GLOBAL PARTNERS LP
Form 10-Q
August 08, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ý No o

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

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

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

The issuer had 27,430,563 common units outstanding as of August 5, 2014.

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Item 1. Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 16,744	$ 9,217
Accounts receivable, net	545,696	686,392
Accounts receivable affiliates	1,939	1,404
Inventories	490,521	572,806
Brokerage margin deposits	20,175	21,792
Fair value of forward fixed price contracts	29,549	46,007
Prepaid expenses and other current assets	48,541	36,693
Total current assets	1,153,165	1,374,311
Property and equipment, net	811,308	803,636
Intangible assets, net	58,717	67,769
Goodwill	154,078	154,078
Other assets	30,614	28,128
Total assets	$ 2,207,882	$ 2,427,922
Liabilities and partners equity		
Current liabilities:		
Accounts payable	$ 513,836	$ 781,119
Working capital revolving credit facility current portion	175,000	
Line of credit	3,700	3,700
Environmental liabilities current portion	3,340	3,377
Trustee taxes payable	95,158	80,216
Accrued expenses and other current liabilities	54,950	65,963
Obligations on forward fixed price contracts	36,833	38,197
Total current liabilities	882,817	972,572
Working capital revolving credit facility less current portion	132,000	327,000
Revolving credit facility	272,600	434,700
Senior notes	367,787	148,268
Environmental liabilities less current portion	36,899	37,762
Other long-term liabilities	43,228	44,440
Total liabilities	1,735,331	1,964,742
Partners equity		
Global Partners LP equity:		
Common unitholders (27,430,563 units issued and 27,215,947 outstanding at June 30, 2014 and 27,430,563 units issued and 27,260,747 outstanding at December 31, 2013)	434,675	426,785
General partner interest (0.83% interest with 230,303 equivalent units outstanding at June 30, 2014 and December 31, 2013)	53	(238)
Accumulated other comprehensive loss	(10,705)	(11,310)
Total Global Partners LP equity	424,023	415,237

Noncontrolling interest		48,528		47,943
Total partners equity		472,551		463,180
Total liabilities and partners equity	$	2,207,882	$	2,427,922

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Sales	$ 4,569,620	$ 4,771,756	$ 9,686,548	$ 10,360,946
Cost of sales	4,482,332	4,677,959	9,440,899	10,208,077
Gross profit	87,288	93,797	245,649	152,869
Costs and operating expenses:				
Selling, general and administrative expenses	31,673	25,680	68,971	51,343
Operating expenses	51,029	47,367	98,981	90,707
Amortization expense	4,524	4,774	9,052	8,548
Total costs and operating expenses	87,226	77,821	177,004	150,598
Operating income	62	15,976	68,645	2,271
Interest expense	(12,246)	(10,772)	(23,353)	(21,258)
(Loss) income before income tax (expense) benefit	(12,184)	5,204	45,292	(18,987)
Income tax (expense) benefit	(94)		(416)	1,875
Net (loss) income	(12,278)	5,204	44,876	(17,112)
Net income attributable to noncontrolling interest	(441)	(379)	(585)	(130)
Net (loss) income attributable to Global Partners LP	(12,719)	4,825	44,291	(17,242)
Less: General partner s interest in net (loss) income, including incentive distribution rights	1,033	764	2,541	1,264
Limited partners interest in net (loss) income	$ (13,752)	$ 4,061	$ 41,750	$ (18,506)
Basic net (loss) income per limited partner unit	$ (0.50)	$ 0.15	$ 1.53	$ (0.68)
Diluted net (loss) income per limited partner unit	$ (0.50)	$ 0.15	$ 1.53	$ (0.68)
Basic weighted average limited partner units outstanding	27,244	27,394	27,252	27,358
Diluted weighted average limited partner units outstanding	27,244	27,491	27,313	27,358

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Net (loss) income	$ (12,278)	$ 5,204	$ 44,876	$ (17,112)
Other comprehensive income:				
Change in fair value of cash flow hedges	212	2,049	871	3,522
Change in pension liability	343	1,259	(266)	2,025
Total other comprehensive income	555	3,308	605	5,547
Comprehensive (loss) income	(11,723)	8,512	45,481	(11,565)
Comprehensive income attributable to noncontrolling interest	(441)	(379)	(585)	(130)
Comprehensive (loss) income attributable to Global Partners LP	$ (12,164)	$ 8,133	$ 44,896	$ (11,695)

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Cash flows from operating activities		
Net income (loss)	$ 44,876	$ (17,112)
Adjustments to reconcile net income (loss) to net provided by in operating activities:		
Depreciation and amortization	41,175	34,733
Amortization of deferred financing fees	2,567	3,318
Amortization of senior notes discount	210	158
Bad debt expense	356	2,392
Stock-based compensation expense	1,701	104
Write-off of financing fees	1,626	
Disposition of property and equipment and other	1,060	(807)
Changes in operating assets and liabilities, exclusive of business combinations:		
Accounts receivable	140,340	112,092
Accounts receivable affiliate	(535)	(93)
Inventories	82,285	294,735
Broker margin deposits	1,617	32,772
Prepaid expenses, all other current assets and other assets	(17,876)	15,615
Accounts payable	(267,283)	(158,837)
Trustee taxes payable	14,942	(15,705)
Change in fair value of forward fixed price contracts	15,094	21,611
Accrued expenses, all other current liabilities and other long-term liabilities	(12,521)	2,736
Net cash provided by operating activities	49,634	327,712
Cash flows from investing activities		
Acquisitions		(185,251)
Capital expenditures	(44,260)	(30,069)
Proceeds from sale of property and equipment	3,405	2,413
Net cash used in investing activities	(40,855)	(212,907)
Cash flows from financing activities		
Payments on working capital revolving credit facility	(20,000)	(213,000)
Payments on revolving credit facility	(162,100)	(47,300)
Proceeds from issuance of term loan		115,000
Proceeds from senior notes, net of discount	258,903	67,900
Repayment of senior notes	(40,244)	
Repurchase of common units	(1,824)	
Repurchased units withheld for tax obligations		(2,086)
Noncontrolling interest capital contribution	4,200	1,425
Distribution to noncontrolling interest	(4,200)	
Distributions to partners	(35,987)	(33,048)
Net cash used in financing activities	(1,252)	(111,109)
Increase in cash and cash equivalents	7,527	3,696
Cash and cash equivalents at beginning of period	9,217	5,977
Cash and cash equivalents at end of period	$ 16,744	$ 9,673

Supplemental information				
Cash paid during the period for interest	$	22,130	$	15,544
Non-cash exchange of 6.25% senior notes due 2022	$	110,000	$	

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

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF PARTNERS EQUITY

(In thousands)

(Restated) (Unaudited)

	Common Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners Equity
Balance at December 31, 2013	$ 426,785	$ (238)	$ (11,310)	$ 47,943	$ 463,180
Net income	41,750	2,541		585	44,876
Noncontrolling interest capital contribution				4,200	4,200
Distribution to noncontrolling interest				(4,200)	(4,200)
Other comprehensive income			605		605
Stock-based compensation	1,701				1,701
Distributions to partners	(33,947)	(2,250)			(36,197)
Dividends on repurchased units	210				210
Repurchase of common units	(1,824)				(1,824)
Balance at June 30, 2014	$ 434,675	$ 53	$ (10,705)	$ 48,528	$ 472,551

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the Partnership) is a publicly traded Delaware master limited partnership formed in March 2005. As of June 30, 2014, the Partnership had the following wholly owned subsidiaries: Global Companies LLC, Glen Hes Corp., Global Montello Group Corp. (GMG), Chelsea Sandwich LLC, Global Energy Marketing LLC, Alliance Energy LLC (Alliance), Bursaw Oil LLC, GLP Finance Corp. (GLP Finance), Global Energy Marketing II LLC, Global CNG LLC and Cascade Kelly Holdings LLC. 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 its gasoline station and convenience store employees and certain union personnel who are employed by GMG.

