$14.2 million gain on the sale of our natural gas marketing and electricity brokerage businesses in February 2017 (see Note 7 of Notes to Consolidated Financial Statements).
- (4) Distributions to Series A preferred unitholders represent the distributions earned by the preferred unitholders during the period. Distributions on the Series A Preferred Units are cumulative and payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2018.

Results of Operations for Years 2019, 2018 and 2017

Consolidated Sales

Our total sales were \$13.1 billion and \$12.7 billion for 2019 and 2018, respectively, an increase of \$0.4 billion, or 3%, due to an increase in volume sold. Our aggregate volume of product sold was 6.5 billion gallons and 5.8 billion gallons for 2019 and 2018, respectively, an increase of 0.7 billion gallons. The increase in volume sold includes increases of 533 million gallons in our Wholesale segment, primarily in gasoline and gasoline blendstocks, 98 million gallons in our Commercial segment and 26 million gallons in our GDSO segment.

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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 966 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 14 million gallons in our GDSO segment.

Gross Profit

Our gross profit was \$662.7 million and \$650.4 million for 2019 and 2018, respectively, an increase of \$12.3 million, or 2%, primarily due to the acquisitions of Champlain and Cheshire in July 2018 (collectively the “2018 Acquisitions”) in our GDSO segment. The increase in gross profit was offset by a decline in crude oil product margin in our Wholesale segment, primarily due to \$21.6 million in revenue recognized in 2018 related to a take-or-pay contract with one particular customer which was not recognized in 2019 as that contract expired in June 2018.

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 2018 Acquisitions and the October 2017 acquisition of Honey Farms 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.

Results for Wholesale Segment

Gasoline and Gasoline Blendstocks. Sales from wholesale gasoline and gasoline blendstocks were \$5.3 billion and \$4.7 billion for 2019 and 2018, respectively, an increase of \$0.6 billion, or 13%, due to an increase in volume sold. Our gasoline and gasoline blendstocks product margin was \$84.0 million and \$76.7 million for 2019 and 2018, respectively, an increase of \$7.3 million, or 9%, primarily due to more favorable market conditions in gasoline, offset by less favorable market conditions in gasoline blendstocks, primarily ethanol.

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 in 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.

Crude Oil. Crude oil sales and logistics revenues were \$96.4 million and \$109.7 million for 2019 and 2018, respectively, a decrease of \$13.3 million, or 12%, primarily due to the \$21.6 million decrease in take-or-pay contract revenue, partially offset by an increase in volume sold. Our crude oil product margin was (\$13.0 million) and \$7.2 million for 2019 and 2018, respectively, a decrease of \$20.2 million, or 282%, primarily due to the \$21.6 million decrease in take-or-pay contract revenue. Our product margin for 2019 was favorably impacted by lower railcar related expenses.

Crude oil sales and logistics revenues were \$109.7 million and \$464.2 million for 2018 and 2017, respectively, a decrease of \$354.5 million, 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 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.

Other Oils and Related Products. Sales from other oils and related products (primarily distillates, residual oil

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and propane) were \$2.0 billion and \$2.1 billion for 2019 and 2018, respectively, a decrease of \$0.1 billion, or 4%, in part due to a decline in prices, partially offset by an increase in residual oil volume sold. Our product margin from other oils and related products was \$51.6 million and \$53.4 million for 2019 and 2018, respectively, a decrease of \$1.8 million, or 3%. Our product margin in distillates for 2019 was negatively impacted due to less favorable market conditions, largely in the fourth quarter, and to weather that was both warmer than normal and warmer than in 2018.

Sales from other oils and related products 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.

Results for Gasoline Distribution and Station Operations Segment

Gasoline Distribution. Sales from gasoline distribution were \$3.8 billion and \$4.1 billion for 2019 and 2018, respectively, a decrease of \$0.3 billion, or 7%, due to a decline in prices, partially offset by an increase in volume sold. Our product margin from gasoline distribution was \$374.5 million and \$373.3 million for 2019 and 2018, respectively, an increase of \$1.2 million, primarily due to the 2018 Acquisitions. Our product margin in 2019 was negatively impacted by lower fuel margins (cents per gallon) in the fourth quarter compared to the fourth quarter of 2018 when fuel margins were higher due to a decline in wholesale gasoline prices.

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 the 2018 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 the 2018 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.

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 \$466.7 million and \$427.2 million for 2019 and 2018, respectively, an increase of \$39.5 million, or 9%. Our product margin from station operations was \$225.1 million and \$203.1 million for 2019 and 2018, respectively, an increase of \$22.0 million, or 11%, primarily due to the 2018 Acquisitions.

Revenues from our station operations were \$427.2 million and \$351.9 million for 2018 and 2017, respectively, an increase of \$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 the 2018 Acquisitions, partially offset by the sale of non-strategic sites.

Results for Commercial Segment

Our commercial sales were \$1.4 billion and \$1.3 billion for 2019 and 2018, respectively, an increase of \$0.1 billion, or 8%, due to an increase in volume sold. Our commercial product margin was \$28.5 million and \$23.6 million for 2019 and 2018, respectively, an increase of \$4.9 million, or 21%, primarily due to favorable market conditions in bunkering.

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

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increase in bunkering activity.

Selling, General and Administrative Expenses

SG&A expenses were \$170.9 million and \$171.0 million for 2019 and 2018, respectively, a decrease of \$0.1 million, or less than 1%, including decreases of \$4.6 million in incentive compensation and \$3.9 million in acquisition costs recorded in 2018 that were not incurred in 2019, offset by increases of \$5.6 million in wages and \$2.1 million in benefits in part to support our GDSO business, including the 2018 Acquisitions, and \$0.7 million in various SG&A 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.

Operating Expenses

Operating expenses were \$342.4 million and \$321.1 million for 2019 and 2018, respectively, an increase of \$21.3 million, or 7%, due to an increase of \$21.9 million associated with our GDSO operations, primarily due to the 2018 Acquisitions, partially offset by decreases in expenses associated with our terminal operations and with the sale of sites.

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 the 2018 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.

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

In December 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) (the “Services Agreement”) with the counterparty, pursuant to which we would provide railcar storage, freight, insurance and other services on behalf of the counterparty. During each of 2019 and 2018, we were released from certain of our obligations under the Services Agreement, which resulted in a reduction of the remaining accrued incremental costs of \$0.5 million and \$3.5 million for the years ended December 31, 2019 and 2018, respectively, which benefit is included in lease exit and termination gain in the accompanying statements of operations.

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Amortization Expense

Amortization expense related to our intangible assets was \$11.4 million, \$11.0 million and \$9.2 million for 2019, 2018 and 2017, respectively. The increases of \$0.4 million in 2019 compared to 2018 and \$1.8 million in 2018 compared to 2017 was primarily due to the intangibles acquired in the 2018 Acquisitions.

Net Gain (Loss) on Sale and Disposition of Assets

We had a net gain (loss) on the sale and disposition of assets of \$2.7 million, (\$5.9 million) and (\$12.5 million) for 2019, 2018 and 2017, respectively, primarily due to the sale of GDSO sites. Included in the net gain (loss) on sale and disposition of assets is approximately \$2.9 million, \$3.9 million and \$4.0 million for 2019, 2018 and 2017, 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 7 of Notes to Consolidated Financial Statements for additional information.

Goodwill and Long-Lived Asset Impairment

We recognized a long-lived asset impairment charge of \$2.0 million, \$0.4 million and \$0.8 million in 2019, 2018 and 2017, respectively, relating to long-lived assets used at certain gasoline stations and convenience stores associated with our GDSO segment. 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 \$89.9 million and \$89.1 million for 2019 and 2018, respectively, an increase of \$0.7 million, or less than 1%, primarily due to higher interest rates for 2019 compared to 2018, partially offset by lower average balances on our credit facilities.

Interest expense was \$89.1 million and \$86.2 million for 2018 and 2017, respectively, an increase of \$2.9 million, or 3%, primarily due to higher average balances on our credit facilities for 2018, in part due to the 2018 Acquisitions, an increase in inventory attributable to both volume and price, and an increase in interest rates for 2018 compared to 2017.

Loss on Early Extinguishment of Debt

As a result of the repurchase of the 2022 Notes, we recorded a \$13.1 million loss from early extinguishment of debt for the year ended December 31, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees. Please read “—Liquidity and Capital Resources—Senior Notes” for additional information.

Income Tax (Expense) Benefit

Income tax (expense) benefit was (\$1.0 million), (\$5.6 million) and \$23.6 million for 2019, 2018 and 2017, 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.

[Table of Contents](#)*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 \$0.7 million, \$1.5 million and \$1.6 million for 2019, 2018 and 2017, respectively, which represents the 40% noncontrolling ownership of the net loss reported.

Liquidity and Capital Resources*Liquidity*

Our primary liquidity needs are to fund our working capital requirements, capital expenditures and distributions and to service our indebtedness. Our primary sources of liquidity are cash generated from operations, amounts available under our working capital revolving credit facility and equity and debt offerings. Please read “—Credit Agreement” for more information on our working capital revolving credit facility.

Working capital was \$250.6 million and \$292.2 million at December 31, 2019 and 2018, respectively, a decrease of \$41.6 million, largely due to an increase of \$68.2 million in the current portion of our lease liability related to the adoption of ASC 842 (see Note 3 of Notes to Consolidated Financial Statements). Working capital was negatively impacted by increases of \$64.4 million in accounts payable and \$45.6 million in the current portion of our working capital revolving credit facility, primarily due to higher prices, which was more than offset by the increases of \$78.4 million in accounts receivable and \$64.0 million inventories, also primarily due to higher prices.

*Cash Distributions**Common Units*

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

Cash Distribution Payment Date	Total Paid	Distribution Paid for the Quarterly Period Ended
February 14, 2019	\$ 17.3 million	Fourth quarter 2018
May 15, 2019	\$ 17.7 million	First quarter 2019
August 14, 2019	\$ 17.9 million	Second quarter 2019
November 14, 2019	\$ 18.1 million	Third quarter 2019

In addition, on January 27, 2020, the board of directors of our general partner declared a quarterly cash distribution of \$0.5250 per unit (\$2.10 per unit on an annualized basis) on all of our outstanding common units for the period from October 1, 2019 through December 31, 2019 to our common unitholders of record as of the close of business February 10, 2020. This distribution resulted in our reaching our second target level distribution for the quarter ended December 31, 2019. On February 14, 2020, we paid the total cash distribution of approximately \$18.3 million.

Preferred Units

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

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

In addition, on January 21, 2020, 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

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period from November 15, 2019 through February 14, 2020 to our preferred unitholders of record as of the opening of business on February 3, 2020. On February 18, 2020, 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, 2019 were as follows (in thousands):

Contractual Obligations	Payments Due by Period					Total
	2020	2021	2022	2023	2024 and Thereafter	
Credit facility obligations (1)	\$ 171,333	\$ 291,742	\$ 95,917	\$ —	\$ —	\$ 558,992
Senior notes obligations (2)	49,000	49,000	49,000	338,500	512,000	997,500
Operating lease obligations (3)	87,606	77,575	52,673	41,512	105,320	364,686
Other long-term liabilities (4)	29,300	26,750	21,941	13,079	49,862	140,932
Financing obligations (5)	14,778	15,016	15,261	15,510	97,874	158,439
Total	<u>\$ 352,017</u>	<u>\$ 460,083</u>	<u>\$ 234,792</u>	<u>\$ 408,601</u>	<u>\$ 765,056</u>	<u>\$ 2,220,549</u>

- (1) Includes principal and interest on our working capital revolving credit facility and our revolving credit facility at December 31, 2019 and assumes a ratable payment through the expiration date. Our credit agreement has a contractual maturity of April 29, 2022 and no principal payments are required prior to that date. However, we repay amounts outstanding and reborrow funds based on our working capital requirements. Therefore, the current portion of the working capital revolving credit facility included in the accompanying consolidated balance sheets is the amount we expect to pay down during the course of the year, and the long-term portion of the working capital revolving credit facility is the amount we expect to be outstanding during the entire year. Please read “—Credit Agreement” for more information on our working capital revolving credit facility.
- (2) Includes principal and interest on our senior notes. No principal payments are required prior to maturity. See “—Liquidity and Capital Resources—Senior Notes” for additional information on our senior notes.
- (3) Includes operating lease obligations related to leases for office space and computer equipment, land, gasoline stations, railcars and barges. See Note 3 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, natural gas transportation and reservation agreements and access right agreements (see Note 11 of Notes to Consolidated Financial Statements for additional information on these agreements) and our pension and deferred compensation obligations.
- (5) Includes lease rental payments in connection with (i) the acquisition of Capitol related to properties previously sold by Capitol within two sale-leaseback transactions; and (ii) the sale of real property assets at 30 gasoline stations and convenience stores. These transactions did not meet the criteria for sale accounting and the lease rental payments are classified as interest expense on the respective financing obligation and the pay-down of the related financing obligation. See Note 8 of Notes to Consolidated Financial Statement for additional information.

See Note 3 of Notes to Consolidated Financial Statements with respect to sublease information related to certain lease agreements and Note 11 of Notes to Consolidated Financial Statements with respect to purchase commitments.

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 \$49.9 million, \$38.6 million and \$34.7 million in maintenance capital expenditures for the years ended December 31, 2019, 2018 and 2017, respectively, which are included in capital expenditures in the accompanying consolidated statements of cash flows, of which approximately \$45.0 million, \$33.6 million and \$27.9 million for 2019, 2018 and 2017, respectively, are related to our investments in our gasoline station business. Repair and maintenance

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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 \$33.0 million, \$175.7 million, and \$29.2 million in expansion capital expenditures, including acquisitions, for the years ended December 31, 2019, 2018 and 2017, respectively.

In 2019, the \$33.0 million in expansion capital expenditures included approximately \$31.1 million in raze and rebuilds, expansion and improvements at retail gasoline stations and new-to-industry sites and \$1.9 million in other expansion capital expenditures, primarily related to investments at our terminals and information technology projects.

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.

We currently expect maintenance capital expenditures of approximately \$45.0 million to \$55.0 million and expansion capital expenditures, excluding acquisitions, of approximately \$30.0 million to \$40.0 million in 2020, 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):

	2019	2018	2017
Net cash provided by operating activities	\$ 94,402	\$ 168,856	\$ 348,442
Net cash used in investing activities	\$ (67,214)	\$ (225,720)	\$ (61,644)
Net cash (used in) provided by financing activities	\$ (23,267)	\$ 50,127	\$ (281,968)

[Table of Contents](#)*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 \$94.4 million, \$168.9 million and \$348.4 million for 2019, 2018 and 2017, respectively, for a year-over-year decrease in cash flow from operating activities of \$74.5 million in 2019 and \$179.5 million in 2018. 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).

Except for net income, the primary drivers of the changes in operating activities include the following (in thousands):

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
(Increase) decrease in accounts receivable	\$(78,978)	\$ 81,898	\$(160,876)	\$ 81,898	\$ 3,886	\$ 78,012
(Increase) decrease in inventories	\$(64,790)	\$(29,778)	\$ (35,012)	\$(29,778)	\$173,167	\$(202,945)
Increase (decrease) in accounts payable	\$ 64,407	\$ (4,433)	\$ 68,840	\$ (4,433)	\$ (6,850)	\$ 2,417
Increase (decrease) in derivatives	\$ 30,030	\$(31,764)	\$ 61,794	\$(31,764)	2,346	\$ (34,110)

In 2019, the increases in accounts receivable, inventories and accounts payable were primarily due to higher prices. The decrease in operating cash flow was also impacted by the year-over-year change in derivatives of \$61.8 million due to market direction.

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.

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.

Investing Activities

Net cash used in investing activities was \$67.2 million for 2019 and included \$49.9 million in maintenance capital expenditures, \$33.0 million in expansion capital expenditures and \$1.4 million in seller note issuances, offset by \$17.1 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 \$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.

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).

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Please read “—Capital Expenditures” for a discussion of our expansion capital expenditures for the years ended December 31, 2019, 2018 and 2017.

Financing Activities

Net cash used in financing activities was \$23.3 million for 2019 and included \$381.9 million in payments in connection with the repurchase of the 2022 Notes and the issuance of the 2027 Notes, \$76.6 million in cash distributions to our limited partners (preferred and common unitholders) and our general partner, \$27.3 million in net payments on our revolving credit facility and \$0.7 million in LTIP units withheld for tax obligations related to awards that vested in 2019. Net cash used in financing activities was offset by \$392.6 million in proceeds in connection with the issuance of the 2027 Notes and \$70.6 million in net borrowings from our working capital revolving credit facility in part due to higher prices.

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.

See Note 8 of Notes to Consolidated Financial Statement for supplemental cash flow information related to our working capital revolving credit facility and revolving credit facility for 2019, 2018 and 2017.

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 29, 2022.

There are two facilities under the credit agreement:

- a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of our borrowing base and \$850.0 million; and
- a \$450.0 million revolving credit facility to be used for general corporate purposes.

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

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(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 1.75% to 2.75%, (2) the cost of funds rate plus 1.75% to 2.75%, or (3) the base rate plus 0.75% to 1.75%, each depending on the Combined Total Leverage Ratio (as defined in the credit agreement).

The average interest rates for the credit agreement were 4.3%, 4.0% and 3.7% for the years ended December 31, 2019, 2018 and 2017, respectively.

On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Under our credit agreement, if a comparable or successor rate to LIBOR is approved by Bank of America, N.A., in its capacity as administrative agent under our credit agreement, the approved rate will be applied in a manner consistent with market practice. To the extent market practice is not administratively feasible for the administrative agent, the approved rate will be applied in a manner otherwise reasonably determined by the administrative agent. We currently do not expect the transition from LIBOR to have a material impact on us. However, if clear market standards and replacement methodologies have not developed as of the time LIBOR becomes unavailable, we may have difficulty reaching agreement on acceptable replacement rates under our credit agreement. In the event that we do not reach agreement on an acceptable replacement rate for LIBOR, outstanding borrowings under the credit agreement denominated in U.S. dollars would revert to a floating rate equal to the base rate (which is equal to the greatest of the administrative agent's prime rate, the Federal Funds effective rate plus 0.50%, or 1-month LIBOR plus 1.00%) plus the applicable margin applicable to the alternative base rate which is currently equal to between 0.75% and 1.75%. If we are unable to negotiate replacement rates on favorable terms, it could have a material adverse effect on our financial condition, results of operations and cash distributions to unitholders.

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, 2019, we had total borrowings outstanding under the credit agreement of \$516.6 million, including \$192.7 million outstanding on the revolving credit facility. In addition, we had outstanding letters of credit of \$123.2 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$660.2 million and \$770.7 million at December 31, 2019 and 2018, 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

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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 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, 2019. The credit agreement also contains a representation whereby there can be no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect (as defined in the credit agreement). In addition, the credit agreement limits distributions by us to our unitholders to the amount of Available Cash (as defined in the partnership agreement).

Senior Notes

7.00% Senior Notes Due 2027

On July 31, 2019, the Issuers issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 to the 2027 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. We used the net proceeds from the offering to fund the repurchase of the 2022 Notes in a tender offer and to repay a portion of the borrowings outstanding under our credit agreement. The redemption of the 2022 Notes occurred on August 30, 2019.

As a result of the repurchase of the 2022 Notes, we recorded a \$13.1 million loss from early extinguishment of debt for the year ended December 31, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees.

2027 Notes Indenture

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

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

Prior to August 1, 2022, the Issuers have the option to redeem up to 35% of the 2027 Notes in an amount not greater than the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 107% plus accrued and unpaid interest, if any. The Issuers have the option to redeem the 2027 Notes, in whole or in part, at any time on or after August 1, 2022, at the redemption prices of 103.500% for the twelve-month period beginning on August 1, 2022, 102.333% for the twelve-month period beginning August 1, 2023, 101.167% for the twelve-month period beginning August 1, 2024, and 100% beginning on August 1, 2025 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before August 1, 2022, the Issuers may redeem all or any part of the 2027 Notes at a redemption price equal to the sum of the principal amount

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thereof, plus a make whole premium, plus accrued and unpaid interest, if any, to the redemption date. The holders of the 2027 Notes may require the Issuers to repurchase the 2027 Notes following certain asset sales or a Change of Control Triggering Event (as defined in the 2027 Notes Indenture) at the prices and on the terms specified in the 2027 Notes Indenture.

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

2027 Notes Registration Rights Agreement

On July 31, 2019, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the “2027 Notes Registration Rights Agreement”) with the 2027 Notes Initial Purchasers in connection with the Issuers’ private placement of the 2027 Notes. Under the 2027 Notes Registration Rights Agreement, the Issuers and the subsidiary guarantors agreed to file and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the 2027 Notes for an issue of notes with terms identical to the 2027 Notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with the 2027 Notes Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by September 23, 2020. The exchange offer was completed on February 18, 2020, and 100% of the 2027 Notes were exchanged for SEC-registered notes.

7.00% Senior Notes Due 2023

On June 1, 2015, the Issuers entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the “2023 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 “2023 Notes”) to the 2023 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 2023 Notes were resold by the 2023 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.

2023 Notes Indenture

In connection with the private placement of the 2023 Notes on June 4, 2015 the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “2023 Notes Indenture”).

The 2023 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 2023 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 2023 Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 2023 Notes may declare the 2023 Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of ours that is a significant subsidiary or any group of our restricted subsidiaries that, taken together, would constitute a significant subsidiary of ours, will automatically cause the 2023 Notes to become due and payable.

The Issuers have the option to redeem the 2023 Notes, in whole or in part, at the redemption prices of 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 2023 Notes may require the Issuers to repurchase the 2023 Notes following certain asset sales or a Change of Control (as defined in the 2023 Notes Indenture) at the prices and on the terms specified in the 2023 Notes Indenture.

The 2023 Notes Indenture contains covenants that will limit our ability to, among other things, incur additional indebtedness and issue preferred securities, make certain dividends and distributions, make certain investments and other restricted payments, restrict distributions by our subsidiaries, create liens, enter into sale-leaseback transactions, sell assets or merge with other entities. Events of default under the 2023 Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 2023 Notes, (ii) breach of our covenants under the 2023 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 \$9.3 million, \$9.4 million and \$9.6 million was recorded for the years ended December 31, 2019, 2018 and 2017, 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 \$9.9 million, \$9.7 million and \$9.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. The financing obligation balance outstanding at December 31, 2019 was \$87.0 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, 2019 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, 2019.

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

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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 for each of the years ended December 31, 2019, 2018 and 2017, and lease rental payments were \$4.6 million, \$4.5 million and \$4.5 million for the years ended December 31, 2019, 2018 and 2017, respectively. The financing obligation balance outstanding at December 31, 2019 was \$62.3 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, 2019, 2018 and 2017.

Environmental Matters

Our businesses of purchasing, storing, supplying and distributing 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 14 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 gasoline station and convenience store leases, primarily of land and buildings. We have terminal and dedicated storage facility lease arrangements with various petroleum terminals and third parties, of which certain arrangements have minimum usage requirements. We lease barges through various time charter lease arrangements and railcars through various lease arrangements. We also have leases for office space, computer and convenience store equipment and automobiles. Our lease arrangements have various expiration dates with options to extend.

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

In addition, we are party to three master unitary lease agreements in connection with (i) the June 2015 acquisition of retail gasoline stations from Capitol related to properties previously sold by Capitol within two sale-leaseback transactions; and (ii) the June 2016 sale of real property assets at 30 gasoline stations and convenience stores that did not meet the criteria for sale accounting. These transactions continue to be accounted for as financing obligations upon transition to ASC 842, "Leases," which we adopted on January 1, 2019.

Accounting and reporting guidance for leases requires that leases be evaluated and classified as either operating or finance leases by the lessee and as either operating, sales-type or direct financing leases by the lessor. Our operating leases are included in right-of-use ("ROU") assets, lease liability-current portion and long-term lease liability-less current portion in the accompanying consolidated balance sheets.

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

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

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

Our leases have contracted terms as follows:

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

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

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.

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. 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

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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 to hedge commodity price risk and interest rate risk.

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 operations 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.

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

Petroleum and Ethanol Commodity Contracts

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.

Foreign Currency Contracts

We may use forward foreign currency contracts to hedge certain foreign denominated (Canadian) commodity product purchases. These forward foreign currency contracts are not designated by us as hedges and are reflected as prepaid expenses and other current assets or accrued expenses and other current liabilities in our consolidated balance sheets. Changes in fair values of these forward foreign currency contracts are reflected in 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 \$2.9 million, \$3.9 million and \$4.0 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 7 of Notes to Consolidated Financial Statements).

All of our goodwill is allocated to the GDSO segment. During 2019, 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 comparables approach. Based on our assessment, no impairment was identified.

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 a 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.

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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 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, 2019, we had total borrowings outstanding under our credit agreement of \$516.6 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 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 \$5.2 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.

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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.