The Partnership is a midstream logistics and marketing company. The Partnership is one of the largest distributors of gasoline (including gasoline blendstocks such as ethanol and naphtha), distillates (such as home heating oil, diesel and kerosene), residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. The Partnership also engages in the purchasing, selling and logistics of transporting domestic and Canadian crude oil and other products via rail, establishing a virtual pipeline from the mid-continent region of the United States and Canada to the East and West Coasts for distribution to refiners and other customers. 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 also owns and controls transload terminals in North Dakota and Oregon that extend its origin-to-destination capabilities. The Partnership is a major multi-brand gasoline distributor and, as of June 30, 2014, had a portfolio of approximately 900 owned, leased and/or supplied gasoline stations primarily in the Northeast. The Partnership receives revenue from retail sales of gasoline, convenience store sales and gasoline station rental income. The Partnership is also a distributor of natural gas and propane.

On February 1, 2013, the Partnership acquired a 60% membership interest in Basin Transload, LLC (Basin Transload), and on February 15, 2013, the Partnership acquired 100% of the membership interests in Cascade Kelly Holdings LLC (Cascade Kelly). See Note 2.

The General Partner, which holds a 0.83% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of June 30, 2014, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 11,604,052 common units, representing a 42.3% limited partner interest.

Basis of Presentation

The financial results of Basin Transload for the five months ended June 30, 2013 and of Cascade Kelly for the four and one-half months ended June 30, 2013 are included in the accompanying statements of operations for the six months ended June 30, 2013. The Partnership consolidates the balance sheet and statement of operations of Basin Transload because the Partnership controls the entity. The accompanying consolidated financial statements as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013 reflect the accounts of the Partnership. Upon consolidation, all intercompany balances and transactions have been eliminated.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation (continued)

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition and operating results for the interim periods. The interim financial information, which has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 and notes thereto contained in the Partnership s Annual Report on Form 10-K. The significant accounting policies described in Note 2, Summary of Significant Accounting Policies, of such Annual Report on Form 10-K are the same used in preparing the accompanying consolidated financial statements.

The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2014. The consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2013.

Due to the nature of the Partnership s business and its reliance, in part, on consumer travel and spending patterns, the Partnership may experience more demand for gasoline and gasoline blendstocks 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 and gasoline blendstocks that the Partnership distributes. Therefore, the Partnership s volumes in gasoline and gasoline blendstocks 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 sales are generally higher during the first and fourth quarters of the calendar year. These factors may result in significant fluctuations in the Partnership s quarterly operating results.

Noncontrolling Interest

These financial statements reflect the application of ASC 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 statement 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 on February 1, 2013. After evaluating ASC 810, the Partnership concluded it is appropriate to consolidate the balance sheet and statement 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 sheet and statement of operations.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation (continued)

Concentration of Risk

The following table presents the Partnership s product sales and logistics revenue as a percentage of total sales for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Gasoline sales: gasoline and gasoline blendstocks such as ethanol and naphtha	68%	59%	61%	56%
Crude oil sales and logistics revenue	14%	23%	13%	20%
Distillates (home heating oil, diesel and kerosene), residual oil, natural gas and propane sales	18%	18%	26%	24%
Total	100%	100%	100%	100%

The Partnership had one significant customer, ExxonMobil Corporation (ExxonMobil) that accounted for approximately 17% and 16% of total sales for the three and six months ended June 30, 2014, respectively. The Partnership had two significant customers, ExxonMobil and Phillips 66, which accounted for approximately 14% and 16%, respectively, of total sales for the three months ended June 30, 2013 and approximately 14% and 15%, respectively, of total sales for the six months ended June 30, 2013.

Note 2. Business Combinations

Acquisition of Basin Transload LLC

On February 1, 2013, the Partnership acquired a 60% membership interest in Basin Transload, which operates two transloading facilities in Columbus and Beulah, North Dakota for crude oil and other products, with a combined rail loading capacity of 160,000 barrels per day. The purchase price, including expenditures related to certain capital expansion projects, was approximately $91.1 million which the Partnership financed with borrowings under its credit facility.

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

The purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon a valuation from the Partnership s third-party valuation firm. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the Wholesale reporting unit.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 2. Business Combinations (continued)

As part of the purchase price allocation, identifiable intangible assets include customer relationships that are being amortized, based on the economic use of the asset, over two years which is consistent with the contractual period of the existing customers. Amortization expense amounted to $2.8 million and $3.0 million for the three months ended June 30, 2014 and 2013, respectively, and $5.5 million and $5.0 million for the six months ended June 30, 2014 and 2013, respectively. The following table presents the estimated remaining amortization expense for intangible assets acquired in connection with the acquisition (in thousands):

2014 (7/1/14-12/31/14)	$	5,510
2015		2,869
Total	$	8,379

Acquisition of Cascade Kelly Holdings LLC

On February 15, 2013, the Partnership acquired 100% of the membership interests in Cascade Kelly, which owns a West Coast crude oil and ethanol facility near Portland, Oregon. The total cash purchase price was approximately $94.2 million which the Partnership funded with borrowings under its credit facility and with proceeds from the issuance of the Partnership s unsecured 8.0% senior notes due 2018 (see Note 6). Cascade Kelly s assets include a rail transloading facility serviced by the Burlington Northern Santa Fe Railway, 200,000 barrels of storage capacity, a deepwater marine terminal with access to a 1,200-foot leased dock and the largest ethanol plant on the West Coast. Situated along the Columbia River in Clatskanie, Oregon, the site is located on land leased under a long-term agreement from the Port of St. Helens.

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 Cascade Kelly subsequent to the acquisition date.

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, if any, based upon on a valuation from the Partnership s third-party valuation firm. No intangible assets were identified. Any excess purchase price over the fair value of the net tangible assets acquired was allocated to goodwill and assigned to the Wholesale reporting unit.

Supplemental Pro Forma Information

Revenues and net income included in the Partnership s consolidated operating results for Basin Transload from January 1, 2013 to February 1, 2013, the acquisition date, and for Cascade Kelly from January 1, 2013 to February 15, 2013, the acquisition date, were immaterial. Accordingly, the supplemental pro forma information for the six months ended June 30, 2013 is consistent with the amounts reported in the accompanying statement of operations for the six months ended June 30, 2013.

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

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

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Common units outstanding as reported in the accompanying consolidated financial statements at June 30, 2014 and December 31, 2013 excluded 214,616 and 169,816 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program. These units are not deemed outstanding for purposes of calculating net (loss) income per limited partner unit (basic and diluted).

The following table provides a reconciliation of net (loss) income and the assumed allocation of net (loss) income to the limited partners interest for purposes of computing net (loss) income per limited partner unit for the three and six months ended June 30, 2014 and 2013 (in thousands, except per unit data):

	Three Months Ended June 30, 2014				Three Months Ended June 30, 2013			
Numerator:	**Total**	**Limited Partner Interest**	**General Partner Interest**	**IDRs**	**Total**	**Limited Partner Interest**	**General Partner Interest**	**IDRs**
Net (loss) income attributable to Global Partners LP	$ (12,719)	$ (13,752)	$ 1,033	$	$ 4,825	$ 4,061	$ 764	$
Declared distribution	$ 18,772	$ 17,487	$ 146	$ 1,139	$ 16,975	$ 16,116	$ 135	$ 724
Assumed allocation of undistributed net (loss) income	(31,491)	(31,239)	(252)		(12,150)	(12,055)	(95)	
Assumed allocation of net (loss) income	$ (12,719)	$ (13,752)	$ (106)	$ 1,139	$ 4,825	$ 4,061	$ 40	$ 724
Denominator:								
Basic weighted average limited partner units outstanding		27,244				27,394		
Dilutive effect of phantom units						97		
Diluted weighted average limited partner units outstanding		27,244				27,491		
Basic net (loss) income per limited partner unit		$ (0.50)				$ 0.15		
		$ (0.50)				$ 0.15		

Diluted net (loss) income per limited partner unit (1)

(1) Basic units were used to calculate diluted net income per limited partner unit for the three months ended June 30, 2014, as using the effects of phantom units would have an anti-dilutive effect on income per limited partner unit.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Six Months Ended June 30, 2014				Six Months Ended June 30, 2013			
Numerator:	**Total**	**Limited Partner Interest**	**General Partner Interest**	**IDRs**	**Total**	**Limited Partner Interest**	**General Partner Interest**	**IDRs**
Net income (loss) attributable to Global Partners LP	$ 44,291	$ 41,750	$ 2,541	$	$ (17,242)	$ (18,506)	$ 1,264	$
Declared distribution	$ 37,095	$ 34,632	$ 289	$ 2,174	$ 33,771	$ 32,095	$ 269	$ 1,407
Assumed allocation of undistributed net income (loss)	7,196	7,118	78		(51,013)	(50,601)	(412)	
Assumed allocation of net income (loss)	$ 44,291	$ 41,750	$ 367	$ 2,174	$ (17,242)	$ (18,506)	$ (143)	$ 1,407
Denominator:								
Basic weighted average limited partner units outstanding		27,252				27,358		
Dilutive effect of phantom units		61						
Diluted weighted average limited partner units outstanding		27,313				27,358		
Basic net income (loss) per limited partner unit		$ 1.53				$ (0.68)		
Diluted net income (loss) per limited partner unit (2)		$ 1.53				$ (0.68)		

(2) Basic units were used to calculate diluted net income per limited partner unit for the six months ended June 30, 2013, as using the effects of phantom units would have an anti-dilutive effect on income per limited partner unit.

On April 23, 2014, the board of directors of the General Partner declared a quarterly cash distribution of $0.6250 per unit for the period from January 1, 2014 through March 31, 2014. On July 23, 2014, the board of directors of the General Partner declared a quarterly cash distribution of $0.6375 per unit for the period from April 1, 2014 through June 30, 2014. These declared cash distributions result in incentive distributions to the General Partner, as the holder of the IDRs, and enable the Partnership to exceed its second target level distribution with respect to such

IDRs. See Note 8, Cash Distributions for further information.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 4. Inventories

Except for its convenience store inventory and its Renewable Identification Numbers (RINs) inventory, the Partnership hedges substantially all of its inventory, primarily through futures contracts. These futures contracts are entered into when inventory is purchased and are designated as fair value hedges against the inventory on a specific barrel basis. Changes in the fair value of these contracts, as well as the offsetting gain or loss on the hedged inventory item, are recognized in earnings as an increase or decrease in cost of sales. All hedged inventory is valued using the lower of cost, as determined by specific identification, or market. Prior to sale, hedges are removed from specific barrels of inventory, and the then unhedged inventory is sold and accounted for on a first-in, first-out basis. Convenience store inventory and RIN inventory are carried at the lower of historical cost or market.

Inventories consisted of the following (in thousands):

		June 30, 2014		December 31, 2013
Distillates: home heating oil, diesel and kerosene	$	174,961	$	272,760
Gasoline		141,832		96,539
Gasoline blendstocks		76,419		54,076
Renewable identification numbers (RINs)		8,376		3,186
Crude oil		45,955		87,022
Residual oil		32,138		48,793
Propane and other		2,377		3,443
Convenience store inventory		8,463		6,987
Total	$	490,521	$	572,806

In addition to its own inventory, the Partnership has exchange agreements for petroleum products with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to $5.9 million and $48.2 million at June 30, 2014 and December 31, 2013, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $42.6 million and $46.7 million at June 30, 2014 and December 31, 2013, respectively. Exchange transactions are valued using current carrying costs.

Note 5. Derivative Financial Instruments

Accounting and reporting guidance for derivative instruments and hedging activities requires that an entity recognize derivatives as either assets or liabilities on the balance sheet and measure the instruments at fair value. Changes in the fair value of the derivative are to be recognized currently in earnings, unless specific hedge accounting criteria are met. The Partnership principally uses derivative instruments to hedge the commodity risk associated with its inventory and product purchases and sales and to hedge variable interest rates associated with the Partnership s credit facilities.

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Note 5. Derivative Financial Instruments (continued)

The following table presents the volume of activity related to the Partnership s derivative financial instruments at June 30, 2014:

		Units (1)	Unit of Measure
Futures Contracts			
Long		14,925	Thousands of barrels
Short		(18,487)	Thousands of barrels
Natural Gas Contracts			
Long		4,562	Thousands of decatherms
Short		(4,706)	Thousands of decatherms
Interest Rate Swaps	$	200.0	Millions of U.S. dollars
Interest Rate Cap	$	100.0	Millions of U.S. dollars
Foreign Currency Derivatives			
Open Forward Exchange Contracts (2)	$	12.4	Millions of Canadian dollars
	$	11.6	Millions of U.S. dollars

(1) Number of open positions and gross notional amounts do not quantify risk or represent assets or liabilities of the Partnership, but are used in the calculation of daily cash settlements under the contracts.

(2) All-in forward rate Canadian dollars (CAD) $1.067 to USD $1.00.

Fair Value Hedges

The Partnership enters into futures contracts in the normal course of business to reduce the risk of loss of inventory value, which could result from fluctuations in market prices. These futures contracts are designated as fair value hedges against the inventory with specific futures contracts matched to specific barrels of inventory. As a result of the Partnership s hedge designation on these transactions, the futures contracts are recorded on the Partnership s consolidated balance sheet and marked to market through the use of independent markets based on the prevailing market prices of such instruments at the date of valuation. Likewise, the underlying inventory being hedged is also marked to market. Changes in the fair value of the futures contracts, as well as the change in the fair value of the hedged inventory, are recognized in the consolidated statement of income through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage

margin accounts.

The Partnership s futures contracts are settled daily; therefore, there was no corresponding asset or liability on the Partnership s consolidated balance sheet related to these contracts at June 30, 2014 and December 31, 2013. These contracts remain open until their contract end date. The daily settlement of these futures contracts is accomplished through the use of brokerage margin deposit accounts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 5. Derivative Financial Instruments (continued)

The following table presents the hedge ineffectiveness from derivatives involved in fair value hedging relationships recognized in the Partnership s consolidated statements of operations for the three and six months ended June 30, 2014 and 2013 (in thousands):

		Amount of Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in Fair Value Hedging Relationships	**Location of Gain (Loss) Recognized in Income on Derivative**	**2014**	**2013**	**2014**	**2013**
Futures contracts	Cost of sales	$ 6,207	$ 30,486	$ 22,580	$ 20,101

		Amount of Gain (Loss) Recognized in Income on Hedged Items			
		Three Months Ended June 30,		Six Months Ended June 30,	
Hedged Items in Fair Value Hedged Relationships	**Location of Gain (Loss) Recognized in Income on Hedged Items**	**2014**	**2013**	**2014**	**2013**
Inventories	Cost of sales	$ (5,287)	$ (29,974)	$ (21,496)	$ (19,578)

Cash Flow Hedges

The Partnership utilizes various interest rate derivative instruments to hedge variable interest rates on its debt. These derivative instruments are designated as cash flow hedges of the underlying debt. To the extent such hedges are effective, the changes in the fair value of the derivative instrument are reported as a component of other comprehensive income (loss) and reclassified into interest expense or interest income in the same period during which the hedged transaction affects earnings.