At December 31, 2019, the fair value of all of our commodity risk derivative instruments and the change in fair value that would be expected from a 10% price increase or decrease are shown in the table below (in thousands):

	Fair Value at December 31, 2019	Gain (Loss)	
		Effect of 10% Price Increase	Effect of 10% Price Decrease
Exchange traded derivative contracts	\$ 1,453	\$ (29,581)	\$ 29,581
Forward derivative contracts	(8,134)	(6,985)	6,985
Total	\$ (6,681)	\$ (36,566)	\$ 36,566

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, 2019. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All hedge positions offset physical exposures to the physical market; none of these offsetting physical exposures are included in the above table. Price-risk sensitivities were calculated by assuming an across-the-board 10% increase or decrease in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an actual 10% change in prompt month prices, the fair value of our derivative portfolio would typically change less than that shown in the table due to lower volatility in out-month prices. We have a daily margin requirement to maintain a cash deposit with our brokers based on the prior day's market results on open futures contracts. The balance of this deposit will fluctuate based on our open market positions and the commodity exchange's requirements. The brokerage margin balance was \$34.5 million at December 31, 2019.

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

Item 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, 2019.

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.

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, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 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, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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 4, 2020) and titles of persons currently serving as directors and executive officers of our general partner:

Name	Age	Position with Global GP LLC
Richard Slifka	79	Chairman
Eric Slifka	54	President, Chief Executive Officer and Vice Chairman
Andrew Slifka	51	Executive Vice President and Director
Mark A. Romaine	51	Chief Operating Officer
Daphne H. Foster	62	Chief Financial Officer and Director
Edward J. Faneuil	67	Executive Vice President, General Counsel and Secretary
Matthew Spencer	41	Chief Accounting Officer
David K. McKown	82	Director
Robert J. McCool	81	Director
Kenneth I. Watchmaker	77	Director
John T. Hailer	59	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. Mr. Slifka served as a director of the National Multiple Sclerosis Society from 1988 through December 31, 2019. 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, 2019, with the exception of one Form 4 for Mr. Eric Slifka (with respect to the transfer of common units by a non-Reporting Person to certain family trusts for which Mr. Slifka serves as trustee).

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,

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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.

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 2019.

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 2019, 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 our named executive officers had an employment agreement with our general partner during 2019.

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

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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 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 2019.

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 2019 to (i) review and update our reference group of peer companies for analysis of metrics used in the assessment of our performance; (ii) help determine the award opportunities provided to our named executive officers; (iii) assist with compensation information related to the 2019 Form 10-K; (iv) update information on methods and levels of compensation for our independent board members; (v) assist with updated information for a new three-year employment agreement for our CEO; (vi) measure our performance and that of our CEO in order to determine what our CEO earned under the long-term performance-based cash incentive plan under his 2018 employment agreement; and (vii) provide updated performance targets and related award levels for our named executive officers under our general partner's short-term incentive plan (the "STIP") for 2019. The plan design of our 2020 STIP, which is comprised of a 50% performance-based component and a 50% discretionary component, is the same as that of our 2019 STIP, except for adjustments to the performance target levels thereunder.

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During 2018, BDO worked with the Compensation Committee to (i) review and update our reference group of peer companies for performance assessment purposes; (ii) establish competitive compensation plans for our named executive officers; (iii) identify appropriate terms of a new three-year employment agreement for our CEO and for each of our other named executive officers; (iv) develop 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 (v) prepare the performance targets and associated levels of payouts contained in our STIP for 2018.

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

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 2019 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:

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 2019 for our named executive officers were as follows: \$1,000,000 for Mr. Eric Slifka, \$575,000 for Mr. Romaine; \$500,000 for Mr. Faneuil; \$500,000 for Ms. Foster; \$475,000 for Mr. Andrew Slifka; and \$275,000 for Mr. Spencer.

Short-Term Incentive Plans

Our general partner established a cash bonus pool for 2019 to fund short-term incentive awards for each of our named executive officers. Target awards under our general partner's 2019 STIP included a performance-based component, for which 50% of the cash bonus pool was available (the "STIP Performance Component"), and a

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discretionary component, for which the other 50% of the cash bonus pool was available (the “STIP Discretionary Component”). Incentive awards earned under the 2019 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 2019 (the “DCF objective”). Under the 2019 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 2019 STIP, each of our named executive officers was assigned an incentive target value expressed as a percentage of his or her base salary. The 2019 incentive target values were: 100% (or \$1,000,000) for Mr. Eric Slifka; 100% (or \$575,000) for Mr. Romaine; 100% (or \$500,000) for Mr. Faneuil; 100% (or \$500,000) for Ms. Foster; 70.5% (or \$335,000) for Mr. Andrew Slifka; and 72.7% (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 2019 STIP, 100% of the STIP Performance Component is earned when the DCF objective is achieved. However, the 2019 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 2019 STIP was established. In general, a minimum of 77% of the DCF objective must have been achieved before participants earn any portion of the STIP Performance Component. Under the 2019 STIP, a participant’s incentive opportunity increases to a maximum of 200% of the STIP Performance Component at 120.9% of the DCF objective and is determined on a quantitative basis solely based on the Partnership’s actual DCF for 2019. In 2019, the Partnership achieved DCF as adjusted, said adjustment having been approved by the Compensation Committee, of \$95.18 million, or 86.5% of the DCF objective set by the Compensation Committee for 2019. Accordingly, our named executive officers were entitled to receive 19.83% of their respective STIP Performance Components, specifically as follows: \$99,150 for Mr. Eric Slifka; \$57,011 for Mr. Romaine; \$49,575 for Mr. Faneuil; \$49,575 for Ms. Foster; \$33,215 for Mr. Andrew Slifka; and \$19,830 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 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 2019 included the recognition that their individual and collective performance were excellent; and that their efforts continue to position us to realize the benefits of a downstream integrated model, working together to expand the use of our terminals and logistics capabilities, 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 2019 STIP Discretionary Component awards, the Compensation Committee recognized that our business performance in 2019 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. 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 in a

position to invest in opportunities fundamental to our growth strategy. Our 2019 initiatives included:

- On April 19, 2019, we amended our credit agreement to, among other things, (i) extend the maturity date for its working capital revolving credit facility and revolving credit facility from April 30, 2020 to April 29, 2022, and (ii) reduce the applicable rate under its revolving credit facility by 0.25% for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit.
- On July 31, 2019, we completed the private placement of an aggregate principal amount of \$400.0 million of our 7.00% senior notes due 2027, the proceeds of which were used to (i) pay the full redemption of our 6.25% senior notes due 2022, which redemption occurred on August 30, 2019, and (ii) repay a portion of the borrowings outstanding under our credit agreement.
- Ongoing divestiture of non-strategic assets.

Taking into account Mr. Slifka's assessment, the Partnership's results of operations for 2019, as well as the Compensation Committee's review of the individual performance of each of our named executive officers in 2019, the Compensation Committee awarded our named executive officers 100% of their respective STIP Discretionary Components for 2019, specifically as follows: \$500,000 for Mr. Eric Slifka; \$287,500 for Mr. Romaine; \$250,000 for Mr. Faneuil; \$250,000 for Ms. Foster; \$167,500 for Mr. Andrew Slifka; and \$100,000 for Mr. Spencer.

2020 Short-Term Incentive Plan.—In 2020, the Compensation Committee, with the assistance of BDO, used our 2020 business plan as a basis for creating the 2020 Short-Term Incentive Plan. The 2020 STIP establishes a target incentive percentage for each of our named executive officers ranging from 71% to 100% of base salary representing the same target percentages used during 2019 for each of the 2019 STIP participants. Awards under the 2020 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 2020 STIP remain 50% and 50%, respectively, the same as in the 2019 STIP.

- *The 2020 Performance Component (50% of the incentive target value)*—The Compensation Committee increased the DCF objective for 2020, subject to adjustment by the Compensation Committee for certain acquisitions and events during 2020 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 Compensation Committee may range from 0% to 200% of a plan participant's 2020 STIP Performance Component. A minimum of 81% of the 2020 DCF objective must be achieved before participants would earn any portion of the 2020 STIP Performance Component. Under the 2020 STIP, a participant's incentive opportunity increases to a maximum of 200% of the 2020 STIP Performance Component at 120% of the 2020 DCF objective, and is determined on a quantitative basis solely based on our actual DCF for 2020.
- *The 2020 Discretionary Component (50% of the incentive target value)*—The Compensation Committee has discretion in determining the 2020 STIP Discretionary Component for any participant under the 2020 STIP, within a range of 0% to 200% of the 2020 STIP Discretionary Component, and based upon (i) the Compensation Committee's consideration of management's performance over the course of the 2020 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.

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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 2019, 2018 or 2017.

Long-Term Cash Incentive Awards

Long-Term Cash Incentive Plans—The Global Partners LP 2018 Long-Term Cash Incentive Plan (as amended from time to time, the "LTCIP") allows the board of directors of our general partner or the Compensation Committee to grant cash incentive awards (collectively, the "LTCIP Awards") to independent directors of our general partner or employees (including our named executive officers) who provide services to the Partnership or its affiliates in recognition of their respective contributions to our financial results.

Once a portion of an 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.

On August 7, 2019, the board of directors of our general partner granted awards under the LTCIP to our named executive officers (each, a "2019 LTCIP Award") in the following amounts: \$1,200,000 for Mr. Eric Slifka; \$1,000,000 for Mr. Romaine; \$850,000 for Mr. Faneuil; \$850,000 for Ms. Foster; \$500,000 for Mr. Andrew Slifka; and \$275,000 for Mr. Spencer. Each 2019 LTCIP Award is subject to the following vesting schedule: 33.4% of the award vests on August 10, 2021, 33.3% of the award vests on August 10, 2022 and 33.3% of the award vests on August 10, 2023, subject to each named executive officer's continued employment through such vesting dates.

On October 8, 2018, the board of directors of our general partner granted awards under the LTCIP to our named executive officers (each, a "2018 LTCIP Award") in 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, subject to each named executive officer's continued employment through such vesting dates.

Long-Term Performance-Based Cash Incentive Plan Awards for Mr. Eric Slifka—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 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. On April 12, 2019, the Compensation Committee determined that Mr. Eric Slifka earned \$2,025,000 under the performance component and \$675,000 under the discretionary component, for a total award of \$2,700,000. Amounts earned pursuant to the 2018 Long-Term Performance-Based Cash Incentive Plan are 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.

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.

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 2019, 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.

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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.

Employment Agreements

Our CEO, Mr. Eric Slifka, entered into a new two-year, eleven-month employment agreement with our general partner effective as of February 1, 2019. Each of our named executive officers other than our CEO entered into a new three-year employment agreement with our general partner effective as of January 1, 2019. 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

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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 5, 2020

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 a new member of the board of directors of our general partner and 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. Richard Slifka has served as Chairman of our general partner’s board of directors since March 12, 2014 and previously served as Vice-Chairman of our general partner’s board of directors since its inception. He is an employee of Global Petroleum Corp., an entity which is owned by Mr. Richard Slifka and a trust for the beneficiaries of his late brother, Mr. Alfred A. Slifka. Mr. Eric Slifka, who is Mr. Alfred A. Slifka’s son, 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 2019, 2018 and 2017 of our named executive officers.

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))	All Other Compensation (\$ (5))	Total (\$)
Eric Slifka President and CEO	2019	1,000,000	—	599,150	164,449	100,008	1,863,607
	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
Mark A. Romaine Chief Operating Officer	2019	575,000	—	344,511	68,892	39,409	1,027,812
	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
Edward J. Faneuil EVP, General Counsel and Secretary	2019	500,000	—	299,575	80,950	48,208	928,733
	2018	450,000	—	900,000	—	44,338	1,394,338
	2017	450,000	850,012	815,000	—	51,951	2,166,963
Daphne H. Foster Chief Financial Officer	2019	500,000	—	299,575	8,065	25,105	832,745
	2018	450,000	—	900,000	—	24,905	1,374,905
	2017	450,000	902,071	815,000	6,045	33,120	2,206,236
Andrew Slifka EVP and President of GDSO Division	2019	475,000	—	200,715	84,100	62,522	822,337
	2018	425,000	—	600,000	—	55,910	1,080,910
	2017	425,000	575,011	545,000	62,603	59,435	1,667,049
Matthew Spencer Chief Accounting Officer	2019	275,000	—	119,830	—	50,321	445,151
	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 2019, 2018 and 2017, which were determined in accordance with our general partner’s Short-Term Incentive Plans described above under “*Elements of Compensation—Short-Term Incentive Plans.*” The amount reported in this column for Mr. Eric Slifka does not include the \$2,700,000 that he earned under his 2018 Long-Term Performance-Based Cash Incentive Award, which amount is payable in two equal installments in January 2020 and January 2021, subject to his continued employment on such dates. See the section above entitled “*Long-Term Cash Incentive Awards—Long-Term Performance-Based Cash Incentive Plan Awards for Mr. Eric Slifka*” for more information.
- (4) Mr. Spencer is not eligible to participate in our general partner’s pension plan because it was frozen prior to his commencement of employment with us.

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- (5) With respect to Mr. Eric Slifka, “All Other Compensation” for the years ended December 31, 2019, 2018 and 2017 includes, among other things, (a) club membership dues, and (b) professional financial planning and tax advice fees, paid by us in the amounts of \$31,200 and \$25,427, respectively, for 2019; \$16,978 and \$34,550, respectively, for 2018; and \$0 and \$30,900, respectively, for 2017. The amounts in this column for 2019 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, 2019:

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	11,000	56,627	32,381	100,008
Mark A. Romaine	11,200	—	28,209	39,409
Edward J. Faneuil	11,200	17,647	19,361	48,208
Daphne H. Foster	11,200	—	13,905	25,105
Andrew Slifka	11,000	22,450	29,072	62,522
Matthew Spencer	11,550	—	38,771	50,321

- (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 the minimum threshold, target and maximum possible payout amounts, depending upon our financial performance in 2019, with respect to the short-term cash incentive awards granted during 2019 to our named executive officers under the STIP. With respect to the long-term cash incentive awards granted during 2019 to our named executive officers under the LTCIP, we use competitive benchmark information developed by BDO and take into account our performance, the applicable named executive officer’s performance and other compensation earned by such named executive officer in 2019 to determine an award amount that may be earned by each named executive officer without reference to “threshold”, “target” or “maximum” amounts.

Name	Award Type	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)(2)		
		Minimum Threshold (\$)	Target (\$)	Maximum (\$)
Eric Slifka	STIP	120,000	1,000,000	2,000,000
	LTCIP	—	—	—
Mark A. Romaine	STIP	69,000	575,000	1,150,000
	LTCIP	—	—	—
Edward J. Faneuil	STIP	60,000	500,000	1,000,000
	LTCIP	—	—	—
Daphne H. Foster	STIP	60,000	500,000	1,000,000
	LTCIP	—	—	—
Andrew Slifka	STIP	40,200	335,000	670,000
	LTCIP	—	—	—
Matthew Spencer	STIP	24,000	200,000	400,000
	LTCIP	—	—	—

- (1) For calendar year 2019, each named executive officer’s 2019 STIP award consisted of the STIP Performance Component (weighted 50%) and the STIP Discretionary Component (weighted 50%). Amounts shown represent the “threshold,” “target” and “maximum” amounts payable under the STIP awards. During 2020, the Compensation Committee determined that slightly under twenty percent (19.83%) of the STIP Performance Component and one hundred percent (100%) of the STIP Discretionary Component were earned by the named executive officers for calendar year 2019. Actual payout of the STIP awards (the

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Performance Component and the Discretionary Component) for calendar year 2019 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 2019 LTCIP Award, 33.4% of such award vests on August 10, 2021, another 33.3% of such award vests on August 10, 2022 and the final 33.3% of such award vests on August 10, 2023.

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, 2019, 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 (\$) (3)
Eric Slifka	August 16, 2017 (1)	163,780	3,301,805
Mark A. Romaine	August 16, 2017 (1)	63,415	1,278,446
Edward J. Faneuil	August 16, 2017 (1)	50,747	1,023,060
Daphne H. Foster	August 16, 2017 (1)	53,855	1,085,717
Andrew Slifka	August 16, 2017 (1)	34,329	692,073
Matthew Spencer	August 11, 2014 (2)	3,502	70,600
Matthew Spencer	August 16, 2017 (1)	11,941	240,731

- (1) 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.
- (2) 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.
- (3) The market values of the phantom unit awards shown in the table above were calculated based on the closing price of \$20.16 per common unit on December 31, 2019.

Units Vested in the 2019 Fiscal Year

The following table presents phantom units awarded to the named executive officers that vested during the year ended December 31, 2019:

Name	Unit Awards	
	Number of Vested Phantom Units (#)	Market Value of Vested Phantom Units (\$)
Eric Slifka (1)	42,419	837,351
Mark A. Romaine (1)	19,004	375,139
Edward J. Faneuil (1)	25,452	502,422
Daphne H. Foster (1)	7,295	144,003
Andrew Slifka (1)	9,845	194,340
Matthew Spencer (2)	2,599	51,602

- (1) The market values of these phantom units shown in the table above were calculated based on the closing price of \$19.74 per common unit on July 1, 2019, the vesting date of such phantom units.
- (2) 848 of Mr. Spencer’s phantom units vested on July 1, 2019 and 1,751 of Mr. Spencer’s phantom units vested on August 1, 2019. Hence, the market value of the Mr. Spencer’s phantom units shown in the table above were calculated based on the closing price of, respectively, (a) \$19.74 per common unit on July 1, 2019, and (b) \$19.91 per common unit on August 1, 2019.

Nonqualified Deferred Compensation

On December 31, 2008, our general partner and Edward J. Faneuil entered into a deferred compensation

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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 each of our named executive officers that were in effect as of December 31, 2019), for various scenarios involving a change of control or termination of employment of each such named executive officer assuming a December 31, 2019 termination date. 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 \$20.16 per unit as of December 31, 2019.

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 tables below.

LTCIP Awards. Each of our named executive officers was granted a 2019 LTCIP Award and a 2018 LTCIP Award under the LTCIP. Upon a change of control event, the unvested portion of each of the LTCIP Awards held by our named executive officers will become fully vested, which is reflected in the tables below.

Long-Term Performance-Based Cash Incentive Plan Awards for Mr. Eric Slifka. 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

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 his Long-Term Performance-Based Cash Incentive Plan awards 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, 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,” each as defined in the employment agreement, he shall be paid (i) the Eric

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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 his Long-Term Performance-Based Cash Incentive Plan awards 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, if any, 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 (i) the Eric Slifka Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his then base salary, plus 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.

Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Eric Slifka						
Severance Amount	—	4,000,000	4,000,000	4,000,000	6,000,000	2,500,000
2018 Long-Term Performance-Based Cash Incentive Plan Award (2)	—	2,700,000	2,700,000	2,700,000	2,700,000	—
LTIP awards	3,301,805	3,301,805	3,301,805	3,301,805	3,301,805	—
LTCIP award	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	—
Fringe benefits	—	50,798	50,798	50,798	50,798	—
Life insurance benefits	—	500,000	—	—	—	—
Total	7,201,805	14,452,603	13,952,603	13,952,603	15,952,603	2,500,000

- (1) In the event of non-renewal, 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.
- (2) In April 2019, the Compensation Committee determined that Mr. Eric Slifka earned \$2,700,000 under his 2018 Long-Term Performance-Based Cash Incentive Award, which amount will be paid in two equal installments in January 2020 and January 2021, subject to his continued employment on such dates; provided that, such amount is also payable upon certain terminations of employment as described above.

Mark A. Romaine

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, 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" (each quoted term as defined in the employment agreement), Mr. 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, if any, 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.

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, he shall be paid (i) the Romaine Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his then base salary, plus (iii) the performance-based and discretionary components, if any, of his STIP award for such year.

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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.

Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Mark A. Romaine						
Severance Amount	—	2,300,000	2,300,000	2,300,000	2,300,000	1,437,500
LTIP awards	1,278,446	1,278,446	1,278,446	1,278,446	1,278,446	—
LTCIP award	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	—
Fringe benefits	—	38,713	38,713	38,713	38,713	—
Life insurance benefits	—	500,000	—	—	—	—
Total	3,178,446	6,017,159	5,517,159	5,517,159	5,517,159	1,437,500

- (1) In the event of non-renewal, 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.

Edward J. Faneuil

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, plus (ii) all earned, but unpaid, bonuses, plus (iii) all reimbursements of expenses appropriately and timely submitted, plus (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, plus (ii) a lump sum payment equal to 200% of his then 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 or 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 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 200% of the 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, if any, 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.

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, he shall be paid (i) the Faneuil

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Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his then base salary, plus (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 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.

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Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Edward J. Faneuil						
Severance Amount	—	2,000,000	2,000,000	2,000,000	2,000,000	1,250,000
Deferred Compensation	1,226,272	1,226,272	1,226,272	1,226,272	1,226,272	—
LTIP awards	1,023,060	1,023,060	1,023,060	1,023,060	1,023,060	—
LTCIP award	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	—
Fringe benefits	—	25,074	25,074	25,074	25,074	—
Life insurance benefits	—	335,000	—	—	—	—
Total	3,849,332	6,209,406	5,874,406	5,874,406	5,874,406	1,250,000

- (1) In the event of non-renewal, 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.

Daphne H. Foster

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, plus (ii) a lump sum payment equal to 200% of her then 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 or equity interests in long-term incentive plans, plus (v) 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 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, plus (ii) a lump sum payment equal to 200% of her then base salary, plus (iii) an amount equal to 200% of target incentive amount under the then applicable short-term incentive plan, plus (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, 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 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.

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, 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.

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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.

Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Daphne H. Foster						
Severance Amount	—	2,000,000	2,000,000	2,000,000	2,000,000	1,200,000
LTIP awards	1,085,717	1,085,717	1,085,717	1,085,717	1,085,717	—
LTCIP award	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	—
Fringe benefits	—	2,296	2,296	2,296	2,296	—
Life insurance benefits	—	500,000	—	—	—	—
Total	2,685,717	5,188,013	4,688,013	4,688,013	4,688,013	1,200,000

- (1) In the event of non-renewal, 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.

Andrew Slifka

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, 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 or equity interests in long-term incentive plans, plus (v) 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,” each as defined in the employment agreement, he shall be paid (i) the Andrew Slifka Accrued Obligations, plus (ii) a lump sum payment equal to 200% of his then base salary, plus (iii) an amount equal to 200% of target incentive amount under the then applicable short-term incentive plan, plus (iv) acceleration of vesting of his cash and equity interests in long-term incentive plans, plus (v) group health and similar insurance premiums on behalf of 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, he shall be paid the Andrew 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 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, 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.

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Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Andrew Slifka						
Severance Amount	—	1,620,000	1,620,000	1,620,000	1,620,000	1,117,500
LTIP awards	692,073	692,073	692,073	692,073	692,073	—
LTCIP award	900,000	900,000	900,000	900,000	900,000	—
Fringe benefits	—	51,632	51,632	51,632	51,632	—
Life insurance benefits	—	500,000	—	—	—	—
Total	1,592,073	3,763,705	3,263,705	3,263,705	3,263,705	1,117,500

- (1) In the event of non-renewal, 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.

Matthew Spencer

If Mr. Spencer’s employment is terminated 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.

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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.

Name	Change in Control (\$)	Death (\$)	Disability (\$)	Termination by general partner without Cause / Constructive Termination / Breach by general partner		Nonrenewal (\$)(1)
				No Change in Control (\$)	With a Change in Control (\$)	
Matthew Spencer						
Severance Amount	—	950,000	950,000	950,000	950,000	650,000
LTIP awards	311,331	311,331	311,331	311,331	311,331	—
LTCIP award	550,000	550,000	550,000	550,000	550,000	—
Fringe benefits	—	38,713	38,713	38,713	38,713	—
Life insurance benefits	—	500,000	—	—	—	—
Total	861,331	2,350,044	1,850,044	1,850,044	1,850,044	650,000

- (1) In the event of non-renewal, 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.

Other Benefits

Pension Benefits

The table below sets forth information regarding the present value as of December 31, 2019 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, 2019

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Eric Slifka	(1)	23	708,838	—
Mark A. Romaine	(1)	11	260,393	—
Edward J. Faneuil	(1)	19	886,385	—
Edward J. Faneuil	(2)	n/a	613,136	70,000
Edward J. Faneuil	(3)	n/a	613,136	70,000
Daphne H. Foster	(1)	3	46,213	—
Andrew P. Slifka	(1)	7	34,468	—
Andrew P. Slifka	(4)	12	293,895	—
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 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.”

Compensation of Directors

The following table sets forth (i) certain information concerning the compensation earned by our directors in 2019, 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 (1)	75,500	75,500
Eric Slifka (2)	—	—
Andrew Slifka (2)	—	—
Kenneth I. Watchmaker (1)	102,500	102,500
Robert J. McCool (1)	87,500	87,500
David McKown (1)	87,500	87,500
John T. Hailer (1)	87,500	87,500
Daphne H. Foster (2)	—	—

- (1) As of December 31, 2019, our non-employee directors held the following aggregate number of invested phantom units: Mr. Richard Slifka (0), Mr. Watchmaker (5,971), Mr. McCool (5,374), Mr. McKown (4,777) and Mr. Hailer (0).
- (2) 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.

Employees of our general partner who also serve as directors do not receive additional compensation. In 2019, 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 August 7, 2019, Mr. Watchmaker, Mr. McCool, Mr. McKown and Mr. Hailer, respectively, were awarded LTCIP grants in the amounts of \$230,000, \$160,000, \$125,000 and \$80,000 in respect of services rendered in 2018. Each such LTCIP award will fully vest as of August 10, 2022, subject to continued service as a director through such date.

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, subject to continued service as a director through such date.

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.

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 2019, our last completed fiscal year:

- The median of the annual total compensation of our employees (other than the CEO) was \$26,501; and
- The annual total compensation of our CEO, as reported in the Summary Compensation Table above, was \$1,863,608.
- Based on this information, for 2019, 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 70 to 1.