In September 2008, the Partnership executed a zero premium interest rate collar with a major financial institution. The collar, which became effective on October 2, 2008 and expired on October 2, 2013, was used to hedge the variability in cash flows in monthly interest payments made on $100.0 million of one-month LIBOR-based borrowings on the credit facility (and subsequent refinancings thereof) due to changes in the one-month LIBOR rate.

In October 2009, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on May 16, 2011 and expires on May 16, 2016, is used to hedge the variability in interest payments due to changes in the one-month LIBOR swap curve with respect to $100.0 million of one-month LIBOR-based borrowings on the credit facility at a fixed rate of 3.93%.

In April 2011, the Partnership executed an interest rate cap with a major financial institution. The rate cap, which became effective on April 13, 2011 and expires on April 13, 2016, is used to hedge the variability in interest payments due to changes in the one-month LIBOR rate above 5.5% with respect to $100.0 million of one-month LIBOR-based borrowings on the credit facility.

In September 2013, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on October 2, 2013 and expires on October 2, 2018, is 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%. This swap essentially replaced the interest rate collar that expired on October 2, 2013.

In the aggregate, these hedging instruments historically have hedged the variability in interest payments due to changes in the one-month LIBOR swap curve or rate with respect to $300.0 million of one-month LIBOR-based borrowings on the credit facility.

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GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 5. Derivative Financial Instruments (continued)

In June 2014 and as a result of the issuance of the Partnership s $375.0 million aggregate principal amount of its 6.25% senior notes due 2022 (see Note 6), the Partnership determined that maintaining an excess of $300.0 million in principal of outstanding floating-rate debt is no longer probable. Therefore, the Partnership elected to de-designate its interest rate cap and discontinued the related hedge accounting for this instrument. Accordingly, at June 30, 2014, the Partnership had in place two interest rate swap agreements which are hedging $200.0 million of variable rate debt, both of which continue to be accounted for as cash flow hedges.

The following table presents the fair value of the Partnership s derivative instruments involved in cash flow hedging relationships and their location in the Partnership s consolidated balance sheets at June 30, 2014 and December 31, 2013 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location		June 30, 2014 Fair Value		December 31, 2013 Fair Value
Asset derivatives					
Interest rate cap (1)	Other assets	$	N/A	$	25
Liability derivatives					
Interest rate swaps	Other long-term liabilities	$	8,751	$	9,462

The following table presents the amount of net gains and losses from derivatives involved in cash flow hedging relationships recognized in the Partnership s consolidated statements of operations and partners equity for the three and six months ended June 30, 2014 and 2013 (in thousands):

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives Three Months Ended		Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing) Three Months Ended		Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives Six Months Ended		Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing) Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

Interest rate collar	$	$ 611	$	$	$	$ 1,226	$	$
Interest rate swaps	35	1,376			711	2,239		
Interest rate cap (1)	177	62			160	57		
Total	$ 212	$ 2,049	$	$	$ 871	$ 3,522	$	$

(1) The interest rate cap agreement was de-designated as a cash flow hedge in June 2014.

Ineffectiveness related to the interest rate swaps, collar and cap is recognized as interest expense and was immaterial for the three and six months ended June 30, 2014 and 2013. In June 2014, the Partnership elected to de-designate its interest rate cap and discontinued hedge accounting. Except for the amortization of the prepaid interest rate caplets associated with the interest rate cap, totaling $177,000 and $160,000 for the three and six months ended June 30, 2014, respectively, there were no amounts reclassified into earnings for the three and six months ended June 30, 2014 and 2013 under these instruments.

As of June 30, 2014, the remaining unamortized prepaid interest rate caplets were $1.2 million and will be amortized over the remaining life of the interest rate cap which expires in April 2016.

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(Unaudited)

Note 5. Derivative Financial Instruments (continued)

Other Derivative Activity

The Partnership uses futures contracts, and occasionally swap agreements, to hedge its commodity exposure under forward fixed price purchase and sale commitments on its products. These derivatives are not designated by the Partnership as either fair value hedges or cash flow hedges. Rather, the forward fixed price purchase and sales commitments, which meet the definition of a derivative, are reflected in the Partnership s consolidated balance sheet. The related futures contracts (and swaps, if applicable) are also reflected in the Partnership s consolidated balance sheet, thereby creating an economic hedge. Changes in the fair value of the futures contracts (and swaps, if applicable), as well as offsetting gains or losses due to the change in the fair value of forward fixed price purchase and sale commitments, are recognized in the consolidated statement of operations through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

While the Partnership seeks to maintain a position that is substantially balanced within its product purchase activities, it may experience net unbalanced positions for short periods of time as a result of variances in daily sales and transportation and delivery schedules as well as other logistical issues inherent in the business, such as weather conditions. In connection with managing these positions, maintaining a constant presence in the marketplace, and managing the futures market outlook for future anticipated inventories, which are necessary for its business, the Partnership engages in a controlled trading program for up to an aggregate of 250,000 barrels of products at any one point in time. Any derivatives not involved in a direct hedging activity are marked to market and recognized in the consolidated statement of operations through cost of sales.

The Partnership also markets and sells natural gas by entering into forward purchase commitments for natural gas when it enters into arrangements for the forward sale commitment of product for physical delivery to third-party users. The Partnership reflects the fair value of forward fixed purchase and sales commitments in its consolidated balance sheet. Changes in the fair value of the forward fixed price purchase and sale commitments are recognized in the consolidated statement of income through cost of sales.

During the three and six months ended June 30, 2014 and 2013, the Partnership entered into forward currency contracts to hedge certain foreign denominated (Canadian) product purchases. These forward contracts are not designated and are reflected in the consolidated balance sheets. Changes in the fair values of these forward currency contracts are reflected in cost of sales.

Similar to the futures contracts used by the Partnership to hedge its inventory, the Partnership uses future contracts to economically hedge forward purchase and sale contracts for which the Partnership does not take the normal purchase and sale exemption. Additionally, these futures contracts are settled daily and, accordingly, there was no corresponding asset or liability in the Partnership s consolidated balance sheets related to these contracts at June 30, 2014 and December 31, 2013. These contracts remain open until their contract end date. The daily settlement of these futures contracts is accomplished through the use of brokerage margin deposit accounts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 5. Derivative Financial Instruments (continued)

The following table summarizes the derivatives not designated by the Partnership as either fair value hedges or cash flow hedges and their respective fair values and location in the Partnership s consolidated balance sheets at June 30, 2014 and December 31, 2013 (in thousands):

Summary of Other Derivatives	Item Pertains to	Balance Sheet Location		June 30, 2014 Fair Value		December 31, 2013 Fair Value
Asset Derivatives						
Forward purchase commitments	Gasoline and Gasoline Blendstocks	(1)	$	3,540	$	14,119
	Distillates	(1)		5,307		2,232
	Residual Oil	(1)				34
	Crude Oil	(1)		11,079		13,693
Total forward purchase commitments				19,926		30,078
Forward sales commitments	Gasoline and Gasoline Blendstocks	(1)		3,452		1,486
	Distillates	(1)		107		797
	Residual Oil	(1)		45		655
	Crude Oil	(1)		4,644		383
	Natural Gas	(1)		1,375		12,608
Total forward sales commitments				9,623		15,929
Total fair value of forward fixed price contracts			$	29,549	$	46,007
Liability Derivatives						
Forward purchase commitments	Gasoline and Gasoline Blendstocks	(2)	$	5,462	$	3,625
	Distillates	(2)		3,849		1,396
	Residual Oil	(2)				990
	Crude Oil	(2)		5,477		2,122
	Natural Gas	(2)		1,388		12,485
Total forward purchase commitments				16,176		20,618
Forward sales commitments	Gasoline and Gasoline Blendstocks	(2)		5,457		10,709
	Distillates	(2)		1,822		3,809
	Crude Oil	(2)		13,378		3,061
Total forward sales commitments				20,657		17,579
Total obligations on forward fixed price contracts and other derivatives				36,833		38,197
Foreign currency forward contract	Foreign Denominated Sales	(3)		170		16
Total liability derivatives			$	37,003	$	38,213

(1) Fair value of forward fixed price contracts

(2) Obligations on forward fixed price contracts

(3) Accrued expenses and other current liabilities

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Note 5. Derivative Financial Instruments (continued)

The following table presents the amount of gains and losses from derivatives not involved in a fair value hedging relationship or in a hedging relationship recognized in the Partnership s consolidated statements of operations for the three and six months ended June 30, 2014 and 2013 (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives — Three Months Ended June 30, 2014	Amount of Gain (Loss) Recognized in Income on Derivatives — Three Months Ended June 30, 2013	Amount of Gain (Loss) Recognized in Income on Derivatives — Six Months Ended June 30, 2014	Amount of Gain (Loss) Recognized in Income on Derivatives — Six Months Ended June 30, 2013
Product contracts	Cost of sales	$ (12,055)	$ 2,981	$ 3,488	$ 3,647
Foreign currency contracts	Cost of sales	(97)	555	(154)	234
Total		$ (12,152)	$ 3,536	$ 3,334	$ 3,881

The interest rate cap agreement was de-designated as a cash flow hedge in June 2014. The amount of gain (loss) recognized in income was immaterial for the three and six months ended June 30, 2014.

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 of forward purchase and sale commitments, futures contracts and swap agreements, but the Partnership has no current reason to expect any material nonperformance by any of these counterparties. Futures contracts, the primary derivative instrument utilized by the Partnership, are traded on regulated exchanges, greatly reducing potential credit risks. The Partnership utilizes primarily three clearing brokers, all major financial institutions, for all New York Mercantile Exchange (NYMEX) and Chicago Mercantile Exchange (CME) derivative transactions and the right of offset exists. Accordingly, the fair value of derivative instruments is presented on a net basis in the consolidated balance sheets. Exposure on forward purchase and sale commitments and swap agreements is limited to the amount of the recorded fair value as of the balance sheet dates.

Note 6. Debt

Credit Agreement

On December 16, 2013, the Partnership entered into a Second Amended and Restated Credit Agreement (the Credit Agreement), which increased the total commitments available under the Credit Agreement to $1.625 billion from $1.615 billion under the prior credit agreement. The Credit Agreement will mature on April 30, 2018.

As of June 30, 2014, there were 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 $1.0 billion; and

a $625.0 million revolving credit facility to be used for acquisitions, joint ventures, capital expenditures, letters of credit and general corporate purposes.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Debt (continued)

In addition, the Credit Agreement has an accordion feature whereby the Partnership may request on the same terms and conditions of its then existing 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 $1.925 billion. Any such request for an increase by the Partnership 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 $1.625 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) $50.0 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 $1.625 billion.

Pursuant to the Credit Agreement, and in connection with any agreement by and between a Loan Party and a Lender (as such terms are defined in the Credit Agreement) or affiliate thereof (an AR Buyer), a Loan Party may sell certain of its accounts receivables to an AR Buyer (the Receivables Sales Agreement). Also pursuant to the Credit Agreement, the Loan Parties are permitted to sell or transfer any account receivable to an AR Buyer only to the extent that (i) no Default or Event of Default (as such terms are defined in the Credit Agreement) has occurred and is continuing or would exist after giving effect to any such sale or transfer; (ii) such accounts receivable are sold for cash; (iii) the cash purchase price to be paid to the selling Loan Party for each account receivable is not less than the amount of credit such Loan Party would have been able to get for such account receivable had such account receivable been included in the Borrowing Base (as defined in the Credit Agreement) or, to the extent such account receivable is not otherwise eligible to be included in the Borrowing Base, then the cash purchase price to be paid is not less than 85% of the face amount of such account receivable; (iv) such account receivable is sold pursuant to a Receivables Sales Agreement; (v) the Loan Parties have complied with the notice requirement set forth in the Credit Agreement; (vi) neither the AR Buyer nor the Administrative Agent has delivered any notice of a termination event; (vii) the aggregate amount of the accounts receivable sold to one or more AR Buyers which has not yet been collected will not exceed $75.0 million at any time; and (viii) the cash proceeds received from the applicable Loan Party in connection with such sale will be used to immediately repay any outstanding WC Loans (as defined in the Credit Agreement). To date, the level of receivables sold has not been significant, and the Partnership has accounted for such transfers as sales pursuant to ASC 860, Transfers and Servicing. Due to the short-term nature of the receivables sold to date, no servicing obligation has been recorded because it would have been de minimus.

Borrowings under the Credit Agreement are available in U.S. Dollars and Canadian Dollars. The aggregate amount of loans made under the Credit Agreement denominated in Canadian Dollars cannot exceed $200.0 million.

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.

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Note 6. Debt (continued)

Commencing December 16, 2013, 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). From January 1, 2013 through December 15, 2013, borrowings under the working capital revolving credit facility bore interest at (1) the Eurodollar 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 prior credit agreement).

Commencing December 16, 2013, borrowings under the revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.25% to 3.25%, (2) the cost of funds rate plus 2.25% to 3.25%, or (3) the base rate plus 1.25% to 2.25%, each depending on the Combined Total Leverage Ratio (as defined in the Credit Agreement). From January 1, 2013 through December 15, 2013, borrowings under the revolving credit facility bore interest at (1) the Eurodollar rate plus 2.50% to 3.50%, (2) the cost of funds rate plus 2.50% to 3.50%, or (3) the base rate plus 1.50% to 2.50%, each depending on the Combined Total Leverage Ratio (as defined in the prior credit agreement).

The average interest rates for the Credit Agreement were 3.5% and 4.5% for the three months ended June 30, 2014 and 2013, respectively, and 3.6% and 4.3% for the six months ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, the Partnership had two interest rate swaps, both of which were used to hedge the variability in interest payments under the Credit Agreement due to changes in LIBOR rates. See Note 5 for additional information on these cash flow hedges.

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 0.375% to 0.50% per annum.

The Partnership classifies a portion of its working capital revolving credit facility as a long-term liability because the Partnership has a multi-year, long-term commitment from its bank group. The long-term portion of the working capital revolving credit facility was $132.0 million and $327.0 million at June 30, 2014 and December 31, 2013, respectively, representing the amounts expected to be outstanding during the entire year. In addition, the Partnership classifies a portion of its working capital revolving credit facility as a current liability because it repays amounts outstanding and reborrows funds based on its working capital requirements. At June 30, 2014 and December 31, 2013, the current portion of the working capital revolving credit facility was $175.0 million and $0, respectively, representing the amount the Partnership

expects to pay down during the course of the year. Due to unexpected excess cash received during the six months ended June 30, 2014, the Partnership paid down a portion of the working capital revolving credit facility that was previously classified as long term at December 31, 2013.

As of June 30, 2014, the Partnership had total borrowings outstanding under the Credit Agreement of $579.6 million, including $272.6 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of $170.8 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $874.6 million and $479.9 million at June 30, 2014 and December 31, 2013, 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 subsidiary, Bursaw Oil LLC. 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 business or

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Debt (continued)

undergo a fundamental change, make any material dispositions, acquire another company, enter into a merger, consolidation, sale leaseback transaction or purchase of assets, or make capital expenditures in excess of specified levels.

The Credit Agreement imposes financial covenants that require the Partnership to maintain certain minimum working capital amounts, a minimum combined interest coverage ratio, a maximum senior secured leverage ratio and a maximum total leverage ratio. The Partnership was in compliance with the foregoing covenants at June 30, 2014. 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).