To put this into context, approximately 79% of our employee population consists of convenience store employees, approximately 43% 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 \$78,873 in 2019. The ratio of the annual total compensation of our CEO to this median employee was reasonably estimated to be 24 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, 2019, our employee population consisted of approximately 3,887 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, 2019 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 2019.
- 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 2019 year in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, resulting in annual total compensation of \$26,501.
- 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.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth as of March 4, 2020 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 directors and executive officers of our General Partner as a group:

<u>Name of Beneficial Owner (1)</u>	<u>Common Units Beneficially Owned</u>	<u>Percentage of Common Units Beneficially Owned</u>
Invesco Ltd. (2)	5,950,461	17.5 %
Richard Slifka (3)(5)(6)(7)(8)	5,160,883	15.2 %
Alfred A. Slifka 1990 Trust Under Article II-A (3)(5)(7)	4,315,395	12.7 %
Montello Oil Corporation (3)	2,348,078	6.9 %
Kayne Anderson Capital Advisors L.P. (4)	2,333,459	6.9 %
Richard A. Kayne (4)	2,333,459	6.9 %
Global Petroleum Corp. (5)	1,725,463	5.1 %
Eric Slifka (7)(9)(10)	1,492,919	4.4 %
Andrew Slifka	516,334	1.5 %
Global GP LLC (7)	127,329	*
Edward J. Faneuil	96,705	*
Mark Romaine	53,102	*
Daphne H. Foster	17,414	*
Matthew Spencer	4,827	*
Kenneth I. Watchmaker	32,885	*
Robert J. McCool	31,235	*
David K. McKown	7,857	*
John T. Hailer	—	*
All directors and executive officers as a group (11 persons)	7,286,832	21.4 %

* 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) Invesco Ltd. is P.O. Box 9161, 800 South Street, Suite 500, Waltham, Massachusetts 02454-9161.
- (2) According to a Schedule 13G/A filed on February 12, 2020, Invesco Ltd., in its capacity as a parent holding company to its investment advisers, has sole voting and dispositive power over 5,950,461 common units that it may be deemed to beneficially own and which are held of record by clients of Invesco Ltd. Invesco Advisers, Inc. is a subsidiary of Invesco Ltd. and it advises (i) the Invesco Oppenheimer SteelPath MLP Select 40 Fund, which owns 8.95% of the common units outstanding, and (ii) the Invesco Oppenheimer SteelPath MLP Income Fund, which owns 8.48% of the common units outstanding. However, no one individual has greater than 5% economic ownership. The shareholders of the Fund have the right to receive or the power to direct the receipt of dividends and proceeds from the sale of such securities. The address for Invesco Ltd. is 1555 Peachtree Street NE, Suite 1800, Atlanta, GA 30309.
- (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 common units owned by Montello Oil Corporation.
- (4) According to a Schedule 13G/A filed on February 6, 2020, Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne have shared voting and dispositive power with regard to 2,333,459 common units. The units are owned by investment accounts (investment limited partnerships, registered investment companies and institutional accounts) managed, with discretion to purchase or sell securities, by Kayne Anderson Capital Advisors, L.P. (or a controlled affiliate thereof), as a registered investment adviser. Kayne Anderson Capital Advisors, L.P. is the general partner (or general partner of the general partner) of the limited partnerships and investment adviser to the other accounts. Richard A. Kayne is the controlling shareholder of the corporate owner of Kayne Anderson Investment Management, Inc., the general partner of Kayne Anderson Capital Advisors, L.P. Mr. Kayne is also a limited partner of certain of the limited partnerships and shareholder of certain of the registered investment companies. 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.

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- (5) 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 common units owned by Global Petroleum Corp.
- (6) Richard Slifka has sole voting and investment power with respect to and, therefore, may be deemed to beneficially own, the common units owned by Chelsea Terminal Limited Partnership.
- (7) 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 common units owned by Global GP LLC. The 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, and thus Eric Slifka may be deemed to beneficially own the common units owned by Global GP LLC.
- (8) Richard Slifka is the trustee of a voting trust with sole voting and investment power with respect to common units owned by Larea Holdings II LLC. Richard Slifka may, therefore, be deemed to beneficially own, the common units held by Larea Holdings II LLC.
- (9) Eric Slifka has sole voting and investment power with respect to common units owned by Larea Holdings LLC. Eric Slifka may, therefore, be deemed to beneficially own, the common units held by Larea Holdings LLC.
- (10) Beneficially owned common unit amounts for Eric Slifka include common units held in certain family trusts for the benefit of Eric Slifka's children, for which Eric Slifka is the sole trustee.

Equity Compensation Plan Table

The following table summarizes information about our equity compensation plans as of December 31, 2019:

<u>Plan Category</u>	<u>Number of Securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders	562,906	—	3,016,234
Equity compensation plans not approved by security holders	—	—	—
Total	562,906	—	3,016,234

Item 13. Certain Relationships and Related Transactions, and Director Independence.

As of March 4, 2020, affiliates of our general partner, including current directors and executive officers of our general partner, owned 7,286,832 common units representing 21.4% 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, 2019, his total compensation earned was approximately \$163,000.

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, 2019, his total compensation earned was approximately \$575,000.

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, 2019, his total compensation earned was approximately \$267,000.

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 7,286,832 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 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,

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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, 2019, 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 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 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

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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 2019 and 2018 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 years ended December 31, 2019 and 2018 were as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Audit Fees (1)	\$ 4,060	\$ 4,495
Audit—Related Fees	117	122
Tax Fees (2)	1,529	1,455
Total	<u>\$ 5,706</u>	<u>\$ 6,072</u>

(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, 2019 and 2018.

(2) Tax fees included tax planning and tax return preparation.

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.

<u>Exhibit Number</u>	<u>Description</u>
2.1**	— 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)).
3.1	— Certificate of Limited Partnership of Global Partners LP (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on May 10, 2005).
3.2	— Fourth Amended and Restated Agreement of Limited Partnership of Global Partners LP dated as of August 7, 2018 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on August 7, 2018).
4.1	— 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).
4.2	— Indenture, dated as of June 4, 2015, among the Issuers, the Guarantors and Deutsche Bank Trust Company Americas, as trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on June 4, 2015).
4.3	— Indenture, dated as of July 31, 2019, among the Issuers, the Guarantors and Deutsche Bank Trust Company Americas, as trustee (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on July 31, 2019).
4.4*	— Description of Common Units registered under Section 12 of the Exchange Act.
4.5*	— Description of 9.75% Series A Fixed-to-Floating Cumulative Redeemable Perpetual Preferred Units registered under Section 12 of the Exchange Act.
10.1	— 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).
10.2	— 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).
10.3	— 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).

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- 10.4[^] — [Supplemental Executive Retirement Plan dated December 31, 2009, between Global GP LLC and Edward J. Faneuil \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on January 7, 2010\).](#)
- 10.5 — [Sale and Purchase Agreement, dated May 24, 2010 among ExxonMobil Oil Corporation and Exxon Mobil Corporation, as sellers, and Global Companies LLC \(incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q filed on August 6, 2010\).](#)
- 10.6 — [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 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 31, 2010\).](#)
- 10.7 — [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 \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 9, 2010\).](#)
- 10.8^{††} — [Brand Fee Agreement, dated September 3, 2010, between ExxonMobil Oil Corporation and Global Companies LLC \(incorporated herein by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q/A filed on January 20, 2011\).](#)
- 10.9 — [Assignment of Branded Wholesaler PMPA Franchise Agreements, effective March 1, 2011 between Global Companies LLC, Alliance Energy LLC and ExxonMobil Oil Corporation \(incorporated herein by reference to Exhibit 10.49 to the Annual Report on Form 10-K filed on March 11, 2011\).](#)
- 10.10 — [Business Opportunity Agreement dated March 1, 2012, by and among Alfred A. Slifka, Richard Slifka and Global Partners LP \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 7, 2012\).](#)
- 10.11[^] — [Deferred Compensation Agreement dated September 23, 2009, by and between Alliance Energy LLC and Edward J. Faneuil \(incorporated herein by reference to Exhibit 10.53 to the Annual Report on Form 10-K filed on March 12, 2012\).](#)
- 10.12[^] — [Global Partners LP Long-Term Incentive Plan \(as Amended and Restated Effective June 22, 2012\) \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 25, 2012\).](#)
- 10.13[^] — [Form of Phantom Unit Award Agreement for Directors under Global Partners LP Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on July 3, 2013\).](#)
- 10.14[^] — [Form of Confidentiality, Non-Solicitation, and Non-Competition Agreement for Phantom Unit Award Recipients \(incorporated herein by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on July 3, 2013\).](#)
- 10.15[^] — [Form of Director Unit Award Letter \(incorporated herein by reference to Exhibit 10.46 to the Annual Report on Form 10-K filed on March 13, 2015\).](#)
- 10.16 — [Second Amended and Restated Services Agreement, dated as of March 11, 2015, by and among Global Petroleum Corp. and Global Companies LLC \(incorporated herein by reference to Exhibit 10.49 to the Annual Report on Form 10-K filed on March 13, 2015\).](#)
- 10.17[^] — [Form of Restricted Unit Award Grant Letter \(incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on August 7, 2015\).](#)
- 10.18[^] — [Form of Cash Award Grant Letter \(incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on August 7, 2015\).](#)
- 10.19[^] — [Form of Phantom Unit Agreement \(Cash Settlement\) \(incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on November 6, 2015\).](#)

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- 10.20††† — [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 \(incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q-Q filed on May 9, 2017\).](#)
- 10.21^ — [Form of Phantom Unit Award Agreement for Executive Officers under Global Partners LP Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on August 22, 2017\).](#)
- 10.22^ — [Global Partners LP 2018 Long-Term Cash Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 12, 2018\).](#)
- 10.23 — [First Amendment to Third Amended and Restated Credit Agreement dated September 10, 2018 \(incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on November 8, 2018\).](#)
- 10.24 — [Second Amendment to Third Amended and Restated Credit Agreement dated September 10, 2018 \(incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on November 8, 2018\).](#)
- 10.25^ — [Employment Agreement effective as of February 1, 2019, by and between Global GP LLC and Eric S. Slifka \(incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.26^ — [Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Mark Romaine \(incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.27^ — [Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Daphne H. Foster \(incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.28^ — [Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Edward J. Faneuil \(incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.29^ — [Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Andrew P. Slifka \(incorporated herein by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.30^ — [Employment Agreement effective as of January 1, 2019, by and between Global GP LLC and Matthew Spencer \(incorporated herein by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on February 5, 2019\).](#)
- 10.31^ — [Global Partners LP 2018 Long-Term Cash Incentive Plan Award Agreement \(incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-K filed on November 7, 2019\).](#)
- 10.32 — [Third Amendment to Third Amended and Restated Credit Agreement and First Amendment to Third Amended and Restated Security Agreement, dated as of April 19, 2019 \(incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on May 9, 2019\).](#)
- 21.1* — [List of Subsidiaries of Global Partners LP.](#)
- 23.1* — [Consent of Ernst & Young LLP.](#)
- 31.1* — [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Executive Officer of Global GP LLC, general partner of Global Partners LP.](#)

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31.2*	—	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer of Global GP LLC, general partner of Global Partners LP.
32.1†	—	Section 1350 Certification of Chief Executive Officer of Global GP LLC, general partner of Global Partners LP.
32.2†	—	Section 1350 Certification of Chief Financial Officer of Global GP LLC, general partner of Global Partners LP.
101.INS*	—	XBRL Instance Document.
101.SCH*	—	XBRL Taxonomy Extension Schema Document.
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	—	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document.
101.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).

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 6, 2020 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 6, 2020.

<u>Signature</u>	<u>Title</u>
<u>/s/ Eric Slifka</u> Eric Slifka	President, Chief Executive Officer, Vice Chairman and Director (Principal Executive Officer)
<u>/s/ Daphne H. Foster</u> Daphne H. Foster	Chief Financial Officer and Director (Principal Financial Officer)
<u>/s/ Matthew Spencer</u> Matthew Spencer	Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ Andrew Slifka</u> Andrew Slifka	Executive Vice President and Director
<u>/s/ Richard Slifka</u> Richard Slifka	Chairman
<u>/s/ David K. McKown</u> David K. McKown	Director
<u>/s/ Robert J. McCool</u> Robert J. McCool	Director
<u>/s/ Kenneth I. Watchmaker</u> Kenneth I. Watchmaker	Director
<u>/s/ John T. Hailer</u> John T. Hailer	Director

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GLOBAL PARTNERS LP FINANCIAL STATEMENTS

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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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 6, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2019, the Partnership changed its method for accounting for leases due to the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

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 6, 2020

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, 2019, 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, 2019, 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, 2019 and 2018 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, 2019, and the related notes of the Partnership and our report dated March 6, 2020 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 6, 2020

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

	December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,042	\$ 8,121
Accounts receivable, net (less allowance of \$2,729 and \$2,433 at December 31, 2019 and 2018, respectively)	413,195	334,777
Accounts receivable—affiliates	7,823	5,435
Inventories	450,482	386,442
Brokerage margin deposits	34,466	14,766
Derivative assets	4,564	26,390
Prepaid expenses and other current assets	81,940	98,977
Total current assets	1,004,512	874,908
Property and equipment, net	1,104,863	1,132,632
Right of use assets, net	296,746	—
Intangible assets, net	46,765	58,532
Goodwill	324,474	327,406
Other assets	31,067	30,813
Total assets	\$ 2,808,427	\$ 2,424,291
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	\$ 373,386	\$ 308,979
Working capital revolving credit facility—current portion	148,900	103,300
Lease liability—current portion	68,160	—
Environmental liabilities—current portion	5,009	6,092
Trustee taxes payable	42,932	42,613
Accrued expenses and other current liabilities	102,802	117,274
Derivative liabilities	12,698	4,494
Total current liabilities	753,887	582,752
Working capital revolving credit facility—less current portion	175,000	150,000
Revolving credit facility	192,700	220,000
Senior notes	690,533	664,455
Long-term lease liability—less current portion	239,349	—
Environmental liabilities—less current portion	54,262	57,132
Financing obligations	148,127	149,997
Deferred tax liabilities	42,879	42,856
Other long—term liabilities	52,451	57,905
Total liabilities	2,349,188	1,925,097
Commitments and contingencies (see Note 11)	—	—
Partners' equity		
Global Partners LP equity:		
Series A preferred limited partners (2,760,000 units issued and outstanding at December 31, 2019 and 2018)	67,226	67,226
Common limited partners (33,995,563 units issued and 33,867,393 outstanding at December 31, 2019 and 33,995,563 units issued and 33,751,435 outstanding at December 31, 2018)	398,535	437,874
General partner interest (0.67% interest with 230,303 equivalent units outstanding at December 31, 2019 and 2018)	(2,620)	(2,509)
Accumulated other comprehensive loss	(5,076)	(5,260)
Total Global Partners LP equity	458,065	497,331
Noncontrolling interest	1,174	1,863
Total partners' equity	459,239	499,194
Total liabilities and partners' equity	\$ 2,808,427	\$ 2,424,291

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

	Year Ended December 31,		
	2019	2018	2017
Sales	\$ 13,081,730	\$ 12,672,602	\$ 8,920,552
Cost of sales	12,418,973	12,022,193	8,337,500
Gross profit	662,757	650,409	583,052
Costs and operating expenses:			
Selling, general and administrative expenses	170,937	171,002	155,033
Operating expenses	342,382	321,115	283,650
(Gain) loss on trustee taxes	—	(52,627)	16,194
Lease exit and termination gain	(493)	(3,506)	—
Amortization expense	11,431	10,960	9,206
Net (gain) loss on sale and disposition of assets	(2,730)	5,880	(1,624)
Goodwill and long-lived asset impairment	2,022	414	809
Total costs and operating expenses	523,549	453,238	463,268
Operating income	139,208	197,171	119,784
Interest expense	(89,856)	(89,145)	(86,230)
Loss on early extinguishment of debt	(13,080)	—	—
Income before income tax (expense) benefit	36,272	108,026	33,554
Income tax (expense) benefit	(1,094)	(5,623)	23,563
Net income	35,178	102,403	57,117
Net loss attributable to noncontrolling interest	689	1,502	1,635
Net income attributable to Global Partners LP	35,867	103,905	58,752
Less: General partner's interest in net income, including incentive distribution rights	1,379	1,033	394
Less: Series A preferred limited partner interest in net income	6,728	2,691	—
Net income attributable to common limited partners	\$ 27,760	\$ 100,181	\$ 58,358
Basic net income per common limited partner unit	\$ 0.82	\$ 2.97	\$ 1.74
Diluted net income per common limited partner unit	\$ 0.81	\$ 2.95	\$ 1.74
Basic weighted average common limited partner units outstanding	33,810	33,701	33,589
Diluted weighted average common limited partner units outstanding	34,339	33,972	33,634

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

GLOBAL PARTNERS LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 35,178	\$ 102,403	\$ 57,117
Other comprehensive income (loss):			
Change in fair value of cash flow hedges	2	133	1,037
Change in pension liability	182	75	(1,064)
Total other comprehensive income (loss)	184	208	(27)
Comprehensive income	35,362	102,611	57,090
Comprehensive loss attributable to noncontrolling interest	689	1,502	1,635
Comprehensive income attributable to Global Partners LP	\$ 36,051	\$ 104,113	\$ 58,725

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

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

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities			
Net income	\$ 35,178	\$ 102,403	\$ 57,117
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	108,192	106,838	105,652
Amortization of deferred financing fees	5,038	5,372	5,644
Amortization of leasehold interests	—	327	631
Amortization of senior notes discount	902	1,501	1,445
Bad debt expense	560	588	211
Unit-based compensation expense	1,966	2,738	2,755
Write-off of financing fees	188	—	573
Gain on trustee taxes	—	(52,627)	—
Net (gain) loss on sale and disposition of assets	(2,730)	5,880	(1,624)
Goodwill and long-lived asset impairment	2,022	414	809
Loss on early extinguishment of debt	13,080	—	—
Deferred income taxes	23	2,751	(25,949)
Changes in operating assets and liabilities, excluding net assets acquired:			
Accounts receivable	(78,978)	81,898	3,886
Accounts receivable-affiliate	(2,388)	(1,662)	(630)
Inventories	(64,790)	(29,778)	173,167
Broker margin deposits	(19,700)	(5,085)	17,972
Prepaid expenses, all other current assets and other assets	14,413	(15,912)	(13,674)
Accounts payable	64,407	(4,433)	(6,850)
Trustee taxes payable	319	(15,081)	9,155
Change in derivatives	30,030	(31,764)	2,346
Accrued expenses, all other current liabilities and other long-term liabilities	(13,330)	14,488	15,806
Net cash provided by operating activities	94,402	168,856	348,442
Cash flows from investing activities			
Acquisitions	—	(171,620)	(38,479)
Capital expenditures	(82,864)	(69,174)	(49,866)
Seller note issuances	(1,410)	(3,337)	(6,086)
Proceeds from sale of property and equipment	17,060	18,411	32,787
Net cash used in investing activities	(67,214)	(225,720)	(61,644)
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	70,600	26,600	(197,900)
Net (payments on) borrowings from revolving credit facility	(27,300)	24,000	(20,700)
Proceeds from senior notes, net	392,602	—	—
Repayment of senior notes	(381,886)	—	—
LTIP units withheld for tax obligations	(657)	(835)	(522)
Noncontrolling interest capital contribution	—	—	279
Distribution to noncontrolling interest	—	—	(465)
Distributions to limited partners and general partner	(76,626)	(66,004)	(62,660)
Net cash (used in) provided by financing activities	(23,267)	50,127	(281,968)
Cash and cash equivalents			
Increase (decrease) in cash and cash equivalents	3,921	(6,737)	4,830
Cash and cash equivalents at beginning of year	8,121	14,858	10,028
Cash and cash equivalents at end of year	<u>\$ 12,042</u>	<u>\$ 8,121</u>	<u>\$ 14,858</u>
Supplemental information			
Cash paid during the period for interest	<u>\$ 67,436</u>	<u>\$ 67,163</u>	<u>\$ 62,512</u>
Net cash (received) paid during the period for income taxes	<u>\$ (5,208)</u>	<u>\$ 653</u>	<u>\$ 7,356</u>

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

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

(In thousands)

	Partners' Equity					Total Partners' Equity
	Series A Preferred Limited Partners	Common Limited Partners	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	
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
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
Net income (loss)	6,728	27,760	1,379	—	(689)	35,178
Distributions to limited partners and general partner	(6,728)	(69,522)	(1,490)	—	—	(77,740)
Unit-based compensation	—	1,966	—	—	—	1,966
Other comprehensive income	—	—	—	184	—	184
LTIP units withheld for tax obligations	—	(657)	—	—	—	(657)
Dividends on repurchased units	—	1,114	—	—	—	1,114
Balance at December 31, 2019	\$ 67,226	\$ 398,535	\$ (2,620)	\$ (5,076)	\$ 1,174	\$ 459,239

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the “Partnership”) is a master limited partnership formed in March 2005. The Partnership owns, controls or has access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the “Northeast”). The Partnership is one of the region’s largest independent owners, suppliers and operators of gasoline stations and convenience stores. As of December 31, 2019, the Partnership had a portfolio of 1,551 owned, leased and/or supplied gasoline stations, including 289 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, 2019, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,402,198 common units, representing a 21.8% limited partner interest.

2019 and Recent Events

2027 Notes Offering and 2022 Notes Tender Offer and Redemption— On July 31, 2019, the Partnership and GLP Finance Corp. (the “Issuers”) issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 (the “2027 Notes”) to several initial purchasers (the “2027 Notes Initial Purchasers”) in a private placement exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”). The Partnership used the net proceeds from the offering to fund the repurchase of its 6.25% senior notes due 2022 (the “2022 Notes”) in a tender offer and to repay a portion of the borrowings outstanding under its credit agreement. The redemption of the 2022 Notes occurred on August 30, 2019. See Note 8, “Debt and Financing Obligations—Senior Notes” for additional information on the 2027 Notes.

On February 18, 2020, the Partnership completed an exchange offer whereby holders of the 2027 Notes exchanged all of the 2027 Notes for an equivalent amount of senior notes registered under the Securities Act. The exchange notes are substantially identical to the 2027 Notes, except that the exchange notes are not subject to the restrictions on transfers or to any increase in annual interest rates for failure to comply with the 2027 Notes Registration Rights Agreement (defined below).

Amended Credit Agreement— On April 19, 2019, the Partnership and certain of its subsidiaries entered into the third amendment to third amended and restated credit agreement which, among other things, extended the maturity date from April 30, 2020 to April 29, 2022 and reduced by 0.25% the applicable rate under the existing revolving credit facility for borrowings of base rate loans, Eurocurrency rate loans and cost of funds rate loans and for issuances of letters of credit. See Note 8 for additional information on the credit agreement.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation and Presentation

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”). On July 17, 2018, the Partnership acquired retail fuel and convenience store assets from Vermont-based Champlain Oil Company, Inc. (“Champlain”). On October 18, 2017, the Partnership acquired retail gasoline and convenience store assets from Honey Farms, Inc. (“Honey Farms”). The financial results of Cheshire, Champlain and Honey Farms since the respective acquisition date are included in the accompanying consolidated statements of operations. See Note 20, “Business Combinations,” for additional information on the Partnership’s acquisitions.

The accompanying consolidated financial statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 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, (vii) cost of sales accrual, and (viii) weighted average discount rate used in lease accounting. Although the Partnership believes these estimates are reasonable, actual results could differ from these estimates.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)*****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.

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, 2019 and 2018, 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):

	2019	2018
Distillates: home heating oil, diesel and kerosene	\$ 222,202	\$ 173,403
Gasoline	120,958	93,534
Gasoline blendstocks	39,702	52,195
Crude oil	16,018	21,325
Residual oil	26,521	21,054
Propane and other	1,356	1,447
Renewable identification numbers (RINs)	1,329	1,034
Convenience store inventory	22,396	22,450
Total	<u>\$ 450,482</u>	<u>\$ 386,442</u>

In addition to its own inventory, the Partnership has exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers (see *Revenue*)

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recognition) and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to \$9.2 million and \$3.8 million at December 31, 2019 and 2018, respectively. Negative exchange balances are accounted for as accounts payable and amounted to \$17.6 million and \$14.9 million at December 31, 2019 and 2018, 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.

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 3 to 20 years.

Goodwill and Long-Lived Asset Impairment

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 \$2.9 million, \$3.9 million and \$4.0 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 7).

All of the Partnership’s goodwill is allocated to the GDSO segment. During 2019, 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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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 \$2.0 million, \$0.4 million and \$0.8 million for the years ended December 31, 2019, 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, 2019, 2018 and 2017.

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 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 14 and 23.

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 \$8.0 million and \$8.8 million in total asset retirement obligations at

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 31, 2019 and 2018, respectively, which are included in other long-term liabilities in the accompanying consolidated balance sheets.

Leases

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

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

In addition, the Partnership is party to three master unitary lease agreements in connection with (i) the June 2015 acquisition of retail gasoline stations from Capitol Petroleum Group ("Capitol") related to properties previously sold by Capitol within two sale-leaseback transactions; and (ii) the June 2016 sale of real property assets at 30 gasoline stations and convenience stores that did not meet the criteria for sale accounting. These transactions continue to be accounted for as financing obligations (see Note 8) upon transition to ASC 842, "Leases," which the Partnership adopted on January 1, 2019.

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

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

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

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Partnership's leases have contracted terms as follows:

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

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

Lease Exit Termination Gain

In December 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) (the "Services Agreement") with the counterparty, pursuant to which the Partnership would provide railcar storage, freight, insurance and other services on behalf of the counterparty.

During each of 2019 and 2018, the Partnership was released from certain of its obligations under the Services Agreement, which resulted in a reduction of the remaining accrued incremental costs of \$0.5 million and \$3.5 million for the years ended December 31, 2019 and 2018, respectively, which benefit is included in lease exit and termination gain in the accompanying statements of operations. The remaining accrued incremental costs were \$1.3 million at December 31, 2019.

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.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 12 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 (gain) loss on trustee taxes 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 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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 13.

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 which may be used to hedge commodity and interest rate risks. 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 9 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 located primarily in the Northeast. The Partnership's retail gasoline stations and directly operated convenience stores are also 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.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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:

	2019	2018	2017
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	75 %	74 %	65 %
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	21 %	22 %	26 %
Crude oil sales and crude oil logistics revenue	1 %	1 %	5 %
Convenience store sales, rental income and sundries	3 %	3 %	4 %
Total	100 %	100 %	100 %

The following table presents the Partnership's product margin (product sales minus product costs) by segment as a percentage of the consolidated product margin for the years ended December 31:

	2019	2018	2017
Wholesale segment	16 %	19 %	23 %
Gasoline Distribution and Station Operations segment	80 %	78 %	74 %
Commercial segment	4 %	3 %	3 %
Total	100 %	100 %	100 %

See Note 21, "Segment Reporting," for additional information on the Partnership's operating segments.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivatives Accounted for as Hedges – The Partnership utilizes fair value hedges to hedge commodity price risk and interest rate risk.

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 operations through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

Derivatives Not Accounted for as Hedges – The Partnership utilizes petroleum and ethanol commodity contracts and foreign currency derivatives to hedge price and currency risk in certain commodity inventories and physical forward contracts.

Petroleum and Ethanol Commodity Contracts

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

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

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

GLOBAL PARTNERS LP

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 9, “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 10, “Fair Value Measurements,” for additional information.

Net Income Per Limited Partner Unit

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

Common units outstanding as reported in the accompanying consolidated financial statements at December 31,

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	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		

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, 2019:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Ended
April 29, 2019	\$ 0.5100	March 31, 2019
July 26, 2019	\$ 0.5150	June 30, 2019
October 25, 2019	\$ 0.5200	September 30, 2019
January 27, 2020	\$ 0.5250	December 31, 2019

The board of directors of the General Partner declared the following quarterly cash distributions on its Series A Preferred Units earned during 2019:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Covering
January 22, 2019	\$ 0.609375	November 15, 2018 - February 14, 2019
April 19, 2019	\$ 0.609375	February 15, 2019 - May 14, 2019
July 22, 2019	\$ 0.609375	May 15, 2019 - August 14, 2019
October 22, 2019	\$ 0.609375	August 15, 2019 - November 14, 2019
January 21, 2020	\$ 0.609375	November 15, 2019 - February 14, 2020

See Note 18, “Partners’ Equity, Allocations and Cash Distributions” for further information.

Accounting Standards or Updates Recently Adopted

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2017-12, “Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities.” This standard expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The Partnership adopted this standard on January 1, 2019 with no material impact on the Partnership’s consolidated financial statements.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

lessor accounting, however lessor accounting under the new standard is substantially unchanged. The Partnership adopted this standard on January 1, 2019 using a prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The Partnership has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Partnership to carry forward the historical accounting relating to lease identification and classification for existing leases upon adoption. The Partnership made an accounting policy election to keep leases with an initial term of 12 months or less off of the consolidated balance sheet. The Partnership has conducted analyses, conducted detailed contract reviews, considered expanded disclosure requirements, assessed internal control impacts and implemented a new lease accounting system as part of evaluating the impacts of ASU 2016-02 and adopting the accounting guidance. See above for the Partnership's policy on leases and Note 3 for the required disclosures under ASC 842.

Accounting Standards or Updates Not Yet Effective

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This standard aligns the requirements for capitalizing implementation costs in a cloud computing arrangement with the requirements for capitalizing implementation costs incurred for an internal-use software license. This standard is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. This guidance may be adopted either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Partnership is assessing the impact this standard will have on its consolidated financial statements.

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 June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This standard requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. This standard is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. The Partnership does not expect this standard will have a material effect on its consolidated financial statements.

Note 3. Leases

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

The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of approximately \$330.8 million and \$340.8 million, respectively, as of January 1, 2019. The difference between ROU asset and lease liabilities of \$10.0 million is primarily associated with amounts previously recognized on the Partnership's consolidated balance sheet under ASC 840 and is recognized net within ROU assets under ASC 842. The standard did not materially

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

impact the Partnership's consolidated statement of operations or its consolidated statement of cash flows for the year ended December 31, 2019. See Note 2 for the Partnership's lease policy and below for the required disclosures under ASC 842.

The following table presents supplemental balance sheet information related to leases at December 31, 2019 (in thousands):

Assets:	Balance Sheet Location		
ROU assets - operating	Right-of-use assets, net	\$	296,746
Liabilities:			
Current lease liability - operating	Lease liability - current portion	\$	68,160
Noncurrent lease liability - operating	Lease liability - less current portion		239,349
Total lease liability		\$	<u>307,509</u>

Lessee Lease Arrangements

The following table presents the components of lease cost for the year ended December 31, 2019 (in thousands):

Statement of operations location:			
Cost of sales (a)		\$	57,369
Selling, general and administrative expenses			3,094
Operating expenses (b)			50,904
Total lease cost		\$	<u>111,367</u>

(a) Includes short-term lease costs of \$2.5 million.

(b) Includes variable lease cost of \$6.7 million and short-term leases costs which were immaterial.

Operating lease costs included in cost of sales are primarily associated with leases of barges and railcars and dedicated storage facility lease arrangements. Operating lease costs included in operating expenses are primarily associated with the leases of gasoline station and convenience stores and terminal lease arrangements where the Partnership is responsible for operating the terminal facility. Operating lease costs included in selling, general and administrative expenses are primarily associated with the leases of office space, computers and automobiles.

The future minimum lease payments to be paid under operating leases in effect and included in the calculation of lease liabilities at December 31, 2019 were as follows (in thousands):

2020	\$	86,156
2021		78,729
2022		54,672
2023		43,501
2024		31,983
Thereafter		85,788
Total lease payments		<u>380,829</u>
Less imputed interest		73,320
Total lease liabilities	\$	<u>307,509</u>
Current portion	\$	68,160
Long-term portion		239,349
Total lease liabilities	\$	<u>307,509</u>

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The future minimum lease payments include \$19.7 million related to options to extend lease terms that are reasonably certain of being exercised and exclude \$2.3 million in lease payments that were not fixed at lease commencement or lease modification and \$1.3 million related to minimum lease payments for leases that are less than one year.

Lessor Lease Arrangements

The following table presents the components of lease revenue for the year ended December 31, 2019 (in thousands):

Statement of operations location:

Sales (a)(b)	\$	74,184
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- (a) Lease revenue includes sub-lessor rental income from leased properties of \$38.3 million for the year ended December 31, 2019, where the Partnership is the lessee of the property.
- (b) Includes variable lease revenue of \$6.4 million for the year ended December 31, 2019 and short-term lease revenue which was immaterial for the year ended December 31, 2019.

The future minimum lease payments to be received under operating leases in effect at December 31, 2019 were as follows (in thousands):

2020	\$	63,012
2021		35,984
2022		19,787
2023		6,547
2024		4,445
Thereafter		11,114
Total	\$	140,889

Supplemental Information Related to Lease Arrangements

The following table presents supplemental information related to leases as of and for the year ended December 31, 2019 (in thousands):

Cash paid for amounts included in the measurement of lease liabilities	\$	105,366
Right-of-use assets obtained in exchange for new lease liabilities	\$	54,313
Weighted average remaining non-cancellable lease term		6.0 years
Weighted average discount rate as of December 31, 2019		6.65%

Note 4. Revenue from Contracts with Customers

On January 1, 2018, the Partnership adopted ASC 606, "Revenue from Contracts with Customers" ("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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Disaggregation of Revenue

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

	Year Ended December 31, 2019			
	Wholesale	GDSO	Commercial	Total
Revenue from contracts with customers:				
Refined petroleum products, renewable fuels, crude oil and propane	\$ 1,681,426	\$ 3,806,892	\$ 794,082	\$ 6,282,400
Station operations	—	394,679	—	394,679
Total revenue from contracts with customers	1,681,426	4,201,571	794,082	6,677,079
Other sales:				
Revenue originating as physical forward contracts and exchanges	5,746,338	—	584,129	6,330,467
Revenue from leases	2,102	72,082	—	74,184
Total other sales	5,748,440	72,082	584,129	6,404,651
Total sales	\$ 7,429,866	\$ 4,273,653	\$ 1,378,211	\$ 13,081,730
	Year Ended December 31, 2018			
	Wholesale	GDSO	Commercial	Total
Revenue from contracts with customers:				
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
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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 was recognized under ASC 842 for the year ended December 31, 2019 and under ASC 840, “Leases,” for the years ended December 31, 2018 and 2017.

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. The Partnership had no significant contract liabilities at both December 31, 2019 and 2018. Payment terms on invoiced amounts are typically 2 to 30 days.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5. Goodwill and Intangible Assets

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

	Total
Balance at December 31, 2018	\$ 327,406
Dispositions (1)	(2,932)
Balance at December 31, 2019	\$ 324,474

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

Intangible assets consisted of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Amortization Period
At December 31, 2019				
Intangible assets subject to amortization:				
Terminalling services	\$ 26,365	\$ (16,429)	\$ 9,936	20 years
Customer relationships	43,986	(41,630)	2,356	2-15 years
Supply contracts	87,578	(54,655)	32,923	5-15 years
Other intangible assets	5,195	(3,645)	1,550	3-20 years
Total intangible assets	<u>\$ 163,124</u>	<u>\$ (116,359)</u>	<u>\$ 46,765</u>	
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
Other intangible assets	8,575	(5,254)	3,321	1-20 years
Total intangible assets	<u>\$ 166,504</u>	<u>\$ (107,972)</u>	<u>\$ 58,532</u>	

The aggregate amortization expense was approximately \$11.4 million, \$11.0 million and \$9.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. In addition, the Partnership recognized amortization expense related to leasehold interests of \$0, \$0.3 million and \$0.6 million in 2019, 2018 and 2017, respectively.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The estimated annual intangible asset amortization expense for future years ending December 31 is as follows (in thousands):

2020	\$	10,839
2021		10,434
2022		7,199
2023		6,768
2024		5,103
Thereafter		6,422
Total intangible assets	\$	<u>46,765</u>

Note 6. Property and Equipment

Property and equipment consisted of the following at December 31 (in thousands):

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,196,502	\$ 1,126,645
Land	452,104	456,334
Fixtures and equipment	46,848	44,479
Idle plant assets	30,500	30,500
Construction in process	27,951	37,636
Capitalized internal use software	33,502	32,127
Total property and equipment	<u>1,787,407</u>	<u>1,727,721</u>
Less accumulated depreciation	682,544	595,089
Total	<u>\$ 1,104,863</u>	<u>\$ 1,132,632</u>

Property and equipment includes assets held for sale of \$4.6 million and \$8.1 million at December 31, 2019 and 2018, respectively.

At December 31, 2019, the Partnership had a \$44.5 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, 2019 and 2018.

If the Partnership is unable to generate cash flows to support the recoverability of the plant and facility assets, this may become an indicator of potential impairment of the West Coast facility. The Partnership believes these assets are recoverable but continues to monitor the market for ethanol, the continued business development of this facility for ethanol or other product 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 2019 included \$23.1 million in costs related to the Partnership's gasoline stations and \$4.8 million in costs related to the Partnership's terminals.

Construction in process in 2018 included \$28.0 million in costs related to the Partnership's gasoline stations and \$9.6 million in costs related to the Partnership's terminals.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)*****Depreciation***

Depreciation expense allocated to cost of sales was approximately \$87.9 million, \$86.9 million and \$88.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Depreciation expense allocated to selling, general and administrative expenses was approximately \$8.8 million, \$9.0 million and \$7.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 7. 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):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Sale of natural gas brokerage and electricity businesses	\$ —	\$ —	\$ (14,172)
Periodic divestiture of gasoline stations	(2,481)	(263)	818
Strategic asset divestiture program - Real estate firm coordinated sale	(2,046)	995	1,603
Loss on assets held for sale	1,660	4,650	9,988
Other	137	498	139
Total	<u>\$ (2,730)</u>	<u>\$ 5,880</u>	<u>\$ (1,624)</u>

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 (gain) loss on sale and disposition of assets in the accompanying consolidated statements of operations and amounted to a (gain) loss of (\$2.5 million), (\$0.3 million) and \$0.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Strategic Asset Divestiture Program

The Partnership identified certain non-strategic GDSO sites that are part of its Strategic Asset Divestiture Program (the "Divestiture Program"). The 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 (gain) loss on sale and disposition of assets in the accompanying consolidated statements of operations.

Real Estate Firm Coordinated Sales—The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. The Partnership sold 16 sites during the year ended December 31, 2019. The Partnership recognized a gain of (\$2.0 million) on the sales of these sites for the year ended December 31, 2019, including the derecognition of \$2.9 million of GDSO goodwill.

The Partnership recognized losses of \$1.0 million and \$1.6 million on the sales of sites for the years ended

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 31, 2018 and 2017, respectively, including the derecognition of \$3.9 million and \$4.0 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 (gain) loss on sale and disposition of assets in the accompanying consolidated statements of operations.

The Partnership classified 7 sites as held for sale at December 31, 2019 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 \$1.7 million for the year ended December 31, 2019.

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 \$4.7 million and \$10.0 million for the years ended December 31, 2018 and 2017, respectively.

Assets held for sale of \$4.6 million and \$8.1 million at December 31, 2019 and 2018, respectively, are included in property and equipment in the accompanying consolidated balance sheets. Assets held for sale are expected to be sold within the next 12 months.

Other

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

Note 8. Debt and Financing Obligations

Credit Agreement

Certain subsidiaries of the Partnership, as borrowers, and the Partnership and certain of its subsidiaries, as guarantors, have a \$1.3 billion senior secured credit facility (the "Credit Agreement"). The Credit Agreement matures on April 29, 2022.

There are two facilities under the Credit Agreement:

- a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of the Partnership's borrowing base and \$850.0 million; and
- a \$450.0 million revolving credit facility to be used for general corporate purposes.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 1.75% to 2.75%, (2) the cost of funds rate plus 1.75% to 2.75%, or (3) the base rate plus 0.75% to 1.75%, each depending on the Combined Total Leverage Ratio (as defined in the Credit Agreement).

The average interest rates for the Credit Agreement were 4.3%, 4.0% and 3.7% for the years ended December 31, 2019, 2018 and 2017, 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 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, 2019, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed \$175.0 million over the next twelve months and, therefore, classified \$148.9 million as the current portion at December 31, 2019, 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 \$175.0 million and \$150.0 million at December 31, 2019 and 2018, respectively, and the current portion was \$148.9 million and \$103.3 million at December 31, 2019 and 2018, respectively. The increase in total borrowings under the working capital revolving credit facility of \$70.6 million from December 31, 2018 was primarily due to higher prices.

As of December 31, 2019, the Partnership had total borrowings outstanding under the Credit Agreement of \$516.6 million, including \$192.7 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of \$123.2 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$660.2 million and \$770.7 million at December 31, 2019 and 2018, 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, or sale-leaseback transaction or purchase of assets.

The Credit Agreement also includes certain baskets, 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 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, 2019. The Credit Agreement also contains a representation whereby there can be no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect (as defined in the Credit Agreement). In addition, the Credit Agreement limits distributions by the Partnership to its unitholders to the amount of Available Cash (as defined in the Partnership's partnership agreement).

Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are capitalized and amortized over the life of the Credit Agreement or other financing arrangements. In 2019, the Partnership capitalized additional financing fees of \$13.5 million, consisting of \$7.4 million in connection with the issuance of the 2027 Notes and \$6.1 million in connection with the amendment to the Credit Agreement (discussed below). The Partnership had unamortized deferred financing fees of \$18.0 million and \$10.5 million at December 31, 2019 and 2018, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to \$7.8 million and \$5.5 million at December 31, 2019 and 2018, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability and amounted to \$9.5 million and \$4.2 million at December 31, 2019 and 2018, respectively. Unamortized fees related to the Sale-Leaseback Transaction are presented as a direct deduction from the carrying amount of the financing obligation and amounted to \$0.7 million and \$0.8 million at December 31, 2019 and 2018, respectively.

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

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expenses are included in interest expense in the accompanying consolidated statement of operations for year ended December 31, 2019.

On April 25, 2017, the Partnership entered into a Third Amended and Restated Credit Agreement, a facility that extended the maturity date and reduced the total commitment. 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 statement of operations for the year ended December 31, 2017.

Amortization expense of approximately \$5.0 million, \$5.4 million and \$5.6 million for the years ended December 31, 2019, 2018 and 2017, respectively, is included in interest expense in the accompanying consolidated statements of operations.

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):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Borrowings from working capital revolving credit facility	\$ 1,758,700	\$ 2,002,700	\$ 1,311,700
Payments on working capital revolving credit facility	(1,688,100)	(1,976,100)	(1,509,600)
Net borrowings from (payments on) working capital revolving credit facility	\$ 70,600	\$ 26,600	\$ (197,900)
Borrowings from revolving credit facility	\$ —	\$ 166,000	\$ 36,300
Payments on revolving credit facility	(27,300)	(142,000)	(57,000)
Net (payments on) borrowings from revolving credit facility	\$ (27,300)	\$ 24,000	\$ (20,700)

*Senior Notes**7.00% Senior Notes Due 2027*

On July 31, 2019, the Issuers issued \$400.0 million aggregate principal amount of 7.00% senior notes due 2027 to the 2027 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The Partnership used the net proceeds from the offering to fund the repurchase of the 2022 Notes in a tender offer and to repay a portion of the borrowings outstanding under its Credit Agreement. The redemption of the 2022 Notes occurred on August 30, 2019.

As a result of the repurchase of the 2022 Notes, the Partnership recorded a \$13.1 million loss from early extinguishment of debt for the year ended December 31, 2019, consisting of a \$6.9 million cash call premium and a \$6.2 million non-cash write-off of remaining unamortized original issue discount and deferred financing fees.

2027 Notes Indenture

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

The 2027 Notes will mature on August 1, 2027 with interest accruing at a rate of 7.00% per annum and payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2020. The 2027 Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent

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set forth in the 2027 Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 2027 Notes may declare the 2027 Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 2027 Notes to become due and payable.

Prior to August 1, 2022, the Issuers have the option to redeem up to 35% of the 2027 Notes in an amount not greater than the net cash proceeds of certain equity offerings at a redemption price (expressed as a percentage of principal amount) of 107% plus accrued and unpaid interest, if any. The Issuers have the option to redeem the 2027 Notes, in whole or in part, at any time on or after August 1, 2022, at the redemption prices of 103.500% for the twelve-month period beginning on August 1, 2022, 102.333% for the twelve-month period beginning August 1, 2023, 101.167% for the twelve-month period beginning August 1, 2024, and 100% beginning on August 1, 2025 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before August 1, 2022, the Issuers may redeem all or any part of the 2027 Notes at a redemption price equal to the sum of the principal amount thereof, plus a make whole premium, plus accrued and unpaid interest, if any, to the redemption date. The holders of the 2027 Notes may require the Issuers to repurchase the 2027 Notes following certain asset sales or a Change of Control Triggering Event (as defined in the 2027 Notes Indenture) at the prices and on the terms specified in the 2027 Notes Indenture.

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

2027 Notes Registration Rights Agreement

On July 31, 2019, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the "2027 Notes Registration Rights Agreement") with the 2027 Notes Initial Purchasers in connection with the Issuers' private placement of the 2027 Notes. Under the 2027 Notes Registration Rights Agreement, the Issuers and the subsidiary guarantors agreed to file and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the 2027 Notes for an issue of notes with terms identical to the 2027 Notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with the 2027 Notes Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by September 23, 2020. The exchange offer was completed on February 18, 2020, and 100% of the 2027 Notes were exchanged for SEC-registered notes.

7.00% Senior Notes Due 2023

On June 1, 2015, the Issuers entered into a Purchase Agreement with the Initial Purchasers (as defined therein) (the "2023 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 "2023 Notes") to the 2023 Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 2023 Notes were resold by the 2023 Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons

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outside the United States pursuant to Regulation S under the Securities Act.

2023 Notes Indenture

In connection with the private placement of the 2023 Notes on June 4, 2015 the Issuers and the subsidiary guarantors and Deutsche Bank Trust Company Americas, as trustee, entered into an indenture (the “2023 Notes Indenture”).

The 2023 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 2023 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 2023 Notes Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 2023 Notes may declare the 2023 Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Issuers, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 2023 Notes to become due and payable.

The Issuers have the option to redeem the 2023 Notes, in whole or in part, at the redemption prices of 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 2023 Notes may require the Issuers to repurchase the 2023 Notes following certain asset sales or a Change of Control (as defined in the 2023 Notes Indenture) at the prices and on the terms specified in the 2023 Notes Indenture.

The 2023 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 2023 Notes Indenture include (i) a default in payment of principal of, or interest or premium, if any, on, the 2023 Notes, (ii) breach of the Partnership’s covenants under the 2023 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.

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 \$9.3 million, \$9.4 million and \$9.6 million was recorded for the years ended December 31, 2019, 2018 and 2017, 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 \$9.9 million, \$9.7 million and \$9.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. The financing obligation balance outstanding at December 31, 2019 was \$87.0 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2019 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, 2019.

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 for each of the years ended December 31, 2019, 2018 and 2017, and lease rental payments were \$4.6 million, \$4.5 million and \$4.5 million for the years ended December 31, 2019, 2018 and 2017, respectively. The financing obligation balance outstanding at December 31, 2019 was \$62.3 million associated with the Sale-Leaseback Transaction.

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Note 9. Derivative Financial Instruments

The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at December 31, 2019:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	51,838	Thousands of barrels
Short	(55,869)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	9,237	Thousands of barrels
Short	(6,934)	Thousands of barrels

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

Derivatives Accounted for as Hedges

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	2019			2018			2017		
Derivatives in fair value hedging relationship										
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	\$	10,640	\$	5,566	\$	26,118			
Hedged items in fair value hedge relationship										
Physical inventory	Cost of sales	\$	(10,532)	\$	(9,686)	\$	(23,247)			

Cash Flow Hedges

The Partnership had no cash flow hedges in 2019. The Partnership's cash flow hedges in 2018 and 2017 primarily included one interest rate swap which became effective on October 2, 2013 and expired on October 2, 2018 and 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%.

The amount of gain (loss) recognized in other comprehensive income as effective for derivatives designated in cash flow hedging relationships was \$0.1 million and \$1.0 million for the years ended December 31, 2018 and 2017. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 and 2017.

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	2019	2018	2017
	Income on Derivatives			
Commodity contracts	Cost of sales	\$ 14,528	\$ 3,783	\$ 9,502

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 any of 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, 2019 and 2018 (in thousands):

	Balance Sheet Location	December 31, 2019		
		Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ —	\$ 31,645	\$ 31,645
Forward derivative contracts (1)	Derivative assets	—	4,564	4,564
Total asset derivatives		\$ —	\$ 36,209	\$ 36,209
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ (3,838)	\$ (26,354)	\$ (30,192)
Forward derivative contracts (1)	Derivative liabilities	—	(12,698)	(12,698)
Total liability derivatives		\$ (3,838)	\$ (39,052)	\$ (42,890)

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	Balance Sheet Location	December 31, 2018		
		Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ 5,121	\$ 120,992	\$ 126,113
Forward derivative contracts (1)	Derivative assets	—	26,390	26,390
Total asset derivatives		\$ 5,121	\$ 147,382	\$ 152,503
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	\$ —	\$ (42,496)	\$ (42,496)
Forward derivative contracts (1)	Derivative liabilities	—	(4,494)	(4,494)
Total liability derivatives		\$ —	\$ (46,990)	\$ (46,990)

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

Credit Risk

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

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

Note 10. 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, 2019 and 2018 (in thousands):

	Fair Value at December 31, 2019				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	\$ —	\$ 4,002	\$ 562	\$ —	\$ 4,564
Exchange-traded/cleared derivative instruments (2)	1,453	—	—	33,013	34,466
Pension plans	17,099	—	—	—	17,099
Total assets	\$ 18,552	\$ 4,002	\$ 562	\$ 33,013	\$ 56,129

Liabilities:					
Forward derivative contracts (1)	\$ —	\$ (12,112)	\$ (586)	\$ —	\$ (12,698)

	Fair Value at December 31, 2018				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	\$ —	\$ 25,504	\$ 886	\$ —	\$ 26,390
Exchange-traded/cleared derivative instruments (2)	83,617	—	—	(68,851)	14,766
Pension plans	15,800	—	—	—	15,800
Total assets	\$ 99,417	\$ 25,504	\$ 886	\$ (68,851)	\$ 56,956

Liabilities:					
Forward derivative contracts (1)	\$ —	\$ (3,878)	\$ (616)	\$ —	\$ (4,494)

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

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

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

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

The 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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2019 and 2018.