8.0% Senior Notes

On February 14, 2013, the Partnership entered into a note purchase agreement with FS Energy and Power Fund (FS Energy), with respect to the issue and sale by the Partnership to FS Energy of an aggregate principal amount of $70.0 million unsecured 8.0% Senior Notes due 2018 (the 8.0% Notes). The 8.0% Notes were issued in a private placement exempt from registration under the Securities Act of 1933, as amended (the Securities Act) and were not registered under the Securities Act or any state securities laws. Interest on the 8.0% Notes accrued from February 14, 2013 and was paid semi-annually on February 14 and August 14 of each year, beginning on August 14, 2013.

Closing of the offering occurred on February 14, 2013. The 8.0% Notes were sold to FS Energy at 97% of their face amount, resulting in net proceeds to the Partnership of approximately $67.9 million. Additionally, the Partnership separately paid fees and offering expenses. The discount of $2.1 million at issuance was accreted as additional interest. On February 15, 2013, the Partnership used the net proceeds from the offering, after paying fees and offering expenses, to finance a portion of its acquisition of all of the outstanding membership interests in Cascade Kelly and to pay related transaction costs.

7.75% Senior Notes

On December 23, 2013, the Partnership entered into a note purchase agreement with FS Energy and Power Fund, KARBO, L.P., Kayne Anderson Capital Income Partners (QP), L.P., Kayne Anderson Income Partners, L.P., Kayne Anderson Infrastructure Income Fund, L.P., Kayne Anderson Non-Traditional Investments, L.P., KANTI (QP), L.P. and Kayne Energy Credit Opportunities, L.P. as purchasers (the Purchasers), with respect to the issue and sale by the Partnership to the Purchasers of an aggregate principal amount of $80.0 million unsecured 7.75% Senior Notes due 2018 (the 7.75% Notes). The 7.75% Notes were issued in a private placement exempt from registration under the Securities Act and were not registered under the Securities Act or any state securities laws. Interest was paid on the 7.75% Notes semi-annually on December 23 and June 23 of each year, beginning on June 23, 2014.

Closing of the offering occurred on December 23, 2013. The 7.75% Notes were sold to the Purchasers at their face amount, resulting in proceeds to the Partnership of $80.0 million. Additionally, the Partnership separately paid fees and offering expenses. The Partnership used a portion of the net proceeds from the offering to pay outstanding indebtedness and for general partnership purposes.

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(Unaudited)

Note 6. Debt (continued)

Exchange Rights Agreements

On June 19, 2014, the Partnership and GLP Finance (the Issuers) entered into a letter agreement (the Exchange Rights Agreements) with each of FS Energy and certain funds managed by Kayne Anderson Capital Advisors, L.P. pursuant to which the parties agreed to modifications to or waivers of certain of the provisions of the indentures governing the 8.0% Senior Notes and the 7.75% Senior Notes (collectively, the Existing HY Notes) for purposes of effecting the repayment of the Existing HY Notes with a portion of the proceeds of the Issuers private placement of the 6.25% Notes (defined below) and the subsequent issuance of a portion of the 6.25% Notes to the holders of the Existing HY Notes.

6.25% Senior Notes

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

The Purchase Agreement contained customary representations and warranties of the parties and indemnification and contribution provisions under which the Issuers and the subsidiary guarantors, on one hand, and the Initial Purchasers, on the other, agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act. In addition, the Purchase Agreement required the execution of a registration rights agreement, described below, relating to the 6.25% Notes.

Closing of the offering occurred on June 24, 2014. The Partnership used the net proceeds from the offering to repay a portion of the borrowings outstanding under its revolving credit facility and to repurchase or exchange all of its $150.0 million of the Existing HY Notes in accordance with the Exchange Rights Agreements, as follows: the principal amount of $70.0 million of the 8.0% Senior Notes and the principal amount of $80.0 million of the 7.75% Senior Notes, including premium payments but excluding accrued and unpaid interest. Specifically, the Partnership paid $40.2 million to the holders of the Existing HY Notes and exchanged the remaining $110.0 million of the Existing HY Notes for $116.0 million of the 6.25% Notes. The additional $6.0 million provided to the holders of the Existing HY Notes as a make-whole provision was treated as a discount to the 6.25% Notes included in senior notes in the accompanying balance sheet at June 30, 2014.

The Partnership accounted for the exchange of $110.0 million of the Existing HY Notes to the 6.25% Notes as a modification of debt rather than an extinguishment of debt in accordance with ASC 70-50, Modification and Extinguishments, as the cash flow effect on a present value basis was less than 10% which is not deemed a substantial modification of terms. As a result of the $40.0 million extinguishment of the remaining principal debt, the Partnership incurred expenses of $1.6 million associated with the write-off of a portion of the original issue discount and deferred financing fees. These expenses are included in interest expense in the accompanying statements of operations for the three and six months ended June 30, 2014.

Additionally, as a result of the modification, the pro rata portion of the unamortized original issue discount and deferred financing fees associated with the Existing HY Notes remaining will be amortized over the term of the 6.25% Notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 6. Debt (continued)

Indenture

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

The 6.25% Notes mature on July 15, 2022 with interest accruing at a rate of 6.25% per annum and payable semi-annually in arrears on January 15 and July 15 of each year, commencing January 15, 2015. The 6.25% Notes are guaranteed on a joint and several senior unsecured basis by each of the Issuers and the subsidiary guarantors to the extent set forth in the Indenture. Upon a continuing event of default, the trustee or the holders of at least 25% in principal amount of the 6.25% Notes may declare the 6.25% Notes immediately due and payable, except that an event of default resulting from entry into a bankruptcy, insolvency or reorganization with respect to the Partnership, any restricted subsidiary of the Partnership that is a significant subsidiary or any group of its restricted subsidiaries that, taken together, would constitute a significant subsidiary of the Partnership, will automatically cause the 6.25% Notes to become due and payable.

The Issuers have the option to redeem up to 35% of the 6.25% Notes prior to July 15, 2017 at a redemption price (expressed as a percentage of principal amount) of 106.25% plus accrued and unpaid interest, if any. The Issuers have the option to redeem the 6.25% Notes, in whole or in part, at any time on or after July 15, 2017, at the redemption prices of 104.688% for the twelve-month period beginning on July 15, 2017, 103.125% for the twelve-month period beginning July 15, 2018, 101.563% for the twelve-month period beginning July 15, 2019, and 100.0% beginning on July 15, 2020 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before July 15, 2017, the Issuers may redeem all or any part of the 6.25% Notes at a redemption price equal to the sum of the principal amount thereof, plus a make whole premium at the redemption date, plus accrued and unpaid interest, if any, to the redemption date. The holders of the notes may require the Issuers to repurchase the 6.25% Notes following certain asset sales or a Change of Control (as defined in the Indenture) at the prices and on the terms specified in the Indenture.

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

Registration Rights Agreement

On June 24, 2014, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the Registration Rights Agreement) with the Initial Purchasers in connection with the Issuers private placement of the 6.25% Notes. Under the Registration Rights Agreement, the Issuers and the subsidiary guarantors have agreed to file and use commercially reasonable efforts to cause to become effective a registration statement relating to an offer to exchange the 6.25% Notes for an issue of SEC-registered notes with terms identical to the 6.25% 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 Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by the 360th day after June 24, 2014. Under specified circumstances, the Issuers and the subsidiary guarantors have also agreed to use commercially reasonable efforts to cause to become effective a shelf registration statement relating to resales of the 6.25% Notes. If the exchange offer is not completed on or before the 360th day after June 24, 2014, the annual interest rate borne by the 6.25% Notes will be increased by 1.0% per annum until the exchange offer is completed or the shelf registration statement is declared effective (or automatically becomes effective).