The Partnership estimates the fair values of its senior notes using a combination of quoted market prices for similar financing arrangements and expected future payments discounted at risk-adjusted rates, which are considered Level 2 inputs. The fair values of the senior notes, estimated by observing market trading prices of the respective senior notes, were as follows at December 31 (in thousands):

	2019		2018	
	Face Value	Fair Value	Face Value	Fair Value
6.25% senior notes due 2022	\$ —	\$ —	\$ 375,000	\$ 363,750
7.00% senior notes due 2023	\$ 300,000	\$ 309,000	\$ 300,000	\$ 294,000
7.00% senior notes due 2027	\$ 400,000	\$ 423,000	\$ —	\$ —

Level 3 Information

The values of the Level 3 derivative contracts were calculated using market approaches based on a combination of observable and unobservable market inputs, including published and quoted NYMEX, CME, ICE, New York Harbor and third-party pricing information for a component of the underlying instruments as well as internally developed assumptions where there is little, if any, published or quoted prices or market activity. The unobservable inputs used in the measurement of the Level 3 derivative contracts include estimates for location basis, transportation and throughput costs net of an estimated margin for current market participants. The estimates for these inputs for crude oil were (\$4.95) to (\$3.25) per barrel and (\$3.25) to \$2.00 per barrel as of December 31, 2019 and 2018, respectively. The estimates for these inputs for propane were \$0.84 to \$15.54 per barrel and \$0.84 to \$10.50 per barrel as of December 31, 2019 and 2018, respectively. Gains and losses recognized in earnings (or changes in net assets) are disclosed in Note 9.

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

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

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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, 2018	\$ 270
Derivatives entered into during the period	502
Derivatives sold during the period	(467)
Realized gains (losses) recorded in cost of sales	(241)
Unrealized gains (losses) recorded in cost of sales	(88)
Fair value at December 31, 2019	<u>\$ (24)</u>

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

Non-Recurring Fair Value Measures

Certain nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as acquired assets and liabilities, losses related to firm non-cancellable purchase commitments or long-lived assets subject to impairment. For assets and liabilities measured on a non-recurring basis during the 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 7 for assets held for sale and Note 20 for acquired assets and liabilities measured on a non-recurring basis.

Note 11. 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.

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 December 31, 2019, the Partnership has fulfilled all gallonage commitments. The following provides minimum volume purchase requirements at December 31, 2019 (in thousands of gallons):

2020	418,738
2021	351,900
2022	231,300
2023	187,200
2024	177,400
Thereafter	142,100
Total	<u>1,508,638</u>

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.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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, 2019 (in thousands):

2020	\$	9,000
2021		9,000
2022		9,000
2023		9,000
2024		9,000
Thereafter		4,500
Total	\$	<u>49,500</u>

Total expenses reflected in cost of sales related to this agreement were approximately \$9.0 million for each of the years ended December 31, 2019, 2018 and 2017.

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 was 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, 2019, the remaining commitment on the take-or-pay commitment was approximately \$25.0 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 was committed to a minimum take-or-pay throughput commitment of approximately \$36.4 million over a seven-year period beginning September 1, 2014. At December 31, 2019, the remaining commitment on the take-or-pay commitment, including a quarterly take-or-pay of \$1.5 million, was approximately \$9.9 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 County, 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, 2019, 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, 2019, the remaining commitment on the transportation and reservation agreements over the next five years was approximately \$6.1 million.

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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, \$0.9 million and \$1.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019, the remaining ratable commitment on these access right agreements, with expirations through 2066, was approximately \$27.1 million.

Operating Leases

Please see Note 3 for a discussion of the Partnership's operating lease obligations related to leases for office space and computer equipment, land, gasoline stations, railcars and barges.

Environmental Liabilities

Please see Note 14 for a discussion of the Partnership's environmental liabilities.

Legal Proceedings

Please see Note 23 for a discussion of the Partnership's legal proceedings.

Note 12. Trustee Taxes and Accrued Expenses and Other Current Liabilities***Trustee Taxes***

The Partnership had trustee taxes payable of \$42.9 million and \$42.6 million in various pass-through taxes collected on behalf of taxing authorities at December 31, 2019 and 2018, respectively.

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):

	<u>2019</u>	<u>2018</u>
Barging transportation, product storage and other ancillary cost accruals	\$ 35,098	\$ 39,379
Employee compensation	28,150	30,261
Accrued interest	12,849	12,049
Other	26,705	35,585
Total	<u>\$ 102,802</u>	<u>\$ 117,274</u>

Employee compensation consisted of bonuses, vacation and other salary accruals. Ancillary costs consisted of cost accruals related to product expediting and storage.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****Note 13 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.

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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Federal statutory income tax rate	21.0 %	21.0 %	35.0 %
State income tax rate, net of federal tax benefit	2.9 %	2.8 %	1.2 %
Derecognition of goodwill	0.5 %	0.3 %	1.6 %
Federal deferred rate change	— %	— %	(65.5)%
Partnership income not subject to tax	(21.4) %	(18.9) %	(42.5)%
Effective income tax rate	<u>3.0 %</u>	<u>5.2 %</u>	<u>(70.2)%</u>

The following table presents the components of the provision for income taxes for the years ended December 31 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current:			
Federal	\$ 35	\$ 162	\$ 1,371
State	1,036	2,706	1,011
Foreign	—	4	4
Total current	<u>1,071</u>	<u>2,872</u>	<u>2,386</u>
Deferred:			
Federal	815	1,961	(25,217)
State	(792)	790	(732)
Total deferred	<u>23</u>	<u>2,751</u>	<u>(25,949)</u>
Total	<u>\$ 1,094</u>	<u>\$ 5,623</u>	<u>\$ (23,563)</u>

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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):

	2019	2018
Deferred Income Tax Assets		
Accounts receivable allowances	\$ 751	\$ 760
Environmental liability	9,414	9,943
Asset retirement obligation	2,146	2,344
Deferred financing obligation	11,394	11,405
UNICAP	8	56
Lease liability	44,578	—
Other	1,471	1,384
Federal net operating loss carryforwards	18,505	14,811
State net operating loss carryforwards	1,134	1,087
Tax credit carryforward	691	284
Total deferred tax assets, gross	90,092	42,074
Valuation allowance	(3,299)	(3,138)
Total deferred tax assets, net	\$ 86,793	\$ 38,936
Deferred Income Tax Liabilities		
Property and equipment	\$ (74,031)	\$ (69,356)
Land	(12,353)	(12,189)
Other deferred tax liabilities	(748)	—
Right of use assets	(42,536)	—
Intangible assets	(4)	(247)
Total deferred tax liabilities	\$ (129,672)	\$ (81,792)
Net deferred tax liabilities	\$ (42,879)	\$ (42,856)

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. ("Warren").

At December 31, 2019, GMG had federal and state net operating loss carryforwards of approximately \$8.9 million and \$18.9 million, respectively, which will begin to expire in 2034 and 2026, respectively. In addition, GMG had federal and state net operating loss carryforwards of approximately \$66.8 and \$0.2 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, 2019, the Partnership had \$30.5 million of net deferred tax liabilities (consisting of the \$42.9 million total net deferred tax liability less the \$12.4 million deferred tax liability relating to land discussed below) relating to property and equipment, net operating loss carryforwards, tax credit carryforwards and other temporary 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$0.2 million as of December 31, 2019.

At December 31, 2019, the Partnership also had a \$12.4 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 before income tax (expense) benefit and (loss) income subject to income tax expense for the years ended December 31 (in thousands):

	2019	2018	2017
Income before income tax (expense) benefit	\$ 36,272	\$ 108,026	\$ 33,554
Less non—taxable income	37,001	97,561	40,904
(Loss) income subject to income tax expense	<u>\$ (729)</u>	<u>\$ 10,465</u>	<u>\$ (7,350)</u>

The Partnership made approximately (\$5.2 million), \$0.7 million and \$7.4 million in income tax payments, net of refunds received, during 2019, 2018 and 2017, respectively. The (\$5.2 million) in 2019 consists of tax refunds of (\$7.6 million) received associated with the Warren amended returns for periods prior to the acquisition of Warren on January 27, 2015 and (\$0.2 million) of other tax refunds, offset by \$2.6 million in income tax payments. In accordance with the stock purchase agreement between the Partnership and Warren, the Partnership is ultimately not responsible for federal income tax obligations for tax periods prior to and through January 6, 2015. Any tax obligations will be funded by the selling shareholders, and any tax refunds will be remitted to the selling shareholders.

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 2016.

The following presents the changes in gross unrealized tax benefits for the years ended December 31 (in thousands):

	2019	2018	2017
Balance at beginning of year	\$ 994	\$ 994	\$ 1,433
Increases for tax positions taken in prior years	—	—	28
Settlements of tax positions taken in prior years	—	—	(467)
Income subject to income tax expense	<u>\$ 994</u>	<u>\$ 994</u>	<u>\$ 994</u>

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 for each of the years ended December 31, 2019, 2018 and 2017, all of which 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 positions for the tax years that remain subject to examination by major tax jurisdictions as of December 31, 2019 (tax years ended December 31, 2019, 2018 and 2017). 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, \$0.1 million and \$0 for the years ended December 31, 2019, 2018 and 2017, respectively. The amount

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

of interest and penalties recorded in the accompanying consolidated balance sheets was \$0.2 million as of both December 31, 2019 and 2018. The Partnership anticipates that the liability for unrecognized tax benefits for uncertain tax positions could change by up to \$1.0 million in the next twelve months as a result of closure of various statutes of limitations.

Note 14. 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. Certain environmental remediation obligations at several acquired retail gasoline station assets from Capitol in June 2015 and Alliance Energy LLC (“Alliance”) in March 2012 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 Alliance’s acquisition of these assets from ExxonMobil in 2011 and, therefore, cost estimates for such obligations at these stations are not included in this estimate of liability to the Partnership. 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.

The following table presents a summary roll forward of the Partnership’s environmental liabilities, which were recorded on an undiscounted basis, at December 31, 2019 (in thousands):

Environmental Liability Related to:	Balance at December 31, 2018	Payments 2019	Dispositions 2019	Other Adjustments 2019	Balance at December 31, 2019
Retail gasoline stations	\$ 59,133	\$ (3,129)	\$ (1,425)	\$ 914	\$ 55,493
Terminals	4,091	(313)	—	—	3,778
Total environmental liabilities	\$ 63,224	\$ (3,442)	\$ (1,425)	\$ 914	\$ 59,271
Current portion	\$ 6,092				\$ 5,009
Long-term portion	57,132				54,262
Total environmental liabilities	\$ 63,224				\$ 59,271

In addition to 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.

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

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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 \$0.9 million and \$0.6 million at December 31, 2019 and 2018, respectively.

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

Note 15. 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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 \$3.5 million, \$3.1 million and \$3.0 million for the years ended December 31, 2019, 2018 and 2017, 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, 2019		
	Global Pension Plan	GMG Pension Plan	Total
Projected benefit obligation	\$ 17,030	\$ 4,459	\$ 21,489
Fair value of plan assets	14,267	2,832	17,099
Net unfunded pension liability	<u>\$ 2,763</u>	<u>\$ 1,627</u>	<u>\$ 4,390</u>

	December 31, 2018		
	Global Pension Plan	GMG Pension Plan	Total
Projected benefit obligation	\$ 16,213	\$ 3,873	\$ 20,086
Fair value of plan assets	13,372	2,428	15,800
Net unfunded pension liability	<u>\$ 2,841</u>	<u>\$ 1,445</u>	<u>\$ 4,286</u>

Total actual return on plan assets was \$3.9 million and (\$0.7 million) in 2019 and 2018, respectively.

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):

	2019	2018	2017
Benefit obligation at beginning of year	\$ 20,086	\$ 22,217	\$ 20,631
Interest cost	767	714	724
Actuarial (gain) loss	3,839	(1,347)	2,392
Benefits paid	(3,203)	(1,498)	(1,530)
Benefit obligation at end of year	<u>\$ 21,489</u>	<u>\$ 20,086</u>	<u>\$ 22,217</u>

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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		
	2019	2018	2017	2019	2018	2017
Discount rate	3.0%	4.1%	3.4%	3.2%	4.2%	3.6%
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 2019. The discount rates for 2019 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, 2019 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):

2020	\$	1,647
2021		1,072
2022		1,281
2023		920
2024		942
2025—2029		7,782
Total	\$	<u>13,644</u>

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 approximately \$0.6 million, \$0.4 million and \$0.4 million in 2019, 2018 and 2017, respectively.

Note 16. Related-Party Transactions

The Partnership is a party to a Second Amended and Restated Services Agreement with Global Petroleum Corp. ("GPC"), an affiliate of the Partnership that is 100% owned by members of the Slifka family, pursuant to which the Partnership provides GPC with certain tax, accounting, treasury, legal, information technology, human resources and financial operations support services for which GPC pays the Partnership a monthly services fee at an agreed amount subject to the approval by the Conflicts Committee of the board of directors of the General Partner. The Second Amended and Restated Services Agreement is for an indefinite term and any party may terminate some or all of the services upon ninety (90) days' advanced written notice. As of December 31, 2019, no such notice of termination was given by GPC or the Partnership.

The General Partner employs substantially all of the Partnership's employees, except for most of its gasoline station and convenience store employees, who are employed by GMG. The Partnership reimburses the General Partner

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

for expenses incurred in connection with these employees. These expenses, including bonus, payroll and payroll taxes, were \$118.5 million, \$104.8 million and \$106.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner's 401(k) Savings and Profit Sharing Plans (see Note 15) 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):

	2019	2018
Receivables from GPC	\$ 53	\$ 23
Receivables from the General Partner (1)	7,770	5,412
Total	<u>\$ 7,823</u>	<u>\$ 5,435</u>

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

In addition, for the years ended December 31, 2019, 2018 and 2017, the Partnership paid certain costs in connection with a compensation funding agreement with the General Partner. See Note 17, "Long-Term Incentive Plan—Repurchase Program."

Note 17. 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 3,016,234 units were available for issuance under the LTIP as of December 31, 2019.

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 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 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
Vested	(148,842)	27.41
Forfeited	(18,393)	18.66
Outstanding non—vested phantom units at December 31, 2019	562,906	9.74

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.

The Partnership recorded total compensation expense related to the outstanding LTIP awards of \$2.0 million, \$3.1 million and \$3.9 million for the years ended December 31, 2019, 2018 and 2017, 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, 2019 was approximately \$2.7 million and is expected to be recognized ratably over the remaining requisite service periods.

Repurchase Program

In May 2009, the board of directors of the General Partner authorized the repurchase of the Partnership's common units (the "Repurchase Program") for the purpose of meeting the General Partner's anticipated obligations to deliver common units under the LTIP and meeting the General Partner's obligations under existing employment agreements and other employment related obligations of the General Partner (collectively, the "General Partner's Obligations"). The General Partner is authorized to acquire up to 1,242,427 of its common units in the aggregate over an extended period of time, consistent with the General Partner's Obligations. Common units may be repurchased from time to time in open market transactions, including block purchases, or in privately negotiated transactions. Such authorized unit repurchases may be modified, suspended or terminated at any time and are subject to price and economic and market conditions, applicable legal requirements and available liquidity. Since the Repurchase Program was implemented, the General Partner repurchased 838,505 common units pursuant to the Repurchase Program for approximately \$24.8 million, none of which were repurchased in 2019.

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Agreement, the Partnership paid members of the General Partner approximately \$0.3 million and \$0.4 million of these costs for the years ended December 31, 2019 and 2018, respectively.

Note 18. Partners' Equity, Allocations and Cash Distributions

Partners' Equity

Common Units and General Partner Units

At December 31, 2019 there were 33,995,563 common units issued, including 7,402,198 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, 2019, 2018 and 2017.

Series A Preferred Units

On August 7, 2018, the Partnership issued 2,760,000 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units representing limited partner interests (the "Series A Preferred Units") for \$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. There have been no changes to the Series A Preferred Units during the year ended December 31, 2019.

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 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 is a 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.

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)*****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.

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 %

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Partnership paid the following cash distributions to common unitholders during 2019, 2018 and 2017 (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
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
2019						
2/14/2019 (1)	12/31/18	\$ 0.5000	\$ 16,998	\$ 115	\$ 202	\$ 17,315
5/15/2019 (1)	03/31/19	0.5100	17,338	117	256	17,711
8/14/2019 (1)	06/30/19	0.5150	17,508	118	269	17,895
11/14/2019 (1)	09/30/19	0.5200	17,678	119	294	18,091

(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 27, 2020, the board of directors of the General Partner declared a quarterly cash distribution of \$0.5250 per unit (\$2.10 per unit on an annualized basis) on all of its outstanding common units for the period from October 1, 2019 through December 31, 2019 to the Partnership's common unitholders of record as of the close of business February 10, 2020. On February 14, 2020, the Partnership paid the total cash distribution of approximately \$18.3 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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

In addition, on January 21, 2020, 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, 2019 through February 14, 2020 to the Partnership's preferred unitholders of record as of the opening of business on February 3, 2020. On February 18, 2020, the Partnership paid the total cash distribution of approximately \$1.7 million.

Note 19. 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 20. 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.

In connection with the acquisition of Cheshire, the Partnership incurred acquisition costs of approximately \$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.

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 were either owned or leased, including lessee dealer and commission agent locations. The transaction also included fuel

GLOBAL PARTNERS LP**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

supply agreements for approximately 65 gasoline stations, primarily in Vermont and New Hampshire. The stations primarily market major fuel brands such as Mobil, Shell, Citgo, Sunoco and Irving. The purchase price was approximately \$138.2 million, including inventory. The acquisition was financed with borrowings under the Partnership's revolving credit facility.

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

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

Assets purchased:	
Inventory	\$ 5,450
Prepaid expenses and other current assets	270
Property and equipment	112,871
Intangibles	12,936
Total identifiable assets purchased	131,527
Liabilities assumed:	
Accrued expenses and other current liabilities	(131)
Environmental liabilities	(10,757)
Other non-current liabilities	(938)
Total liabilities assumed	(11,826)
Net identifiable assets acquired	119,701
Goodwill	18,478
Net assets acquired	\$ 138,179

The Partnership's third-party valuation firm considered the income, market and cost approaches in estimating the fair value of the property and equipment and intangible assets. The market and cost approaches were used to value the property and equipment based on the underlying asset class components of the property and equipment. The income approach was used to value the dealer supply contracts, in-place leases and franchise rights.

The purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based on the valuation from the Partnership's third-party valuation firm. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the GDSO reporting unit. The \$18.5 million of goodwill was recognized as the transaction expanded the Partnership's retail portfolio and geographic footprint in New England and provides additional volume to the Partnership's terminals in New York and Vermont. The goodwill is expected to be tax deductible. The operations of Champlain have been integrated into the GDSO reporting segment.

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

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

The Partnership utilized accounting guidance related to intangible assets which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors include, in part, a review of the expected

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 \$2.3 million and \$1.2 million for the years ended December 31, 2019 and 2018, respectively.

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.

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.

Note 21. 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 2019, 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, trucks

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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 responds to publicly issued requests for product proposals and quotes. The Partnership generally arranges for the delivery of the product to the customer's designated location. 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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Summarized financial information for the Partnership's reportable segments for the years ended December 31 is presented in the table below (in thousands):

	2019	2018	2017
Wholesale Segment:			
Sales			
Gasoline and gasoline blendstocks	\$ 5,358,550	\$ 4,732,028	\$ 2,097,811
Crude oil (1)	96,419	109,719	464,234
Other oils and related products (2)	1,974,897	2,049,043	1,725,537
Total	\$ 7,429,866	\$ 6,890,790	\$ 4,287,582
Product margin			
Gasoline and gasoline blendstocks	\$ 83,982	\$ 76,741	\$ 82,124
Crude oil (1)	(13,047)	7,159	7,279
Other oils and related products (2)	51,584	53,389	62,799
Total	\$ 122,519	\$ 137,289	\$ 152,202
Gasoline Distribution and Station Operations Segment:			
Sales			
Gasoline	\$ 3,806,892	\$ 4,081,498	\$ 3,434,581
Station operations (3)	466,761	427,211	351,876
Total	\$ 4,273,653	\$ 4,508,709	\$ 3,786,457
Product margin			
Gasoline	\$ 374,550	\$ 373,303	\$ 326,536
Station operations (3)	225,078	203,098	174,986
Total	\$ 599,628	\$ 576,401	\$ 501,522
Commercial Segment:			
Sales	\$ 1,378,211	\$ 1,273,103	\$ 846,513
Product margin	\$ 28,540	\$ 23,611	\$ 17,858
Combined sales and Product margin:			
Sales	\$ 13,081,730	\$ 12,672,602	\$ 8,920,552
Product margin (4)	\$ 750,687	\$ 737,301	\$ 671,582
Depreciation allocated to cost of sales	(87,930)	(86,892)	(88,530)
Combined gross profit	\$ 662,757	\$ 650,409	\$ 583,052

- (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, 500 million gallons and 480 million gallons of the GDSO segment's sales for the years ended December 31, 2019, 2018 and 2017, respectively, were supplied from petroleum products and renewable fuels sourced by the Wholesale segment. The Commercial segment's sales were predominantly sourced by the Wholesale segment. These intra-segment sales are not reflected as sales in the Wholesale segment as they are eliminated.

None of the Partnership's customers accounted for greater than 10% of total sales for years ended December 31, 2019, 2018 and 2017.

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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):

	Year Ended December 31,		
	2019	2018	2017
Combined gross profit	\$ 662,757	\$ 650,409	\$ 583,052
Operating costs and expenses not allocated to operating segments:			
Selling, general and administrative expenses	170,937	171,002	155,033
Operating expenses	342,382	321,115	283,650
(Gain) loss on trustee taxes	—	(52,627)	16,194
Lease exit and termination gain	(493)	(3,506)	—
Amortization expense	11,431	10,960	9,206
Net (gain) loss on sale and disposition of assets	(2,730)	5,880	(1,624)
Goodwill and long-lived asset impairment	2,022	414	809
Total operating costs and expenses	523,549	453,238	463,268
Operating income	139,208	197,171	119,784
Interest expense	(89,856)	(89,145)	(86,230)
Loss on early extinguishment of debt	(13,080)	—	—
Income tax (expense) benefit	(1,094)	(5,623)	23,563
Net income	35,178	102,403	57,117
Net loss attributable to noncontrolling interest	689	1,502	1,635
Net income attributable to Global Partners LP	\$ 35,867	\$ 103,905	\$ 58,752

The Partnership's foreign assets and foreign sales were immaterial as of and for the years ended December 31, 2019, 2018 and 2017.

Segment Assets

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

The table below presents total assets by reportable segment at December 31, (in thousands):

	Wholesale	Commercial	GDSO	Unallocated	Total
December 31, 2019	\$ 773,696	\$ —	\$ 1,576,655	\$ 458,076	\$ 2,808,427
December 31, 2018	\$ 615,795	\$ —	\$ 1,415,501	\$ 392,995	\$ 2,424,291

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 22. Changes in Accumulated Other Comprehensive Loss

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

	Pension Plan	Derivatives	Total
Balance at December 31, 2017	\$ (5,333)	\$ (135)	\$ (5,468)
Other comprehensive income before reclassifications of gain (loss)	21	133	154
Amount of gain (loss) reclassified from accumulated other comprehensive (loss) income	54	—	54
Total comprehensive income	75	133	208
Balance at December 31, 2018	(5,258)	(2)	(5,260)
Other comprehensive income before reclassifications of gain (loss)	3	—	3
Amount of gain (loss) reclassified from accumulated other comprehensive (loss) income	179	2	181
Total comprehensive income	182	2	184
Balance at December 31, 2019	\$ (5,076)	\$ —	\$ (5,076)

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

Note 23. Legal Proceedings**General**

Although the Partnership may, from time to time, be involved in litigation and claims arising out of its operations in the normal course of business, the Partnership does not believe that it is a party to any litigation that will have a material adverse impact on its financial condition or results of operations. Except as described below and in Note 14 included herein, the Partnership is not aware of any significant legal or governmental proceedings against it or contemplated to be brought against it. The Partnership maintains insurance policies with insurers in amounts and with coverage and deductibles as its general partner believes are reasonable and prudent. However, the Partnership can provide no assurance that this insurance will be adequate to protect it from all material expenses related to potential future claims or that these levels of insurance will be available in the future at economically acceptable prices.

Other

On January 31, 2020, the Partnership and Global Operating LLC ("Global Operating") received a notice of arbitration filed against them by the minority members of Basin Transload alleging, among other things, mismanagement by the Partnership and Global Operating of certain business arrangements of Basin Transload. The Partnership and Global Operating deny the allegations set forth in the notice of arbitration and believe they have meritorious defenses to the filing.

On February 20, 2020, the Partnership filed a breach of contract claim against the minority members of Basin Transload in the United States District Court of Massachusetts, demanding damages in excess of \$5.0 million. The Partnership's claim arises in connection with the Partnership's payment in October 2017 of approximately \$13.1 million to Tesoro in accordance with the Partnership's guaranty of a pipeline connection agreement between Basin Transload and Tesoro. In breach of a separate agreement among the Partnership and the minority members, each of the minority

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

members of Basin Transload failed to reimburse the Partnership for 20% of any payments made by the Partnership to Tesoro in connection with the pipeline connection agreement.

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

On August 2, 2016, the Partnership received a Notice of Violation (“NOV”) from the EPA, alleging that permits for the Partnership’s petroleum product transloading facility in Albany, New York (the “Albany Terminal”), issued by the New York State Department of Environmental Conservation (“NYSDEC”) between August 9, 2011 and November 7, 2012, violated the Clean Air Act (the “CAA”) and the federally enforceable New York State Implementation Plan (“SIP”) by increasing throughput of crude oil at the Albany Terminal without complying with the New Source Review (“NSR”) requirements of the SIP. The Albany Terminal is a 63-acre licensed, permitted and operational stationary bulk petroleum storage and transfer terminal that currently consists of petroleum product storage tanks, along with truck, rail and marine loading facilities, for the storage, blending and distribution of various petroleum and related products, including gasoline, ethanol, distillates, heating and crude oils. The applicable permits issued by the NYSDEC to the Partnership in 2011 and 2012 specifically authorize the Partnership to increase the throughput of crude oil at the Albany Terminal. According to the allegations in the NOV, the NYSDEC permit actions should have been treated as a major modification under the NSR program, requiring additional emission control measures and compliance with other NSR requirements. The NYSDEC has not alleged that the Partnership’s permits were subject to the NSR program and the NYSDEC never issued an NOV in the matter. The CAA authorizes the EPA to take enforcement action in response to violations of the New York SIP seeking compliance and penalties. The Partnership believes that the permits issued by the NYSDEC comply with the CAA and applicable state air permitting requirements and that no material violation of law has occurred. The Partnership disputed the claims alleged in the NOV and first responded to the EPA in September 2016. The Partnership met with the EPA and provided additional information at the agency’s request. On December 16, 2016, the EPA proposed a Settlement Agreement in a letter to the Partnership relating to the allegations in the NOV. On January 17, 2017, the Partnership responded to the EPA indicating that the EPA had failed to explain or provide support for its allegations and that the EPA needed to better explain its positions and the evidence on which it was relying. The EPA did not respond with such evidence, but instead has requested that the Partnership enter into a series of tolling agreements. The Partnership has signed the tolling agreements with respect to this matter, as requested by the EPA, and such agreements currently extend through June 30, 2020. To date, the EPA has not taken any further formal action with respect to the NOV.

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

On March 26, 2015, the Partnership received a Notice of Non-Compliance (“NON”) from the Massachusetts Department of Environmental Protection (“DEP”) with respect to the Revere terminal (the “Revere Terminal”) located in Boston Harbor in Revere, Massachusetts, alleging certain violations of the National Pollutant Discharge Elimination System Permit (“NPDES Permit”) related to storm water discharges. The NON required the Partnership to submit a plan

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to remedy the reported violations of the NPDES Permit. The Partnership has responded to the NON with a plan and has implemented modifications to the storm water management system at the Revere Terminal in accordance with the plan. The Partnership has requested that the DEP acknowledge completion of the required modifications to the storm water management system in satisfaction of the NON. While no response has yet been received, the Partnership believes that compliance with the NON has been achieved, and implementation of the plan will have no material impact on its operations.

The Partnership received letters from the EPA dated November 2, 2011 and March 29, 2012, containing requirements and testing orders (collectively, the “Requests for Information”) for information under the CAA. The Requests for Information were part of an EPA investigation to determine whether the Partnership has violated sections of the CAA at certain of its terminal locations in New England with respect to residual oil and asphalt. On June 6, 2014, a NOV was received from the EPA, alleging certain violations of its Air Emissions License issued by the Maine Department of Environmental Protection, based upon the test results at the South Portland, Maine terminal. The Partnership met with and provided additional information to the EPA with respect to the alleged violations. On April 7, 2015, the EPA issued a Supplemental Notice of Violation modifying the allegations of violations of the terminal’s Air Emissions License. The Partnership has entered into a consent decree (the “Consent Decree”) with the EPA and the United States Department of Justice (the “Department of Justice”), which was filed in the U.S. District Court for the District of Maine (the “Court”) on March 25, 2019. The Consent Decree was entered by the Court on December 19, 2019. The Partnership believes that compliance with the Consent Decree and implementation of the requirements of the Consent Decree will have no material impact on its operations.

Note 24. Quarterly Financial Data (Unaudited)

Unaudited quarterly financial data is as follows (in thousands, except per unit amounts):

	First	Second	Third	Fourth	Total
Year ended December 31, 2019					
Sales	\$ 2,979,626	\$ 3,507,540	\$ 3,245,653	\$ 3,348,911	\$ 13,081,730
Gross profit	\$ 156,844	\$ 167,143	\$ 187,769	\$ 151,001	\$ 662,757
Operating income	\$ 29,774	\$ 37,875	\$ 50,877	\$ 20,682	\$ 139,208
Net income (loss) (1)(2)(3)	\$ 6,794	\$ 14,371	\$ 14,893	\$ (880)	\$ 35,178
Net income (loss) attributable to Global Partners LP	\$ 7,126	\$ 14,489	\$ 15,080	\$ (828)	\$ 35,867
Net income (loss) attributable to common limited partners	\$ 5,140	\$ 12,441	\$ 13,003	\$ (2,824)	\$ 27,760
Basic net income (loss) per common limited partner unit	\$ 0.15	\$ 0.37	\$ 0.38	\$ (0.08)	\$ 0.82
Diluted net income (loss) per common limited partner unit	\$ 0.15	\$ 0.36	\$ 0.38	\$ (0.08)	\$ 0.81
Cash distributions per common limited partner unit (4)	\$ 0.5100	\$ 0.5150	\$ 0.5200	\$ 0.5250	\$ 2.07

The above table reflects certain rounding conventions.

- (1) Includes a net loss (gain) on sale and disposition of assets of \$0.5 million, (\$1.1 million), \$0.3 million and (\$2.4 million) in the first, second, third and fourth quarters of 2019, respectively.
- (2) Includes a goodwill and long-lived asset impairment of \$0.6 million and \$1.4 million in the third and fourth quarters of 2019, respectively.
- (3) Includes a \$13.1 million loss on the early extinguishment of debt related to the 2022 Notes (see Note 8).
- (4) Represents cash distributions earned for the respective period. Cash distributions earned in one calendar quarter are paid in the following calendar quarter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	First	Second	Third	Fourth	Total
Year ended December 31, 2018					
Sales	\$ 2,802,891	\$ 3,126,575	\$ 3,468,835	\$ 3,274,301	\$ 12,672,602
Gross profit	\$ 144,330	\$ 149,261	\$ 134,974	\$ 221,844	\$ 650,409
Operating income	\$ 79,207	\$ 27,619	\$ 8,144	\$ 82,201	\$ 197,171
Net income (loss) (5)(6)(7)	\$ 58,675	\$ 6,022	\$ (14,464)	\$ 52,170	\$ 102,403
Net income (loss) attributable to Global Partners LP	\$ 59,042	\$ 6,413	\$ (14,080)	\$ 52,530	\$ 103,905
Net income (loss) attributable to common limited partners	\$ 58,646	\$ 6,303	\$ (15,062)	\$ 50,294	\$ 100,181
Basic net income (loss) per common limited partner unit	\$ 1.74	\$ 0.19	\$ (0.44)	\$ 1.49	\$ 2.98
Diluted net income (loss) per common limited partner unit	\$ 1.73	\$ 0.19	\$ (0.44)	\$ 1.47	\$ 2.95
Cash distributions per common limited partner unit (8)	\$ 0.4625	\$ 0.4750	\$ 0.4750	\$ 0.5000	\$ 1.91

The above table reflects certain rounding conventions.

- (5) 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 in the first quarter of 2018. See Note 2.
- (6) Includes a net loss on sale and disposition of assets of \$1.9 million, \$3.0 million, \$0.9 million and \$0.1 million in the first, second, third and fourth quarters of 2018, respectively.
- (7) Includes a lease exit and termination gain of \$3.5 million in the third quarter of 2018. See Note 2.
- (8) Represents cash distributions earned for the respective period. Cash distributions earned in one calendar quarter are paid in the following calendar quarter.

Note 25. Subsequent Events

Distribution to Common Unitholders—On February 14, 2020, the Partnership paid a cash distribution of approximately \$18.3 million to its common unitholders of record as of the close of business on February 10, 2020.

Distribution to Preferred Unitholders—On February 18, 2020, the Partnership paid a cash distribution of approximately \$1.7 million to holders of its Series A Preferred Units of record as of the opening of business on February 3, 2020.

Note 26. Supplemental Guarantor Condensed Consolidating Financial Statements

The Partnership's wholly-owned subsidiaries, other than GLP Finance, are guarantors of senior notes issued by the Partnership and GLP Finance. As such, the Partnership is subject to the requirements of Rule 3-10 of Regulation S-X of the SEC regarding financial statements of guarantors and issuers of registered guaranteed securities. The Partnership presents condensed consolidating financial information for its subsidiaries within the notes to consolidated financial statements in accordance with the criteria established for parent companies in the SEC's Regulation S-X, Rule 3-10(d). The following condensed consolidating financial information presents the Condensed Consolidating Balance Sheets as of December 31, 2019 and 2018, the Condensed Consolidating Statements of Operations for the years ended December 31, 2019, 2018 and 2017 and the Condensed Consolidating Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 of the Partnership's 100% owned guarantor subsidiaries, the non-guarantor subsidiary and the eliminations necessary to arrive at the information for the Partnership on a consolidated basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Balance Sheet
December 31, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 11,591	\$ 451	\$ —	\$ 12,042
Accounts receivable, net	412,853	339	3	413,195
Accounts receivable—affiliates	7,823	3	(3)	7,823
Inventories	450,482	—	—	450,482
Brokerage margin deposits	34,466	—	—	34,466
Derivative assets	4,564	—	—	4,564
Prepaid expenses and other current assets	81,845	95	—	81,940
Total current assets	1,003,624	888	—	1,004,512
Property and equipment, net	1,102,644	2,219	—	1,104,863
Right of use assets, net	296,672	74	—	296,746
Intangible assets, net	46,765	—	—	46,765
Goodwill	324,474	—	—	324,474
Other assets	31,067	—	—	31,067
Total assets	\$ 2,805,246	\$ 3,181	\$ —	\$ 2,808,427
Liabilities and partners' equity				
Current liabilities:				
Accounts payable	\$ 373,355	\$ 31	\$ —	\$ 373,386
Accounts payable—affiliates	(17)	17	—	—
Working capital revolving credit facility—current portion	148,900	—	—	148,900
Lease liability—current portion	68,143	17	—	68,160
Environmental liabilities—current portion	5,009	—	—	5,009
Trustee taxes payable	42,932	—	—	42,932
Accrued expenses and other current liabilities	102,737	65	—	102,802
Derivative liabilities	12,698	—	—	12,698
Total current liabilities	753,757	130	—	753,887
Working capital revolving credit facility—less current portion	175,000	—	—	175,000
Revolving credit facility	192,700	—	—	192,700
Senior notes	690,533	—	—	690,533
Long-term lease liability—less current portion	239,308	41	—	239,349
Environmental liabilities—less current portion	54,262	—	—	54,262
Financing obligations	148,127	—	—	148,127
Deferred tax liabilities	42,879	—	—	42,879
Other long-term liabilities	52,451	—	—	52,451
Total liabilities	2,349,017	171	—	2,349,188
Partners' equity				
Global Partners LP equity	456,229	1,836	—	458,065
Noncontrolling interest	—	1,174	—	1,174
Total partners' equity	456,229	3,010	—	459,239
Total liabilities and partners' equity	\$ 2,805,246	\$ 3,181	\$ —	\$ 2,808,427

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 13,080,376	\$ 1,848	\$ (494)	\$ 13,081,730
Cost of sales	12,417,835	1,632	(494)	12,418,973
Gross profit	662,541	216	—	662,757
Costs and operating expenses:				
Selling, general and administrative expenses	170,546	391	—	170,937
Operating expenses	340,833	1,549	—	342,382
Lease exit and termination gain	(493)	—	—	(493)
Amortization expense	11,431	—	—	11,431
Net gain on sale and disposition of assets	(2,730)	—	—	(2,730)
Goodwill and long-lived asset impairment	2,022	—	—	2,022
Total costs and operating expenses	521,609	1,940	—	523,549
Operating income (loss)	140,932	(1,724)	—	139,208
Interest expense	(89,856)	—	—	(89,856)
Loss on early extinguishment of debt	(13,080)	—	—	(13,080)
Income (loss) before income tax expense	37,996	(1,724)	—	36,272
Income tax expense	(1,094)	—	—	(1,094)
Net income (loss)	36,902	(1,724)	—	35,178
Net loss attributable to noncontrolling interest	—	689	—	689
Net income (loss) attributable to Global Partners LP	36,902	(1,035)	—	35,867
Less: General partners' interest in net income, including incentive distribution rights	1,379	—	—	1,379
Less: Series A preferred limited partner interest in net income	6,728	—	—	6,728
Net income (loss) attributable to common limited partners	\$ 28,795	\$ (1,035)	\$ —	\$ 27,760

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2018
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 12,671,866	\$ 1,170	\$ (434)	\$ 12,672,602
Cost of sales	12,019,610	3,017	(434)	12,022,193
Gross profit (loss)	652,256	(1,847)	—	650,409
Costs and operating expenses:				
Selling, general and administrative expenses	170,611	391	—	171,002
Operating expenses	319,598	1,517	—	321,115
Gain on trustee taxes	(52,627)	—	—	(52,627)
Lease exit and termination gain	(3,506)	—	—	(3,506)
Amortization expense	10,960	—	—	10,960
Net loss on sale and disposition of assets	5,880	—	—	5,880
Goodwill and long-lived asset impairment	414	—	—	414
Total costs and operating expenses	451,330	1,908	—	453,238
Operating income (loss)	200,926	(3,755)	—	197,171
Interest expense	(89,145)	—	—	(89,145)
Income (loss) before income tax expense	111,781	(3,755)	—	108,026
Income tax expense	(5,623)	—	—	(5,623)
Net income (loss)	106,158	(3,755)	—	102,403
Net loss attributable to noncontrolling interest	—	1,502	—	1,502
Net income (loss) attributable to Global Partners LP	106,158	(2,253)	—	103,905
Less: General partners' interest in net income, including incentive distribution rights	1,033	—	—	1,033
Less: Series A preferred limited partner interest in net income	2,691	—	—	2,691
Net income (loss) attributable to common limited partners	\$ 102,434	\$ (2,253)	\$ —	\$ 100,181

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2017
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Eliminations	Consolidated
Sales	\$ 8,917,997	\$ 2,936	\$ (381)	\$ 8,920,552
Cost of sales	8,332,940	4,941	(381)	8,337,500
Gross profit (loss)	585,057	(2,005)	—	583,052
Costs and operating expenses:				
Selling, general and administrative expenses	154,611	422	—	155,033
Operating expenses	281,973	1,677	—	283,650
Loss on trustee taxes	16,194	—	—	16,194
Amortization expense	9,206	—	—	9,206
Net gain on sale and disposition of assets	(1,607)	(17)	—	(1,624)
Goodwill and long-lived asset impairment	809	—	—	809
Total costs and operating expenses	461,186	2,082	—	463,268
Operating income (loss)	123,871	(4,087)	—	119,784
Interest expense	(86,230)	—	—	(86,230)
Income (loss) before income tax benefit	37,641	(4,087)	—	33,554
Income tax benefit	23,563	—	—	23,563
Net (income) loss	61,204	(4,087)	—	57,117
Net loss attributable to noncontrolling interest	—	1,635	—	1,635
Net income (loss) attributable to Global Partners LP	61,204	(2,452)	—	58,752
Less: General partners' interest in net income (loss), including incentive distribution rights	394	—	—	394
Net income (loss) attributable to common limited partners	\$ 60,810	\$ (2,452)	\$ —	\$ 58,358

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2019
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash provided by (used in) operating activities	\$ 95,022	\$ (620)	\$ 94,402
Cash flows from investing activities			
Capital expenditures	(82,864)	—	(82,864)
Seller note issuances	(1,410)	—	(1,410)
Proceeds from sale of property and equipment	17,060	—	17,060
Net cash used in investing activities	(67,214)	—	(67,214)
Cash flows from financing activities			
Net borrowings from working capital revolving credit facility	70,600	—	70,600
Net payments on revolving credit facility	(27,300)	—	(27,300)
Proceeds from senior notes, net	392,602	—	392,602
Repayment of senior notes	(381,886)	—	(381,886)
LTIP units withheld for tax obligations	(657)	—	(657)
Distributions to limited partners and general partner	(76,626)	—	(76,626)
Net cash used in financing activities	(23,267)	—	(23,267)
Cash and cash equivalents			
Increase (decrease) in cash and cash equivalents	4,541	(620)	3,921
Cash and cash equivalents at beginning of year	7,050	1,071	8,121
Cash and cash equivalents at end of year	<u>\$ 11,591</u>	<u>\$ 451</u>	<u>\$ 12,042</u>

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2018
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash provided by (used in) operating activities	\$ 169,608	\$ (752)	\$ 168,856
Cash flows from investing activities			
Acquisitions	(171,620)	—	(171,620)
Capital expenditures	(69,174)	—	(69,174)
Seller note issuances	(3,337)	—	(3,337)
Proceeds from sale of property and equipment	18,411	—	18,411
Net cash used in investing activities	(225,720)	—	(225,720)
Cash flows from financing activities			
Net proceeds from issuance of Series A preferred units	66,366	—	66,366
Net borrowings from working capital revolving credit facility	26,600	—	26,600
Net borrowings from revolving credit facility	24,000	—	24,000
LTIP units withheld for tax obligations	(835)	—	(835)
Distributions to limited partners and general partner	(66,004)	—	(66,004)
Net cash provided by financing activities	50,127	—	50,127
Cash and cash equivalents			
Decrease in cash and cash equivalents	(5,985)	(752)	(6,737)
Cash and cash equivalents at beginning of year	13,035	1,823	14,858
Cash and cash equivalents at end of year	<u>\$ 7,050</u>	<u>\$ 1,071</u>	<u>\$ 8,121</u>

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017
(In thousands)

	(Issuer) Guarantor Subsidiaries	Non- Guarantor Subsidiary	Consolidated
Cash flows from operating activities			
Net cash provided by operating activities	\$ 346,829	\$ 1,613	\$ 348,442
Cash flows from investing activities			
Acquisitions	(38,479)	—	(38,479)
Capital expenditures	(49,866)	—	(49,866)
Seller note issuances	(6,086)	—	(6,086)
Proceeds from sale of property and equipment	32,767	20	32,787
Net cash used in (provided by) investing activities	(61,664)	20	(61,644)
Cash flows from financing activities			
Net payments on working capital revolving credit facility	(197,900)	—	(197,900)
Net payments on revolving credit facility	(20,700)	—	(20,700)
LTIP units withheld for tax obligations	(522)	—	(522)
Noncontrolling interest capital contribution	279	—	279
Distribution to noncontrolling interest	—	(465)	(465)
Distributions to limited partners and general partner	(62,660)	—	(62,660)
Net cash used in financing activities	(281,503)	(465)	(281,968)
Cash and cash equivalents			
Increase in cash and cash equivalents	3,662	1,168	4,830
Cash and cash equivalents at beginning of year	9,373	655	10,028
Cash and cash equivalents at end of year	\$ 13,035	\$ 1,823	\$ 14,858

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Item 15(a)

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
GLOBAL PARTNERS LP
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017
(In thousands)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Recoveries</u>	<u>Write Offs</u>	<u>Other Adjustment</u>	<u>Balance at End of Period</u>
<i>Year ended December 31, 2019</i>						
Allowance for doubtful accounts— accounts receivable	\$ 2,433	\$ 177	\$ 507	\$ (388)	\$ —	\$ 2,729
<i>Year ended December 31, 2018</i>						
Allowance for doubtful accounts— accounts receivable	\$ 4,605	\$ 754	\$ —	\$ (2,947)	\$ 21	\$ 2,433
<i>Year ended December 31, 2017</i>						
Allowance for doubtful accounts— accounts receivable	\$ 5,549	\$ 211	\$ 38	\$ (997)	\$ (196)	\$ 4,605

**DESCRIPTION OF THE REGISTRANT'S COMMON UNITS
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The Common Units

The common units represent limited partner interests in us. The holders are entitled to participate in partnership distributions and are entitled to exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of common units in and to partnership distributions, please read this section and "How We Make Cash Distributions." For a description of the voting rights, rights of distribution upon liquidation and other rights and privileges of limited partners, including our common units under our partnership agreement, please read "The Partnership Agreement."

Our common units are traded on the NYSE under the symbol "GLP."

Transfer of Common Units

By acceptance of the transfer of a common unit in accordance with our partnership agreement, the transferee of common units:

- becomes the record holder of the common units and is an assignee until admitted into our partnership as a substituted limited partner;
- automatically requests admission as a substituted limited partner in our partnership;
- agrees to be bound by the terms and conditions of, and executes, our partnership agreement;
- represents that the transferee has the capacity, power and authority to enter into our partnership agreement;
- grants powers of attorney to officers of our general partner and any liquidator of us as specified in our partnership agreement; and
- gives the consents, covenants, representations and approvals contained in our partnership agreement, such as the approval of all transactions and agreements we entered into in connection with our initial public offering.

An assignee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our general partner will cause any unrecorded transfers to be recorded on our books and records no less frequently than quarterly.

We are entitled to treat the nominee holder of a common unit as the absolute owner. In that case, the beneficial holder's rights are limited solely to those that it has against the nominee holder as a result of any agreement between the beneficial owner and the nominee holder.

Common units are securities and are transferable according to the laws governing transfer of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to request admission as a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.

How We Make Cash Distributions

General

Our cash distribution policy reflects a basic judgment that our common unitholders will be better served by our distributing our available cash rather than retaining it. Because we are not subject to an entity-level federal income tax, we have more cash to distribute to our common unitholders than would be the case were we subject to tax.

Our cash distribution policy is consistent with the terms of our partnership agreement which requires us to distribute available cash to common unitholders on a quarterly basis. Our determination of available cash takes into account the need to maintain certain cash reserves to preserve our distribution levels across seasonal and cyclical fluctuations in our business.

Because we intend to distribute the majority of the cash generated from our business to our common unitholders, we will in large part rely upon external financing sources, including commercial borrowings and other debt and equity issuances, to fund our capital expenditures. To the extent we are unable to finance growth externally, our cash distribution policy could significantly impair our ability to grow.

There is no guarantee that common unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

- Our distribution policy is subject to certain restrictions on distributions under our current and anticipated debt agreements. Should we be unable to satisfy these restrictions under our debt agreements, we would be prohibited from making distributions to our common unitholders notwithstanding our stated distribution policy.
- The board of directors of our general partner has broad discretion to establish reserves for the prudent conduct of our business and the establishment of those reserves could result in a reduction of our stated distribution policy.
- Even if our cash distribution policy is not modified or revoked, the amount of distributions paid and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.
- Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act (the “Delaware Act”), we may not make distributions to our common unitholders if the distribution would cause our liabilities to exceed the fair value of our assets.
- We may lack sufficient cash to pay distributions to our common unitholders due to increases in selling, general and administrative expenses, capital expenditures, principal and interest payments on our outstanding debt, working capital requirements and anticipated cash needs or due to significant decreases in demand for the products we sell or in demand for our logistics activities.

Distributions of Available Cash

General

Subject to the rights of holders of our 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (“Series A Preferred Units”), within 45 days after the end of each quarter, we distribute all of our available cash to common unitholders of record on the applicable record date.

Definition of Available Cash

Available cash generally means, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by our general partner to:

- provide for the proper conduct of our business;

- comply with applicable law, any of our debt instruments, or other agreements;
- provide funds for payments to holders of our Series A Preferred Units in respect of any one or more of the next four quarters; or
- provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters.

Intent to Distribute the Minimum Quarterly Distribution

We intend to distribute to the holders of common units on a quarterly basis at least the minimum quarterly distribution of \$0.4625 per unit, or \$1.85 per year, to the extent we have sufficient cash from our operations after establishment of cash reserves and payment of fees and expenses, including payments to our general partner. However, there is no guarantee that we will pay the minimum quarterly distribution on the common units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement. We are prohibited from making any distributions to common unitholders if it would cause an event of default, or an event of default is existing, under our credit agreement.

General Partner Interest and Incentive Distribution Rights

Our general partner is entitled to 0.67% of all quarterly common unit distributions that we make prior to our liquidation. This general partner interest is represented by 230,303 general partner units. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its current general partner interest. The general partner's 0.67% interest in these distributions may be reduced if we issue additional common units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 0.67% general partner interest. Our general partner also currently holds incentive distribution rights that entitle it to receive increasing percentages, up to a maximum of 48.67%, of the cash we distribute from distributable cash flow (as defined below) in excess of \$0.4625 per unit. The maximum distribution of 48.67% includes distributions paid to our general partner on its 0.67% general partner interest, and assumes that our general partner maintains its general partner interest at 0.67%. The maximum distribution of approximately 48.67% does not include any distributions that our general partner may receive on units that it owns. Please read "—Distributions of Available Cash from Distributable Cash Flow" for additional information.