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(Unaudited)

Note 6. Debt (continued)

Line of Credit

On December 9, 2013, Basin Transload entered into a line of credit facility which allows for borrowings by Basin Transload of up to $10.0 million on a revolving basis. The facility matures on December 9, 2014 and had an outstanding balance of $3.7 million at June 30, 2014 and December 31, 2013. The facility is secured by substantially all of the assets of Basin Transload and is not guaranteed by the Partnership or any of its wholly owned subsidiaries.

Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are amortized over the life of the Credit Agreement or other financing arrangements. The Partnership capitalized additional financing fees of $5.8 million for the three and six months ended June 30, 2014 associated with the issuance of the Partnership s $375.0 million aggregate principal amount of its 6.25% senior notes due 2022. Amortization expenses of approximately $1.3 million and $1.7 million for the three months ended June 30, 2014 and 2013, respectively, and $2.6 million and $3.3 million for the six months ended June 30, 2014 and 2013, respectively, are included in interest expense in the accompanying consolidated statements of operations. Unamortized fees are included in other current assets and other long-term assets.

Note 7. Related Party Transactions

The Partnership is a party to a Second Amended and Restated Terminal Storage Rental and Throughput Agreement, as amended, with Global Petroleum Corp. (GPC), an affiliate of the Partnership that is 100% owned by members of the Slifka family. The agreement, which extends through July 31, 2015 with annual renewal options thereafter, is accounted for as an operating lease. After July 31, 2015, the agreement continues for successive one year terms unless either party gives notice to terminate at least 90 days prior to the expiration of the then current term. The expenses under this agreement totaled approximately $2.3 million and $2.2 million for the three months ended June 30, 2014 and 2013, respectively, and $4.6 million and $4.5 million for the six months ended June 30, 2014 and 2013, respectively.

Pursuant to an Amended and Restated Services Agreement with GPC, GPC provides certain terminal operating management services to the Partnership and uses certain administrative, accounting and information processing services of the Partnership. The expenses from these services totaled approximately $24,000 for each of the three months ended June 30, 2014 and 2013 and $48,000 for each of the six months ended June 30, 2014 and 2013. These charges were recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations. On March 9, 2012, in connection with the Partnership s acquisition of Alliance, the agreement was amended to include the services provided by GPC to Alliance. The agreement is for an indefinite term, and either party may terminate its receipt of some or all of the services thereunder upon 180 days notice at any time. As of June 30, 2014, no such notice of termination was given by either party.

In addition, on March 9, 2012, following the closing of the acquisition of Alliance, Global Companies and AE Holdings LLC (AE Holdings) entered into a shared services agreement pursuant to which Global Companies provides AE Holdings with certain tax, accounting, treasury and legal support services for which AE Holdings pays Global Companies $15,000 per year. The shared services agreement is for an indefinite term and AE Holdings may terminate its receipt of some or all of the services upon 180 days notice. As of June 30, 2014, no such notice of termination was given by AE Holdings.

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(Unaudited)

Note 7. Related Party Transactions (continued)

The General Partner employs all of the Partnership s employees, except for its gasoline station and convenience store employees and certain union personnel, who are employed by GMG. The Partnership reimburses the General Partner for expenses incurred in connection with these employees. These expenses, including payroll, payroll taxes and bonus accruals, were $14.2 million and $17.3 million for the three months ended June 30, 2014 and 2013, respectively, and $36.3 million and $31.1 million for the six months ended June 30, 2014 and 2013, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner s 401(k) Savings and Profit Sharing Plan and the General Partner s qualified and non-qualified pension plans.

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

		June 30, 2014		December 31, 2013
Receivables from GPC	$	4	$	436
Receivables from the General Partner (1)		1,935		968
Total	$	1,939	$	1,404

(1) Receivables from the General Partner reflect the Partnership s prepayment of payroll taxes and payroll accruals to the General Partner.

Note 8. Cash Distributions

The Partnership intends to consider regular cash distributions to unitholders on a quarterly basis, although there is no assurance as to the future cash distributions since they are dependent upon future earnings, capital requirements, financial condition and other factors. The Credit Agreement prohibits the Partnership from making cash distributions if any potential default or Event of Default, as defined in the Credit Agreement, occurs or would result from the cash distribution.

Within 45 days after the end of each quarter, the Partnership will distribute all of its Available Cash (as defined in its partnership agreement) to unitholders of record on the applicable record date. The amount of Available Cash is all cash on hand on the date of determination of Available Cash for the quarter; less the amount of cash reserves established by the General Partner to provide for the proper conduct of the Partnership s

business, to comply with applicable law, any of the Partnership s debt instruments, or other agreements or to provide funds for distributions to unitholders and the General Partner for any one or more of the next four quarters.

The Partnership will make distributions of Available Cash from distributable cash flow for any quarter in the following manner: 99.17% to the common unitholders, pro rata, and 0.83% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; and thereafter, cash in excess of the minimum quarterly distribution is distributed to the unitholders and the General Partner based on the percentages as provided below.

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

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Unitholders	**General Partner**
Minimum Quarterly Distribution	$0.4625	99.17%	0.83%
First Target Distribution	$0.4625	99.17%	0.83%
Second Target Distribution	above $0.4625 up to $0.5375	86.17%	13.83%
Third Target Distribution	above $0.5375 up to $0.6625	76.17%	23.83%
Thereafter	above $0.6625	51.17%	48.83%

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Note 8. Cash Distributions (continued)

The Partnership paid the following cash distributions during 2014 (in thousands, except per unit data):

Cash Distribution Payment Date	Per Unit Cash Distribution	Common Units	General Partner	Incentive Distribution	Total Cash Distribution
02/14/14 (1)	$ 0.6125	$ 16,802	$ 140	$ 932	$ 17,874
05/15/14 (2)	0.6250	17,145	143	1,035	18,323

(1) This distribution of $0.6125 per unit resulted in the Partnership exceeding its second target level distribution for the fourth quarter of 2013. As a result, the General Partner, as the holder of the IDRs, received an incentive distribution.

(2) This distribution of $0.6250 per unit resulted in the Partnership exceeding its second target level distribution for the first quarter of 2014. As a result, the General Partner, as the holder of the IDRs, received an incentive distribution.

In addition, on July 23, 2014, the board of directors of the General Partner declared a quarterly cash distribution of $0.6375 per unit ($2.55 per unit on an annualized basis) for the period from April 1, 2014 through June 30, 2014. On August 14, 2014, the Partnership will pay this cash distribution to its common unitholders of record as of the close of business August 5, 2014. This distribution will result in the Partnership exceeding its second target level distribution for the quarter ended June 30, 2014.

Note 9. Segment Reporting

The Partnership engages in the distribution of refined petroleum products, renewable fuels, crude oil, natural gas and propane. The Partnership also engages in the purchasing, selling and logistics of transporting domestic and Canadian crude oil and other products. The Partnership s operating segments are based upon the revenue sources for which discrete financial information is reviewed by the chief operating decision maker (the CODM) and include Wholesale, Gasoline Distribution and Station Operations (GDSO) and Commercial. Each of these operating segments generates revenues and incurs expenses and is evaluated for operating performance on a regular basis.

These operating segments are also the Partnership s reporting segments based on the way the CODM manages the business and on the similarity of customers and expected long-term financial performance of each segment. For the three and six months ended June 30, 2014 and 2013, the Commercial operating segment did not meet 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 meaningful 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 Partnership s Annual Report on Form 10-K for the year ended December 31, 2013.