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 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.

Distributable Cash Flow and Capital Surplus

General

All cash distributed to unitholders will be characterized as either “distributable cash flow” or “capital surplus.” We distribute available cash from distributable cash flow differently than available cash from capital surplus.

Definition of Distributable Cash Flow

Distributable cash flow, for any period, means, on a cumulative basis since the closing date of our initial public offering and without duplication, the sum of net income plus depreciation and amortization, in each case calculated in accordance with accounting principles generally accepted in the United States, minus maintenance capital expenditures (as defined below), as adjusted 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.

Maintenance capital expenditures represent capital expenditures to replace partially or fully depreciated assets to maintain the operating capacity of or sales and revenues generated by existing assets or to extend the useful lives of such assets. Maintenance capital expenditures include expenditures required to maintain equipment reliability, tankage and pipeline integrity and safety and to address environmental regulations. 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. The officers and directors of our general partner determine if an expenditure is a maintenance capital expenditure.

Characterization of Cash Distributions

We treat all available cash distributed as coming from distributable cash flow until the sum of all available cash distributed since we began operations equals the distributable cash flow as of the most recent date of determination of available cash. We treat any amount distributed in excess of distributable cash flow, regardless of its source, as capital surplus. We do not anticipate that we will make any distributions from capital surplus.

Distributions of Available Cash from Distributable Cash Flow

We will make distributions of available cash from distributable cash flow for any quarter in the following manner:

- *First*, 99.33% to all common unitholders, pro rata, and 0.67% to our general partner, until each common unitholder receives a total of \$0.4625 per unit for that quarter (the “first target distribution”);
- *Second*, 86.33% to all common unitholders, pro rata, and 13.67% to our general partner, until each common unitholder receives a total of \$0.5375 per unit for that quarter (the “second target distribution”);
- *Third*, 76.33% to all common unitholders, pro rata, and 23.67% to our general partner, until each common unitholder receives a total of \$0.6625 per unit for that quarter (the “third target distribution”); and
- *Thereafter*, 51.33% to all common unitholders, pro rata, and 48.67% to our general partner.

The preceding discussion is based on the assumptions that our general partner maintains its 0.67% general partner interest and that we do not issue additional classes of equity securities.

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from distributable cash flow after certain target distribution levels have been achieved. The

percentages set forth above for our general partner include the incentive distribution rights. Our general partner currently holds the incentive distribution rights, but may transfer these rights separately from its general partner interest, subject to restrictions in our partnership agreement.

Percentage Allocations of Available Cash from Distributable Cash Flow

The following table illustrates the percentage allocations of the additional available cash from distributable cash flow between the common unitholders and our general partner up to the various target distribution levels. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of our general partner and the common unitholders in any available cash from distributable cash flow we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution,” until available cash from distributable cash flow we distribute reaches the next target distribution level, if any. The percentage interests shown for the common unitholders and the general partner for the first target distribution are also applicable to quarterly distribution amounts that are less than the first target distribution. The percentage interests set forth below for our general partner include its 0.67% general partner interest and assume the general partner has not transferred its incentive distribution rights.

	<u>Total Quarterly Distribution Target Amount</u>	<u>Marginal Percentage Interest in Distributions</u>	
		<u>Unitholders</u>	<u>General Partner</u>
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 %

Distributions from Capital Surplus

How Distributions from Capital Surplus Will Be Made

We will make distributions of available cash from capital surplus, if any, in the following manner:

- *First*, 99.33% to all common unitholders, pro rata, and 0.67% to the general partner, until we distribute for each common unit an amount of available cash from capital surplus equal to the initial public offering price; and
- *Thereafter*, we will make all distributions of available cash from capital surplus as if they were from distributable cash flow.

Effect of a Distribution from Capital Surplus

The partnership agreement treats a distribution of capital surplus as the repayment of the initial unit price from our initial public offering, which is a return of capital. The initial public offering price less any distributions of capital surplus per common unit is referred to as the “unrecovered initial unit price.” Each time a distribution of capital surplus is made, the target distribution levels will be reduced in the same proportion as the corresponding reduction in the unrecovered initial unit price. Because distributions of capital surplus will reduce the target distributions, after any of these distributions are made, it may be easier for the general partner to receive incentive distributions.

Once we distribute capital surplus on a common unit in an amount equal to the initial unit price, we will reduce the target distribution levels to zero. We will then make all future distributions from distributable cash flow, with 51.33% being paid to the holders of common units and 48.67% to the general partner. The percentage interests shown for our general partner include its 0.67% general partner interest and assume the general partner has not transferred the incentive distribution rights.

Adjustment to the Minimum Quarterly Distribution and Target Distribution Levels

In addition to adjusting the target distribution levels to reflect a distribution of capital surplus, if we combine our common units into fewer units or subdivide our common units into a greater number of units, we will proportionately adjust:

- target distribution levels; and
- the unrecovered initial unit price.

For example, if a two-for-one split of the common units should occur, the target distribution levels and the unrecovered initial unit price would each be reduced to 50% of its initial level. We will not make any adjustment by reason of the issuance of additional units for cash or property.

In addition, if legislation is enacted or if existing law is modified or interpreted by a governmental taxing authority, so that we become taxable as a corporation or otherwise subject to taxation as an entity for federal, state or local income tax purposes, we will reduce the target distribution levels for each quarter by multiplying each distribution level by a fraction, the numerator of which is available cash for that quarter and the denominator of which is the sum of available cash for that quarter plus the general partner's estimate of our aggregate liability for the quarter for such income taxes payable by reason of such legislation or interpretation. To the extent that the actual tax liability differs from the estimated tax liability for any quarter, the difference will be accounted for in subsequent quarters.

The amount of distributions paid under our cash distribution policy and the decision to make any distribution is determined by our general partner, taking into consideration the terms of our partnership agreement.

Distributions of Cash Upon Liquidation

General

If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors. We will distribute any remaining proceeds to the partners, in accordance with their capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation; provided, that any unpaid cash distributions on our Series A Preferred Units shall be paid prior to the making of any such distributions.

The allocations of gain and loss upon liquidation are intended, to the extent possible, to entitle the holders of outstanding common units to receive their unrecovered initial unit. However, there may not be sufficient gain upon our liquidation to enable the holders of common units to fully recover all of these amounts.

Manner of Adjustments for Gain

The manner of the adjustment for gain is set forth in our partnership agreement. If liquidation occurs, the holders of outstanding Series A Preferred Units will first be specially allocated items of our gross income and gain in a manner designed to cause such holders to have a positive capital balance equal to the liquidation preference of \$25.00 per Series A Preferred Unit. We will then allocate any gain to the partners in the following manner:

- *First*, to the partners who have negative balances in their capital accounts to the extent of and in proportion to those negative balances;
- *Second*, 99.33% to the common unitholders, pro rata, and 0.67% to the general partner, until the capital account for each common unit is equal to the sum of:
 - (1) the unrecovered initial unit price; and
 - (2) the amount of the minimum quarterly distribution for the quarter during which our liquidation occurs;

- *Third*, 99.33% to all common unitholders, pro rata, and 0.67% to the general partner, until we allocate under this paragraph an amount per unit equal to:
 - (1) the sum of the excess of the first target distribution per common unit over the minimum quarterly distribution per common unit for each quarter of our existence; less
 - (2) the cumulative amount per common unit of any distributions of available cash from distributable cash flow in excess of the minimum quarterly distribution per common unit that we distributed 99.33% to the common unitholders, pro rata, and 0.67% to the general partner, for each quarter of our existence;
- *Fourth*, 86.33% to all common unitholders, pro rata, and 13.67% to the general partner, until we allocate under this paragraph an amount per unit equal to:
 - (1) the sum of the excess of the second target distribution per common unit over the first target distribution per common unit for each quarter of our existence; less
 - (2) the cumulative amount per common unit of any distributions of available cash from distributable cash flow in excess of the first target distribution per common unit that we distributed 86.33% to the common unitholders, pro rata, and 13.67% to the general partner for each quarter of our existence;
- *Fifth*, 76.33% to all common unitholders, pro rata, and 23.67% to the general partner, until we allocate under this paragraph an amount per unit equal to:
 - (1) the sum of the excess of the third target distribution per unit over the second target distribution per common unit for each quarter of our existence; less
 - (2) the cumulative amount per common unit of any distributions of available cash from distributable cash flow in excess of the second target distribution per common unit that we distributed 76.33% to the unitholders, pro rata, and 23.67% to the general partner for each quarter of our existence; and
- *Thereafter*, 51.33% to all common unitholders, pro rata, and 48.67% to the general partner.

The percentage interests set forth above for our general partner include its 0.67% general partner interest and assume the general partner has not transferred the incentive distribution rights.

Manner of Adjustments for Losses

If liquidation occurs, we will generally allocate any loss to the partners in the following manner:

- *First*, 99.33% to the holders of common units in proportion to the positive balances in their capital accounts and 0.67% to the general partner, until the capital accounts of the common unitholders have been reduced to zero;
- *Second*, to all partners holding Series A Preferred Units, pro rata, until the capital account in respect of each Series A Preferred Unit has been reduced to zero; and
- *Thereafter*, 100% to the general partner.

Adjustments to Capital Accounts

We will make adjustments to capital accounts upon the issuance of additional units. In doing so, we will allocate any unrealized and, for tax purposes, unrecognized gain or loss resulting from the adjustments to the unitholders and the general partner in the same manner as we allocate gain or loss upon liquidation. In the event that we make positive adjustments to the capital accounts upon the issuance of additional units, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner which results, to the extent possible, in the general partner's capital account balances equaling the amount which they would have been if no earlier positive adjustments to the capital accounts had been made.

The Partnership Agreement

The following is a summary of certain material provisions of our partnership agreement that relate to ownership of our common units.

Capital Contributions

Common unitholders are not obligated to make additional capital contributions, except as described below under “—Limited Liability.”

Voting Rights

The following matters require the limited partners vote specified below. Various matters require the approval of a “unit majority,” which means the approval of a majority of the common units.

In voting their common units, our general partner and its affiliates have no duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us and our limited partners.

The following is a summary of the vote requirements specified for certain matters under our partnership agreement:

Issuance of additional units	Except in the case of the issuance of units that rank equal to or senior to the Series A Preferred Units, no approval required.
Amendment of our partnership agreement	Certain amendments may be made by our general partner without the approval of the limited partners. Other amendments generally require the approval of a unit majority. Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series A Preferred Units, voting as a separate class, we may not adopt any amendment to our partnership agreement that would have a material adverse effect on the terms of the Series A Preferred Units. Please read “—Amendment of Our Partnership Agreement.”
Merger of our partnership or the sale of all or substantially all of our assets	Unit majority in certain circumstances. Please read “—Merger, Sale or Other Disposition of Assets.”
Dissolution of our partnership	Unit majority. Please read “—Termination and Dissolution.”
Continuation of our partnership upon dissolution	Unit majority. Please read “—Termination and Dissolution.”
Removal of our general partner	Not less than 66 2/3% of the outstanding common units, voting as a single class, including common units held by our general partner and its affiliates. Please read “—Withdrawal or Removal of Our General Partner.”
Transfer of our general partner interest	Our general partner may transfer all, but not less than all, of its general partner interest in us without a vote of our limited partners to an affiliate or to another person in connection with its merger or consolidation with or into, or sale of all or substantially all of its assets to, such person.
Transfer of ownership interests in our general partner	No approval required at any time.

Limited Liability

Participation in the Control of Our Partnership

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Act and that he otherwise acts in conformity with the provisions of our partnership agreement, his liability under the Delaware Act will be limited, subject to possible exceptions, to the amount of capital he is obligated to contribute to us for his common units plus his share of any undistributed profits and assets. If it were determined, however, that the right, or exercise of the right, by the limited partners as a group:

- to remove or replace our general partner;
- to approve some amendments to our partnership agreement; or
- to take other action under our partnership agreement;

constituted “participation in the control” of our business for the purposes of the Delaware Act, then the limited partners could be held personally liable for our obligations under the laws of Delaware, to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for such a claim in Delaware case law.

Unlawful Partnership Distribution

Under the Delaware Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The Delaware Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Act shall be liable to the limited partnership for the amount of the distribution for three years. Under the Delaware Act, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except the assignee is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Failure to Comply with the Limited Liability Provisions of Jurisdictions in Which We Do Business

We conduct business in a number of jurisdictions. Maintenance of our limited liability as a member of our operating company may require compliance with legal requirements in the jurisdictions in which our operating company conducts business, including qualifying our subsidiaries to do business there.

Limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established in many jurisdictions. If, by virtue of our membership interest in our operating company or otherwise, it were determined that we were conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other action under our partnership agreement constituted “participation in the control” of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as the general partner under the circumstances. We operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

Except in the case of the issuance of units that rank equal to or senior to the Series A Preferred Units, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities for the consideration and on the terms and conditions determined by our general partner without the approval of the limited partners.

It is possible that we will fund acquisitions through the issuance of additional common units or other partnership securities. Holders of any additional common units we issue will be entitled to share equally with the then-existing holders of common units in our distributions of available cash. In addition, the issuance of additional common units or other partnership securities may dilute the value of the interests of the then-existing holders of common units in our net assets.

In accordance with Delaware law and the provisions of our partnership agreement, we may also issue additional partnership securities that, as determined by our general partner, may have special voting rights to which the common units are not entitled. In addition, our partnership agreement does not prohibit the issuance by our subsidiaries of equity securities, which may effectively rank senior to the common units.

Upon issuance of additional partnership securities, our general partner has the right, but not the obligation, to make additional capital contributions to the extent necessary to maintain its 0.67% general partner interest in us. Our general partner's 0.67% interest in us will be reduced if we issue additional common units in the future and our general partner does not contribute a proportionate amount of capital to us to maintain its 0.67% general partner interest. Moreover, our general partner has the right, which it may from time to time assign in whole or in part to any of its affiliates, to purchase common units or other partnership securities whenever, and on the same terms that, we issue those securities to persons other than our general partner and its affiliates, to the extent necessary to maintain its and its affiliates' percentage interest, including such interest represented by common units, that existed immediately prior to each issuance. The holders of common units do not have preemptive rights to acquire additional common units or other partnership securities.

Amendment of Our Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by our general partner. However, our general partner has no duty or obligation to propose any amendment and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interests of us or the limited partners. In order to adopt a proposed amendment, other than the amendments discussed below, our general partner must seek written approval of the holders of the number of units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a unit majority.

Prohibited Amendments

No amendment may:

- enlarge the obligations of any limited partner without its consent, unless approved by at least a majority of the type or class of limited partner interests so affected; or
- enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without the consent of our general partner, which may be given or withheld in at its option.

The provision of our partnership agreement preventing the amendments having the effects described in the bullets above can be amended upon the approval of the holders of at least 90% of the outstanding common units voting together as a single class (including units owned by our general partner and its affiliates).

No Limited Partner Approval

Our general partner may generally make amendments to our partnership agreement without the approval of any limited partner or assignee to reflect:

- a change in our name, the location of our principal place of business, our registered agent or our registered office;
- the admission, substitution, withdrawal, or removal of partners in accordance with the partnership agreement;
- a change that our general partner determines to be necessary or appropriate for us to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that neither we, our operating company, nor its subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed);
- an amendment that is necessary, in the opinion of our counsel, to prevent us or our general partner or its directors, officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or “plan asset” regulations adopted under the Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;
- subject to the rights of holders of our Series A Preferred Units, an amendment that our general partner determines to be necessary or appropriate for the authorization of additional partnership securities or rights to acquire partnership securities;
- any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone;
- an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our partnership agreement;
- any amendment that our general partner determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership, or other entity, as otherwise permitted by our partnership agreement;
- a change in our fiscal year or taxable year and related changes;
- mergers with or conveyances to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger or conveyance other than those it receives by way of the merger or conveyance; or
- any other amendments substantially similar to any of the matters described above.

In addition, subject to the rights of holders of our Series A Preferred Units, our general partner may make amendments to our partnership agreement without the approval of any limited partner or assignee if our general partner determines that those amendments:

- do not adversely affect the limited partners (or any particular class of limited partners) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions, or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;

- are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;
- are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement; or
- are required to effect the intent expressed in registration statement for our initial public offering or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our general partner is not required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners or result in our being treated as an entity for federal income tax purposes in connection with any of the amendments described under “—No Limited Partner Approval”. No other amendments to our partnership agreement will become effective without the approval of holders of at least 90% of the outstanding common units voting as a single class unless we first obtain an opinion of counsel to the effect that the amendment will not affect the limited liability under applicable law of any of our limited partners. Finally, our general partner may consummate any merger without the prior approval of our unitholders if we are the surviving entity in the transaction, the transaction would not result in a material amendment to the partnership agreement, each of our partnership security will be an identical partnership security of our partnership following the transaction, the partnership securities to be issued do not exceed 20% of our outstanding partnership securities immediately prior to the transaction and our general partner has received an opinion of counsel regarding certain limited liability and tax matters.

In addition to the above restrictions, any amendment that would have a material adverse effect on the rights or preferences of any class or series of partnership interests in relation to other classes of partnership interests will require the approval of at least a majority of the class or series of partnership interests so affected. Any amendment that reduces the voting percentage required to take any action must be approved by the affirmative vote of limited partners whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

A merger or consolidation of us requires the prior consent of our general partner. However, our general partner has no duty or obligation to consent to any merger or consolidation and may decline to do so free of any duty or obligation whatsoever to us or the limited partners, including any duty to act in good faith or in the best interest of us or the limited partners.

In addition, our partnership agreement generally prohibits our general partner, without the prior approval of the holders of common units representing a unit majority, from causing us to, among other things, sell, exchange, or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation, or other combination, or approving on our behalf the sale, exchange, or other disposition of all or substantially all of the assets of our subsidiaries. Our general partner may, however, mortgage, pledge, hypothecate, or grant a security interest in all or substantially all of our assets without that approval. Our general partner may also sell all or substantially all of our assets under a foreclosure or other realization upon those encumbrances without that approval.

If the conditions specified in our partnership agreement are satisfied, our general partner may convert us or any of our subsidiaries into a new limited liability entity or merge us or any of our subsidiaries into, or convey some or all of our assets to, a newly formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity. The limited partners are not entitled to dissenters’ rights of appraisal under our partnership agreement or applicable Delaware law in the event of a conversion, merger or consolidation, a sale of substantially all of our assets, or any other transaction or event.

Termination and Dissolution

We will continue as a limited partnership until terminated under our partnership agreement. We will dissolve upon:

- the election of our general partner to dissolve us, if approved by the holders of common units representing a unit majority;
- there being no limited partners, unless we are continued without dissolution in accordance with applicable Delaware law;
- the entry of a decree of judicial dissolution of our partnership; or
- the withdrawal or removal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer of its general partner interest in accordance with our partnership agreement or withdrawal or removal following approval and admission of a successor.

Upon a dissolution under the fourth bullet point above, the holders of a unit majority may also elect, within specific time limitations, to continue our business on the same terms and conditions described in our partnership agreement by appointing as a successor general partner an entity approved by the holders of common units representing a unit majority, subject to our receipt of an opinion of counsel to the effect that:

- the action would not result in the loss of limited liability of any limited partner; and
- neither our partnership, our operating company nor any of our other subsidiaries would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of that right to continue (to the extent not already so treated or taxed).

Liquidation and Distribution of Proceeds

Upon our dissolution, unless we are continued as a new limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that are necessary or appropriate, liquidate our assets and apply the proceeds of the liquidation as described in “How We Make Cash Distributions—Distributions of Cash Upon Liquidation”. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to partners in kind if it determines that a sale would be impractical or would cause undue loss to our partners.

Withdrawal or Removal of Our General Partner

Our general partner may withdraw as general partner without first obtaining approval of any unitholder by giving 90 days’ written notice, and that withdrawal will not constitute a violation of our partnership agreement. In addition, our partnership agreement permits our general partner in some instances to sell or otherwise transfer all of its general partner interest in us without the approval of the limited partners.

Upon withdrawal of our general partner under any circumstances, other than as a result of a transfer by our general partner of all or a part of its general partner interest in us, the holders of a majority of the outstanding common units may select a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, we will be dissolved, wound up, and liquidated, unless within a specified period of time after that withdrawal, the holders of a unit majority agree in writing to continue our business and to appoint a successor general partner. Please read “—Termination and Dissolution.”

Our general partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding common units, voting together as a single class, including units held by our general partner and its affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of our general partner is also subject to the approval of a successor general partner by the vote of the holders of a majority of the outstanding common units. The ownership of more than 33 1/3% of the outstanding

common units by our general partner and its affiliates would give them the practical ability to prevent our general partner's removal.

Our partnership agreement also provides that if our general partner is removed as our general partner under circumstances where cause does not exist and no common units held by our general partner and its affiliates are voted in favor of that removal, our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests based on the fair market value of the interests at the time.

In the event of removal of our general partner under circumstances where cause exists or withdrawal of our general partner where that withdrawal violates our partnership agreement, a successor general partner will have the option to purchase the general partner interest and incentive distribution rights of the departing general partner for a cash payment equal to the fair market value of those interests. Under all other circumstances where the general partner withdraws or is removed by the limited partners, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner and its incentive distribution rights for their fair market value. In each case, this fair market value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached, an independent investment banking firm or other independent expert selected by the departing general partner and the successor general partner will determine the fair market value. Or, if the departing general partner and the successor general partner cannot agree upon an expert, then an expert chosen by agreement of the experts selected by each of them will determine the fair market value.

If the option described above is not exercised by either the departing general partner or the successor general partner, the departing general partner's general partner interest and its incentive distribution rights will automatically convert into common units with a value equal to the fair market value of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including, without limitation, all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for our benefit.

Change of Management Provisions

Our partnership agreement contains specific provisions that are intended to discourage a person or group from attempting to remove Global GP LLC as our general partner or otherwise change management. If any person or group other than our general partner and its affiliates acquires beneficial ownership of 20% or more of the outstanding partnership securities, that person or group loses voting rights on all of its partnership securities. This loss of voting rights does not apply to any person or group that acquires the partnership securities from our general partner or its affiliates and any transferees of that person or group approved by our general partner or to any person or group who acquires the partnership securities with the prior approval of the board of directors of our general partner.

Our partnership agreement also provides that if our general partner is removed under circumstances where cause does not exist and no units held by our general partner and its affiliates are voted in favor of that removal, our general partner will have the right to convert its general partner interest and its incentive distribution rights into common units or to receive cash in exchange for those interests.

Limited Call Right

If at any time our general partner and its affiliates own more than 80% of the then-issued and outstanding partnership securities of any class (other than Series A Preferred Units), our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, to acquire all, but not less than all, of the remaining partnership securities of the class held by unaffiliated persons. The purchase price in the event of such an acquisition is the greater of:

- the highest price paid by either of our general partner or any of its affiliates for any partnership securities of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those partnership securities; and
- the average of the daily closing prices of the partnership securities of such class over the 20 trading days preceding the date three days before the date the notice is mailed.

As a result of our general partner's right to purchase outstanding partnership securities, a holder of partnership securities may have his partnership securities purchased at an undesirable time or price. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his common units in the market. The repurchase right described in this section does not apply to Series A Preferred Units.

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of any partnership securities then outstanding, unitholders or assignees who are record holders of units on the record date are entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters for which approvals may be solicited. Common units that are owned by an assignee who is a record holder, but who has not yet been admitted as a limited partner, will be voted by our general partner at the written direction of the record holder. Absent direction of this kind, the common units will not be voted, except that, in the case of common units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of limited partners on other units are cast.

Our general partner does not anticipate that any meeting of limited partners will be called in the foreseeable future. Any action that is required or permitted to be taken by the limited partners may be taken either at a meeting of the limited partners or without a meeting if consents in writing describing the action so taken are signed by holders of the number of partnership securities necessary to authorize or take that action at a meeting. Meetings of the limited partners may be called by our general partner or by limited partners owning at least 20% of the outstanding limited partner interests of the class for which a meeting is proposed. Limited partners may vote either in person or by proxy at meetings. The holders of a majority of the outstanding partnership securities of the class, classes or series entitled to vote and be present for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the limited partners requires approval by holders of a greater percentage of the partnership securities in which case the quorum will be the greater percentage.

Each record holder of a common unit has a vote according to his percentage interest in us, although additional limited partner interests having special voting rights could be issued. Please read "—Issuance of Additional Securities." However, if at any time any person or group, other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates, acquires, in the aggregate, beneficial ownership of 20% or more of any class of partnership securities then outstanding, that person or group will lose voting rights on all of its partnership securities and the partnership securities may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of limited partners, calculating required votes, determining the presence of a quorum, or for other similar purposes. Common units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and his nominee provides otherwise.

Any notice, demand, request, report, or proxy material required or permitted to be given or made to record holders of common units under our partnership agreement will be delivered to the record holder by us or by the transfer agent.

Non-Citizen Assignees; Redemption

If we are or become subject to federal, state, or local laws or regulations that, in the reasonable determination of our general partner, create a substantial risk of cancellation or forfeiture of any property in which we have an interest in because of the nationality, citizenship, or other related status of any limited partner or assignee, we may redeem the limited partner interest held by the limited partner or assignee at their current market price. In order to avoid any cancellation or forfeiture, our general partner may require each limited partner or assignee to furnish information about his nationality, citizenship, or related status. If a limited partner or assignee fails to furnish

information about his nationality, citizenship, or other related status within 30 days after a request for the information or our general partner determines after receipt of the information that the limited partner or assignee is not an eligible citizen, the limited partner or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee that is not a substituted limited partner, a non-citizen assignee does not have the right to direct the voting of his limited partner interests and may not receive distributions in kind upon our liquidation.

**DESCRIPTION OF THE REGISTRANT'S PREFERRED UNITS
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

General

Our 9.75% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (“Series A Preferred Units”) are listed on the New York Stock Exchange (the “NYSE”) under the symbol “GLP pr A.”

We have appointed American Stock Transfer & Trust Company, LLC as the paying agent (the “Paying Agent”), and the registrar and transfer agent (the “Registrar and Transfer Agent”), for the Series A Preferred Units. The address of the Paying Agent and the Registrar and Transfer Agent is 6201 15th Avenue, Brooklyn, New York, 11219.

Ranking

The Series A Preferred Units, with respect to quarterly distributions and amounts payable upon the liquidation, winding-up and dissolution of our affairs, rank:

- senior to our common units, the incentive distribution rights and to each other class or series of limited partner interests or other equity securities established after the original issue date of the Series A Preferred Units 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 (individually and collectively, the “Junior Securities”);
- on parity with each other and any class or series of limited partner interests or other equity securities established after the original issue date of the Series A Preferred Units with terms expressly providing that such class or series ranks on parity with the Series A Preferred Units as to the payment of distributions or amounts payable upon a liquidation event, as applicable (individually and collectively, but excluding Senior Securities (as defined below), the “Parity Securities”);
- junior to any class or series of limited partner interests or equity securities established after the original issue date of the Series A Preferred Units with terms expressly made senior to the Series A Preferred Units as to the payment of distributions or amounts payable upon a liquidation event (individually and collectively, “Senior Securities”); and
- junior to all of our existing and future indebtedness and other liabilities with respect to assets available to satisfy claims against us.

Under our partnership agreement, we may issue Junior Securities from time to time in one or more series without the consent of the holders of the Series A Preferred Units. The board of directors of our general partner has the authority to determine the designations, preferences, rights, powers, and duties of any such series before the issuance of any units of that series. The board of directors of our general partner will also determine the number of units constituting each series of securities. Our ability to issue additional Parity Securities in certain circumstances or Senior Securities is limited as described under “—Voting Rights.”

Liquidation Rights

Any amount distributed by us upon our liquidation will be made to our partners in accordance with their respective positive capital account balances. The holders of outstanding Series A Preferred Units will first be specially allocated items of our gross income and gain in a manner designed to cause, in the event of any liquidation, dissolution, or winding up of our affairs (whether voluntary or involuntary), such holders to have a positive capital balance equal to the liquidation preference of \$25.00 per Series A Preferred Unit. If the amount of our gross income and gain

available to be specially allocated to the holders of outstanding Series A Preferred Units is not sufficient to cause the capital account of a Series A Preferred Unit to equal the liquidation preference of a Series A Preferred Unit, then the amount that a holder of Series A Preferred Units would receive upon liquidation may be less than the Series A Preferred Unit liquidation preference. Any accumulated and unpaid distributions on the Series A Preferred Units will be paid prior to any distributions in liquidation made in accordance with capital account balances. The rights of the holders of Series A Preferred Units to receive the liquidation preference will be subject to the rights of the holders of any Senior Securities and the proportional rights of holders of Parity Securities in liquidation.

Voting Rights

Except as set forth in our partnership agreement (as described below) or as otherwise required by Delaware law, the Series A Preferred Units have no voting rights.

Unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series A Preferred Units, voting as a separate class, we may not adopt any amendment to our partnership agreement that has a material adverse effect on the terms of the Series A Preferred Units. For the avoidance of doubt, for purposes of this voting requirement, any amendment to our partnership agreement (i) relating to the issuance of additional limited partner interests (subject to the voting rights regarding the issuance of Parity Securities or Senior Securities discussed below) and (ii) in connection with a merger or another transaction in which we are the surviving entity and the Series A Preferred Units remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders of Series A Preferred Units, will be deemed to not materially adversely affect the terms of the holders of Series A Preferred Units.

In addition, unless we have received the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series A Preferred Units, voting as a class together with holders of any Parity Securities upon which like voting rights have been conferred and are exercisable, we may not:

- create or issue any Parity Securities (including any additional Series A Preferred Units) if the cumulative distributions payable on then outstanding Series A Preferred Units (or Parity Securities, if applicable) are in arrears;
- create or issue any Senior Securities; or
- declare or pay any distributions to our common unitholders out of capital surplus.

On any matter on which the holders of the Series A Preferred Units are entitled to vote as a class, such holders will be entitled to one vote per Series A Preferred Unit.

Series A Preferred Units held in nominee or street name account will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Distributions

General

Holders of Series A Preferred Units are entitled to receive, when, as, and if declared by our general partner out of legally available funds for such purpose, cumulative quarterly cash distributions. Distributions on the Series A Preferred Units are paid out of our available cash with respect to the quarter ended immediately preceding the applicable Distribution Payment Date (as defined below).

Distribution Rate

Distributions on Series A Preferred Units are cumulative from the date of original issue and are payable quarterly in arrears (as described under “—Distribution Payment Dates”), when, as, and if declared by our general partner out of legally available funds for such purpose.

The initial distribution rate for the Series A Preferred Units from and including the date of original issue to, but excluding, August 15, 2023 (the “Fixed Rate Period”) is 9.75% per annum of the \$25.00 liquidation preference per unit (equal to \$2.4375 per unit per annum). On and after August 15, 2023 (the “Floating Rate Period”), 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.

The distribution rate for each distribution period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the distribution period, which date is the “distribution determination date” for the distribution period. The calculation agent then will add the spread of 6.774% per annum to three-month LIBOR as determined on the distribution determination date. Absent manifest error, the calculation agent's determination of the distribution rate for a distribution period for the Series A Preferred Units will be binding and conclusive on holders, the transfer agent, and us. A “London banking day” is any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

The term “three-month LIBOR” means the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000, as that rate appears on the display designated on the Reuters Screen LIBOR01 Page (or any successor or replacement page) at approximately 11:00 a.m., London time, on the relevant distribution determination date, provided that:

(i) If no offered rate appears on the Reuters screen page on the relevant distribution determination date at approximately 11:00 a.m., London time, then the calculation agent, after consultation with us, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least \$1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest 0.00001 of 1%) of the quotations provided.

(ii) Otherwise, the calculation agent will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the distribution determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable distribution period in an amount of at least \$1,000,000 that is representative of single transactions at that time. If three quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest 0.00001 of 1%) of the quotations provided.

(iii) Otherwise, the calculation agent, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate three-month LIBOR or any of the foregoing lending rates, shall determine three-month LIBOR for the applicable distribution period in its sole discretion.

Notwithstanding the foregoing clauses (i), (ii) and (iii):

(A) If the calculation agent determines on the relevant distribution determination date that the LIBOR base rate has been discontinued, then the calculation agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the LIBOR base rate, provided that if the calculation agent determines there is an industry-accepted substitute or successor base rate, then the calculation agent shall use such substitute or successor base rate; and

(B) If the calculation agent has determined a substitute or successor base rate in accordance with the foregoing, the calculation agent in its sole discretion may determine what business day convention to use, the definition of business day, the distribution determination date to be used and any other relevant methodology for calculating such substitute or successor base rate.

We will appoint a calculation agent (other than us or our affiliates) for the Series A Preferred Units prior to the commencement of the Floating Rate Period and will keep a record of such appointment at our principal offices, which will be available to any unitholder upon request.

Distribution Payment Dates

The “Distribution Payment Dates” for the Series A Preferred Units are February 15, May 15, August 15 and November 15. Distributions are paid 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. Distributions accumulate in each such period from and including the preceding Distribution Payment Date or the initial issue date, as the case may be, to but excluding the applicable Distribution Payment Date for such period, and distributions accrue on accumulated distributions at the applicable distribution rate. If any Distribution Payment Date otherwise would fall on a day that is not a Business Day, declared distributions will be paid on the immediately succeeding Business Day without the accumulation of additional distributions. Distributions on the Series A Preferred Units will be payable based on a 360-day year consisting of twelve 30-day periods. “Business Day” means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America, the Commonwealth of Massachusetts or the State of New York shall not be regarded as a Business Day.

Payment of Distributions

Not later than 5:00 p.m., New York City time, on each Distribution Payment Date, we pay quarterly distributions, if any, on the Series A Preferred Units that have been declared by our general partner to the holders of such Series A Preferred Units as such holders’ names appear on our unit transfer books maintained by the Registrar and Transfer Agent on the applicable record date.

So long as the Series A Preferred Units are held of record by the nominee of the Securities Depository (as defined below), declared distributions are paid to the Depository Trust Company (and its successors or assigns or any other securities depository selected by us, the “Securities Depository”) in same-day funds on each Distribution Payment Date. The Securities Depository credits accounts of its participants in accordance with the Securities Depository’s normal procedures. The participants are responsible for holding or disbursing such payments to beneficial owners of the Series A Preferred Units in accordance with the instructions of such beneficial owners.

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 Payment Dates. Accumulated distributions in arrears for any past distribution period may be declared by the general partner and paid on any date fixed by the general partner, whether or not a Distribution Payment Date, to holders of the Series A Preferred Units on the record date for such payment, which may not be less than 10 days before such payment date.

Subject to the next succeeding sentence, if all accumulated distributions in arrears on all outstanding Series A Preferred Units and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated distributions in arrears will be made in order of their respective Distribution Payment Dates, commencing with the earliest Distribution Payment Date. If less than all distributions payable with respect to all Series A Preferred Units and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series A Preferred Units and any Parity Securities entitled to a distribution payment at such time in proportion to the aggregate amounts remaining due in respect of such Series A Preferred Units and Parity Securities at such time. Holders of the Series A Preferred Units are not entitled to any distribution, whether payable in cash, property or units, in excess of full cumulative distributions. Except insofar as distributions accrue on the amount of any accumulated and unpaid distributions no interest or sum of money in lieu of interest will be payable in respect of any distribution payment which may be in arrears on the Series A Preferred Units.

Change of Control

Optional Redemption upon a Change of Control

Upon the occurrence of a Change of Control (as defined below), we may, at our option, redeem the Series A Preferred Units in whole or in part within 120 days after the first date on which such Change of Control occurred (the "Change of Control Redemption Period"), by paying the liquidation preference of \$25.00 per Series A Preferred Unit, plus all accumulated and unpaid distributions to, but excluding, the redemption date, whether or not declared. If, prior to the Change of Control Conversion Date (as defined below), we exercise our right to redeem Series A Preferred Units as described in the immediately preceding sentence or as described below under "—Redemption," holders of the Series A Preferred Units we have elected to redeem will not have the conversion right described below under "—Conversion Right upon a Change of Control." Any such redemption would be effected only out of funds legally available for such purpose.

"Change of Control" means the occurrence of any of the following events after the original issue date of the Series A Preferred Units:

- the direct or indirect lease, sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or business combination), in one or a series of related transactions, of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) (3) of the Securities Exchange Act of 1934; or
- the consummation of any transaction (including, without limitation, any merger, consolidation or business combination), the result of which is that any person (as defined above), other than a Permitted Holder (as defined below), becomes the beneficial owner, directly or indirectly, of more than 50% of the voting interests of our general partner, measured by voting power rather than percentage of interests.

"Permitted Holder" means Richard Slifka and Eric Slifka (or other immediate family members of Alfred Slifka or the foregoing or related family trusts or other persons which are controlled by Richard Slifka and/or Eric Slifka).

Conversion Right upon a Change of Control

Upon the occurrence of a Change of Control, each holder of Series A Preferred Units will have the right (unless, during the Change of Control Redemption Period, we provide notice of our election to redeem Series A Preferred Units as described above under "—Optional Redemption upon a Change of Control" or below under "—Redemption") to convert (the "Series A Change of Control Conversion") some or all of the Series A Preferred Units held by such holder on the Change of Control Conversion Date into a number of our common units per Series A Preferred Unit to be converted equal (the "Common Unit Conversion Consideration") to the lesser of:

- the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accumulated and unpaid distributions to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a record date for a Series A Preferred Unit distribution payment and prior to the corresponding Series A Preferred Unit distribution payment date, in which case no additional amount for such accumulated and unpaid distribution will be included in this sum) by (ii) the Common Unit Price (as defined below), and
- 2.7100, which is the quotient obtained by dividing (i) the \$25.00 liquidation preference by (ii) one-half of the closing price of the common units on the NYSE on July 30, 2018, subject, in each case, to certain adjustments and to provisions as the general partner determines to be equitable in connection with (i) the receipt of any Alternative Conversion Consideration (as defined below) and (ii) splits, combinations and distributions in the form of equity issuances, each as described in greater detail in our partnership agreement.

In the case of a Change of Control pursuant to which our common units will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Conversion Consideration"), a holder

of Series A Preferred Units electing to exercise its Change of Control Conversion Right (as defined below) will receive upon conversion of such Series A Preferred Units elected by such holder the kind and amount of such consideration that such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of our common units equal to the Common Unit Conversion Consideration immediately prior to the effective time of the Change of Control, which we refer to as the Alternative Conversion Consideration; provided, however, that if the holders of our common units have the opportunity to elect the form of consideration to be received in the Change of Control, the consideration that the holders of Series A Preferred Units electing to exercise their Change of Control Conversion Right will receive will be the form and proportion of the aggregate consideration elected by the holders of our common units who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of our common units are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control. We will not issue fractional common units upon the conversion of the Series A Preferred Units. Instead, we will pay the cash value of such fractional units.

If we provide a redemption notice prior to the expiration of the Change of Control Redemption Period, whether pursuant to our special optional redemption right in connection with a Change of Control as described under “—Optional Redemption upon a Change of Control” or our optional redemption rights as described below under “—Redemption,” holders of Series A Preferred Units will not have any right to convert the Series A Preferred Units that we have elected to redeem and any Series A Preferred Units subsequently selected for redemption that have been tendered for conversion pursuant to the Change of Control Conversion Right will be redeemed on the related redemption date instead of converted on the Change of Control Conversion Date.

Within five days following the expiration of the Change of Control Redemption Period (or, if we waive our right to redeem the Series A Preferred Units prior to the expiration of the Change of Control Redemption Period, within five days following the date of such waiver), we will provide to the holders of Series A Preferred Units written notice (the “Change of Control Conversion Right Notice”) of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. The Change of Control Conversion Right Notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the date on which the Change of Control Redemption Period expired or was waived;
- the last date on which the holders of Series A Preferred Units may exercise their Change of Control Conversion Right;
- the method and period for calculating the Common Unit Price;
- the Change of Control Conversion Date;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series A Preferred Unit;
- the name and address of the Paying Agent; and
- the procedure that the holders of Series A Preferred Units must follow to exercise the Change of Control Conversion Right.

We will issue a press release for publication through a news or press organization as is reasonably expected to broadly disseminate the relevant information to the public, or post notice on our website, in any event prior to the opening of business on the first Business Day following any date on which we provide the Change of Control Conversion Right Notice to the holders of Series A Preferred Units.

Holders of Series A Preferred Units that choose to exercise their Change of Control Conversion Right will be required prior to the close of business on the third Business Day preceding the Change of Control Conversion Date, to notify us of the number of Series A Preferred Units to be converted and otherwise to comply with any applicable procedures contained in the Change of Control Conversion Right Notice or otherwise required by the Securities Depository for effecting the conversion.

“Change of Control Conversion Right” means the right of a holder of Series A Preferred Units to convert some or all of the Series A Preferred Units held by such holder on the Change of Control Conversion Date into a number of our common units per Series A Preferred Unit pursuant to the conversion provisions in our partnership agreement.

“Change of Control Conversion Date” means the date fixed by our general partner, in its sole discretion, as the date the Series A Preferred Units are to be converted into common units, which will be a Business Day that is no fewer than 20 days nor more than 35 days after the date on which we provide the Change of Control Conversion Right Notice to holders of the Series A Preferred Units.

“Common Unit Price” means (i) the amount of cash consideration per common unit, if the consideration to be received in the Change of Control by the holders of our common units is solely cash; and (ii) the average of the closing prices for our common units on the NYSE for the ten consecutive trading days immediately preceding, but not including, the Change of Control Conversion Date, if the consideration to be received in the Change of Control by the holders of our common units is other than solely cash.

Redemption

Optional Redemption on or after August 15, 2023

Any time on or after August 15, 2023, we may redeem, at our option, in whole or in part, the Series A Preferred Units at a redemption price in cash equal to \$25.00 per Series A Preferred Unit plus an amount equal to all accumulated and unpaid distributions thereon to, but excluding, the date of redemption, whether or not declared. We may undertake multiple partial redemptions. We may also redeem the Series A Preferred Units under the terms set forth under “—Change of Control—Optional Redemption upon a Change of Control.” Any such redemption would be effected only out of funds legally available for such purpose and would be subject to compliance with the provisions of the instruments governing our outstanding indebtedness.

Redemption Procedures

Any optional redemption shall be effected only out of funds legally available for such purpose. We will give written notice of any redemption not less than 30 days and not more than 60 days before the scheduled date of redemption, to the holders of any Series A Preferred Units to be redeemed as such holders’ names appear on our unit transfer books maintained by the Registrar and Transfer Agent at the address of such holders shown therein. Such notice shall state: (i) the redemption date, (ii) the number of Series A Preferred Units to be redeemed and, if less than all outstanding Series A Preferred Units are to be redeemed, the number (and, in the case of Series A Preferred Units in certificated form, the identification) of Series A Preferred Units to be redeemed from such holder, (iii) the redemption price, (iv) the place where any Series A Preferred Units in certificated form are to be redeemed and shall be presented and surrendered for payment of the redemption price therefor, and (v) that distributions on the Series A Preferred Units to be redeemed will cease to accumulate from and after such redemption date.

If fewer than all of the outstanding Series A Preferred Units are to be redeemed, the number of Series A Preferred Units to be redeemed will be determined by us, and such Series A Preferred Units will be redeemed by such method of selection as the Securities Depository shall determine, pro rata or by lot, with adjustments to avoid redemption of fractional units. So long as all Series A Preferred Units are held of record by the nominee of the Securities Depository, we will give notice, or cause notice to be given, to the Securities Depository of the number of Series A Preferred Units to be redeemed, and the Securities Depository will determine the number of Series A Preferred Units to be redeemed from the account of each of its participants holding such Series A Preferred Units in its participant account. Thereafter, each participant will select the number of Series A Preferred Units to be redeemed

from each beneficial owner for whom it acts (including the participant, to the extent it holds Series A Preferred Units for its own account). A participant may determine to redeem Series A Preferred Units from some beneficial owners (including the participant itself) without redeeming Series A Preferred Units from the accounts of other beneficial owners. Any Series A Preferred Units not redeemed will remain outstanding and entitled to all the rights and preferences of Series A Preferred Units under our partnership agreement.

So long as the Series A Preferred Units are held of record by the nominee of the Securities Depository, the redemption price will be paid by the Paying Agent to the Securities Depository on the redemption date. The Securities Depository's normal procedures provide for it to distribute the amount of the redemption price in same-day funds to its participants who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

If we give or cause to be given a notice of redemption, then we will deposit with the Paying Agent funds sufficient to redeem the Series A Preferred Units as to which notice has been given by 10:00 a.m., New York City time, on the date fixed for redemption, and will give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such Series A Preferred Units is issued in the name of the Securities Depository or its nominee) of the certificates therefor. If a notice of redemption shall have been given, then from and after the date fixed for redemption, unless we default in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, all distributions on such Series A Preferred Units will cease to accumulate and all rights of holders of such Series A Preferred Units as limited partners will cease, except the right to receive the redemption price, including an amount equal to accumulated and unpaid distributions to the date fixed for redemption, whether or not declared. The holders of Series A Preferred Units will have no claim to the interest income, if any, earned on such funds deposited with the Paying Agent. Any funds deposited with the Paying Agent hereunder by us for any reason, including, but not limited to, redemption of Series A Preferred Units, that remain unclaimed or unpaid after one year after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to us upon our written request, after which repayment the holders of the Series A Preferred Units entitled to such redemption or other payment shall have recourse only to us.

If only a portion of the Series A Preferred Units represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such Series A Preferred Units is registered in the name of the Securities Depository or its nominee), we will issue and the Paying Agent will deliver to the holder of such Series A Preferred Units a new certificate (or adjust the applicable book-entry account) representing the number of Series A Preferred Units represented by the surrendered certificate that have not been called for redemption.

Notwithstanding any notice of redemption, there will be no redemption of any Series A Preferred Units called for redemption until funds sufficient to pay the full redemption price of such Series A Preferred Units, including all accumulated and unpaid distributions to, but excluding, the date of redemption, whether or not declared, have been deposited by us with the Paying Agent.

We may from time to time purchase Series A Preferred Units, subject to compliance with all applicable securities and other laws. We have no obligation, or any present plan or intention, to purchase any Series A Preferred Units. Any Series A Preferred Units that we redeem or otherwise acquire will be cancelled.

Notwithstanding the foregoing, in the event that full cumulative distributions on the Series A Preferred Units and any Parity Securities have not been paid or declared and set apart for payment, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Series A Preferred Units or Parity Securities except pursuant to a purchase or exchange offer made on the same relative terms to all holders of Series A Preferred Units and any Parity Securities. Common units and any other Junior Securities may not be redeemed, repurchased or otherwise acquired by us unless full cumulative distributions on the Series A Preferred Units and any Parity Securities for all prior and the then-ending distribution periods have been paid or declared and set apart for payment.

No Limited Call Right

Our general partner's limited call right does not apply to the Series A Preferred Units.

No Sinking Fund

The Series A Preferred Units do not have the benefit of any sinking fund.

No Fiduciary Duty

Notwithstanding anything to the contrary in the partnership agreement or any duty existing at law, in equity or otherwise, 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.

Book-Entry System

All Series A Preferred Units are represented by a single certificate issued to the Securities Depository, and registered in the name of its nominee (Cede & Co.). The Series A Preferred Units will continue to be represented by a single certificate registered in the name of the Securities Depository or its nominee, and no holder of the Series A Preferred Units is entitled to receive a certificate evidencing such Series A Preferred Units unless otherwise required by law or the Securities Depository gives notice of its intention to resign or is no longer eligible to act as such and we have not selected a substitute Securities Depository within 60 calendar days thereafter. Payments and communications made by us to holders of the Series A Preferred Units are duly made by making payments to, and communicating with, the Securities Depository. Accordingly, unless certificates are available to holders of the Series A Preferred Units, each purchaser of Series A Preferred Units must rely on (i) the procedures of the Securities Depository and its participants to receive distributions, any redemption price, liquidation preference and notices, and to direct the exercise of any voting rights, with respect to such Series A Preferred Units and (ii) the records of the Securities Depository and its participants to evidence its ownership of such Series A Preferred Units.

So long as the Securities Depository (or its nominee) is the sole holder of the Series A Preferred Units, no beneficial holder of the Series A Preferred Units will be deemed to be a holder of Series A Preferred Units. The Depository Trust Company, the initial Securities Depository, is a New York-chartered limited purpose trust company that performs services for its participants, some of whom (and/or their representatives) own the Depository Trust Company. The Securities Depository maintains lists of its participants and the positions (i.e., ownership interests) held by its participants in the Series A Preferred Units, whether as a holder of the Series A Preferred Units for its own account or as a nominee for another holder of the Series A Preferred Units.

Calculation Agent

We will appoint a calculation agent (other than us or our affiliates) for the Series A Preferred Units prior to the commencement of the Floating Rate Period and will keep a record of such appointment at our principal offices, which will be available to any unitholder upon request.

LIST OF SUBSIDIARIES OF GLOBAL PARTNERS LP

<u>Entity</u>	<u>Jurisdiction of Formation</u>
Alliance Energy LLC	Massachusetts
Basin Transload, LLC	Delaware
Cascade Kelly Holdings LLC	Oregon
Drake Petroleum Company, Inc.	Massachusetts
Global Companies LLC	Delaware
Global Montello Group Corp.	Delaware
Global Operating LLC	Delaware
GLP Finance Corp.	Delaware
Warex Terminals Corporation	New York
Warren Equities, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statements and related prospectus (Form S-3 Nos. 333-222549, 333-208138 and 333-181211) of Global Partners LP; and
- (2) Registration Statement (Form S-8 Nos. 333-182346 and 333-145579), pertaining to the Global Partners LP Long Term Incentive Plan

of our reports dated March 6, 2020, with respect to the consolidated financial statements and schedule of Global Partners LP and the effectiveness of internal control over financial reporting of Global Partners LP, included in this Annual Report (Form 10-K) of Global Partners LP for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 6, 2020

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2019 of Global Partners LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 6, 2020

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

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2019 of Global Partners LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 6, 2020

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

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

In connection with the accompanying report on Form 10-K for the year ended December 31, 2019 of Global Partners LP (the "Partnership") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Slifka, President and Chief Executive Officer of Global GP LLC, the general partner of the Partnership, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 6, 2020

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

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

In connection with the accompanying report on Form 10-K for the year ended December 31, 2019 of Global Partners LP (the "Partnership") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daphne H. Foster, Chief Financial Officer of Global GP LLC, the general partner of the Partnership, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 6, 2020

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