In the Wholesale reporting segment, the Partnership sells unbranded gasoline (including gasoline blendstocks such as ethanol and naphtha) and diesel to unbranded gasoline customers and other resellers of transportation fuels. The Partnership sells home heating oil, diesel, kerosene, residual oil and propane to home heating oil and propane retailers and wholesale distributors. The Partnership also sells and transports crude oil to refiners. Generally, customers use their own vehicles or contract carriers to take delivery of the gasoline and distillate products at bulk terminals and inland storage facilities that the Partnership owns or controls or with which it has throughput or exchange arrangements. Crude oil is aggregated by truck or pipeline in the mid-continent, transported on land by train and shipped to refineries on the East Coast and West Coast in barges. Additionally, ethanol is shipped primarily by rail and by barge. The results of Basin Transload and Cascade Kelly, both acquired in February 2013 (see Note 2), are included in the Wholesale segment.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 9. Segment Reporting (continued)

In the GDSO reporting segment, the Partnership sells branded and unbranded gasoline to gasoline stations and other sub-jobbers. This segment also includes gasoline, convenience store, car wash and other ancillary sales at the Partnership s directly operated stores, as well as rental income from dealer leased or commission agent leased gasoline stations.

The Commercial segment 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, renewable fuels and natural gas. In the case of commercial and industrial end user customers, the Partnership sells products primarily either through a competitive bidding process or through contracts of various terms. The Commercial segment also includes sales of custom blended fuels delivered by barges or from a terminal dock to ships through bunkering activity.

Commercial segment end user customers include federal and state agencies, municipalities, large industrial companies, many autonomous authorities such as transportation authorities and water resource authorities, colleges and universities and a group of small utilities. In the Commercial segment, the Partnership generally arranges the delivery of the product to the customer s designated location. The Partnership typically hires third-party common carriers to deliver the product.

The Partnership evaluates segment performance based on product margins before allocations of corporate and indirect operating costs, depreciation, amortization (including non-cash charges) and interest. Based on the way the CODM manages the business, it is not reasonably possible for the Partnership to allocate the components of operating costs and expenses among the reportable segments. There were no intersegment sales for any of the years presented below.

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GLOBAL PARTNERS LP

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Note 9. Segment Reporting (continued)

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

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Wholesale Segment (1):				
Sales				
Gasoline and gasoline blendstocks	$ 2,153,729	$ 1,959,686	$ 4,148,285	$ 4,161,155
Crude oil (2)	643,040	1,053,389	1,234,269	2,037,354
Other oils and related products (3)	588,280	655,933	2,001,051	1,988,487
Total	$ 3,385,049	$ 3,669,008	$ 7,383,605	$ 8,186,996
Product margin				
Gasoline and gasoline blendstocks	$ (4,074)	$ 12,358	$ 45,589	$ (17,068)
Crude oil (2)	30,096	19,714	53,586	45,882
Other oils and related products (3)	8,527	10,013	43,143	27,671
Total (4)	$ 34,549	$ 42,085	$ 142,318	$ 56,485
Gasoline Distribution and Station Operations Segment:				
Sales				
Gasoline	$ 892,202	$ 833,121	$ 1,661,106	$ 1,578,711
Station operations (5)	43,192	37,313	77,164	68,921
Total	$ 935,394	$ 870,434	$ 1,738,270	$ 1,647,632
Product margin				
Gasoline	$ 39,043	$ 38,897	$ 72,323	$ 67,090
Station operations (5)	23,570	19,939	42,704	37,775
Total	$ 62,613	$ 58,836	$ 115,027	$ 104,865
Commercial Segment:				
Sales	$ 249,177	$ 232,314	$ 564,673	$ 526,318
Product margin	$ 5,732	$ 6,170	$ 18,061	$ 16,595
Combined sales and product margin:				
Sales	$ 4,569,620	$ 4,771,756	$ 9,686,548	$ 10,360,946
Product margin (4)(6)	$ 102,894	$ 107,091	$ 275,406	$ 177,945
Depreciation allocated to cost of sales	(15,606)	(13,294)	(29,757)	(25,076)
Combined gross profit (4)	$ 87,288	$ 93,797	$ 245,649	$ 152,869

(1) Segment reporting results for the prior period have been reclassified to conform to the Partnership s current presentation.

(2) Crude oil consists of the Partnership s crude oil sales and revenue from its logistics activities and includes the February 2013 acquisitions of Basin Transload and Cascade Kelly. As the Basin Transload and Cascade Kelly assets were not in place for a portion of the six months ended June 30, 2013, the above results are not directly comparable for periods prior to February 2013.

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

(4) For the three months ended June 30, 2014 and 2013, amounts include decreases of $43,400 and $10.6 million, respectively, in the mark to market loss related to RIN forward commitments, and a $3.1 million decrease and a $6.5 million increase, respectively, in the mark to market value of the renewable volume obligation (RVO). For the six months ended June 30, 2014 and 2013, amounts include a $6.1 million decrease and a $22.1 million increase, respectively, in the mark to market loss related to RIN forward commitments and a $12.3 million decrease and a $9.1 million increase, respectively, in the mark to market value of the RVO deficiency.

(5) Station operations primarily consist of convenience store sales at the Partnership s directly operated stores and rental income from dealer leased or commission agent leased gasoline stations.

(6) Product margin is a non-GAAP financial measure used by management and external users of the Partnership s consolidated financial statements to assess the Partnership s business. 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 9. Segment Reporting (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Combined gross profit (1)	$ 87,288	$ 93,797	$ 245,649	$ 152,869
Operating costs and expenses not allocated to operating segments:				
Selling, general and administrative expenses	31,673	25,680	68,971	51,343
Operating expenses	51,029	47,367	98,981	90,707
Amortization expense	4,524	4,774	9,052	8,548
Total operating costs and expenses	87,226	77,821	177,004	150,598
Operating income (1)	62	15,976	68,645	2,271
Interest expense	(12,246)	(10,772)	(23,353)	(21,258)
Income tax (expense) benefit	(94)		(416)	1,875
Net (loss) income (1)	(12,278)	5,204	44,876	(17,112)
Net income attributable to noncontrolling interest	(441)	(379)	(585)	(130)
Net (loss) income attributable to Global Partners LP (1)	$ (12,719)	$ 4,825	$ 44,291	$ (17,242)

(1) For the three months ended June 30, 2014 and 2013, amounts include decreases of $43,400 and $10.6 million, respectively, in the mark to market loss related to RIN forward commitments, and a $3.1 million decrease and a $6.5 million increase, respectively, in the mark to market value of the RVO. For the six months ended June 30, 2014 and 2013, amounts include a $6.1 million decrease and a $22.1 million increase, respectively, in the mark to market loss related to RIN forward commitments and a $12.3 million decrease and a $9.1 million increase, respectively, in the mark to market value of the RVO deficiency.

The Partnership s foreign sales were immaterial for the three and six months ended June 30, 2014 and 2013. The Partnership has no foreign assets.

Segment Assets

In connection with its acquisitions of Cascade Kelly and a 60% membership interest in Basin Transload in February 2013, the Partnership acquired assets, including goodwill, of approximately $240.5 million, of which approximately $90.0 million of property and equipment has primarily been allocated to the Wholesale segment as of the respective acquisition dates. The Partnership acquired retail gasoline stations from Alliance in March 2012 and ExxonMobil in September 2010 which have been allocated to the GDSO segment.

Due to the commingled nature and uses of the remainder of the Partnership s assets, it is not reasonably possible for the Partnership to allocate these assets among its reportable segments.

The table below presents total assets by reportable segment at June 30, 2014 and December 31, 2013 (in thousands):

	Wholesale	Commercial	GDSO	Unallocated (1)	Total
June 30, 2014	$ 81,119	$	$ 499,124	$ 1,627,639	$ 2,207,882
December 31, 3013	$ 83,208	$	$ 499,966	$ 1,844,748	$