GLOBAL PARTNERS LP
Form 10-Q
May 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

The issuer had 33,995,563 common units outstanding as of May 5, 2016.

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Item 1.Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 17,069	$ 1,116
Accounts receivable, net	308,359	311,354
Accounts receivable—affiliates	3,482	2,578
Inventories	402,872	388,952
Brokerage margin deposits	38,855	31,327
Derivative assets	43,397	66,099
Prepaid expenses and other current assets	73,467	65,609
Total current assets	887,501	867,035
Property and equipment, net	1,217,659	1,242,683
Intangible assets, net	72,871	75,694
Goodwill	435,369	435,369
Other assets	42,038	42,894
Total assets	$ 2,655,438	$ 2,663,675
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	$ 255,798	$ 303,781
Working capital revolving credit facility—current portion	185,200	98,100
Environmental liabilities—current portion	5,345	5,350
Trustee taxes payable	88,005	95,264
Accrued expenses and other current liabilities	44,584	60,328
Derivative liabilities	25,923	31,911
Total current liabilities	604,855	594,734
Working capital revolving credit facility—less current portion	150,000	150,000
Revolving credit facility	275,100	269,000
Senior notes	657,213	656,564
Environmental liabilities—less current portion	66,795	67,883
Financing obligation	89,845	89,790

Deferred tax liabilities	83,280	84,836
Other long-term liabilities	56,665	56,884
Total liabilities	1,983,753	1,969,691
Partners' equity		
Global Partners LP equity:		
Common unitholders 33,995,563 units issued and 33,517,503 outstanding at March 31, 2016 and 33,995,563 units issued and 33,506,844 outstanding at December 31, 2015)	635,645	657,071
General partner interest (0.67% interest with 230,303 equivalent units outstanding at March 31, 2016 and December 31, 2015)	(1,341)	(1,188)
Accumulated other comprehensive loss	(7,765)	(8,094)
Total Global Partners LP equity	626,539	647,789
Noncontrolling interest	45,146	46,195
Total partners' equity	671,685	693,984
Total liabilities and partners' equity	$ 2,655,438	$ 2,663,675

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 March 31,	
	2016	2015
Sales	$ 1,750,812	$ 2,979,116
Cost of sales	1,620,753	2,810,558
Gross profit	130,059	168,558
Costs and operating expenses:		
Selling, general and administrative expenses	34,984	48,786
Operating expenses	72,236	68,656
Amortization expense	2,509	5,341
Loss on sale and disposition of assets and impairment charges	6,105	437
Total costs and operating expenses	115,834	123,220
Operating income	14,225	45,338
Interest expense	(22,980)	(13,963)
(Loss) income before income tax benefit (expense)	(8,755)	31,375
Income tax benefit (expense)	920	(966)
Net (loss) income	(7,835)	30,409
Net loss attributable to noncontrolling interest	811	6
Net (loss) income attributable to Global Partners LP	(7,024)	30,415
Less: General partner’s interest in net (loss) income, including incentive distribution rights	(47)	2,179
Limited partners’ interest in net (loss) income	$ (6,977)	$ 28,236
Basic net (loss) income per limited partner unit	$ (0.21)	$ 0.92
Diluted net (loss) income per limited partner unit	$ (0.21)	$ 0.92
Basic weighted average limited partner units outstanding	33,517	30,599
Diluted weighted average limited partner units outstanding	33,517	30,712

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net (loss) income	$ (7,835)	$ 30,409
Other comprehensive income:		
Change in fair value of cash flow hedges	261	183
Change in pension liability	68	91
Total other comprehensive income	329	274
Comprehensive (loss) income	(7,506)	30,683
Comprehensive loss attributable to noncontrolling interest	811	6
Comprehensive (loss) income attributable to Global Partners LP	$ (6,695)	$ 30,689

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net (loss) income	$ (7,835)	$ 30,409
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	28,669	28,472
Amortization of deferred financing fees	1,429	1,459
Amortization of leasehold interests	313	—
Amortization of senior notes discount	343	179
Bad debt expense	50	35
Unit-based compensation expense	1,075	945
Write-off of financing fees	1,828	—
Loss on sale and disposition of assets and impairment charges	6,105	437
Changes in operating assets and liabilities, excluding net assets acquired:		
Accounts receivable	2,945	52,186
Accounts receivable-affiliate	(904)	58
Inventories	(13,920)	(15,614)
Broker margin deposits	(7,528)	(16,539)
Prepaid expenses, all other current assets and other assets	(9,952)	10,157
Accounts payable	(47,982)	(170,646)
Trustee taxes payable	(7,259)	(21,099)
Change in derivatives	16,714	16,121
Accrued expenses, all other current liabilities and other long-term liabilities	(17,607)	(30,475)
Net cash used in operating activities	(53,516)	(113,915)
Cash flows from investing activities		
Acquisitions	—	(405,478)
Capital expenditures	(16,451)	(14,045)
Proceeds from sale of property and equipment	8,588	1,044
Net cash used in investing activities	(7,863)	(418,479)
Cash flows from financing activities		
Net borrowings from working capital revolving credit facility	87,100	175,400
Net borrowings from revolving credit facility	6,100	383,600
Payments on line of credit	—	(700)

Repurchase of common units	—	(2,442)
Noncontrolling interest capital contribution	357	1,880
Distribution to noncontrolling interest	(595)	(1,880)
Distributions to partners	(15,630)	(22,357)
Net cash provided by financing activities	77,332	533,501
Cash and cash equivalents		
Increase in cash and cash equivalents	15,953	1,107
Cash and cash equivalents at beginning of period	1,116	5,238
Cash and cash equivalents at end of period	$ 17,069	$ 6,345
Supplemental information		
Cash paid during the period for interest	$ 17,232	$ 18,860

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

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CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

(In thousands)

(Unaudited)

	Common Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners' Equity
Balance at December 31, 2015	$ 657,071	$ (1,188)	$ (8,094)	$ 46,195	$ 693,984
Net (loss) income	(6,977)	(47)	—	(811)	(7,835)
Noncontrolling interest capital contribution	—	—	—	357	357
Distribution to noncontrolling interest	—	—	—	(595)	(595)
Other comprehensive income	—	—	329	—	329
Unit-based compensation	1,075	—	—	—	1,075
Distributions to partners	(15,723)	(106)	—	—	(15,829)
Dividends on repurchased units	199	—	—	—	199
Balance at March 31, 2016	$ 635,645	$ (1,341)	$ (7,765)	$ 45,146	$ 671,685

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 midstream logistics and marketing master limited partnership formed in March 2005 engaged in the purchasing, selling, storing and logistics of transporting petroleum and related products, including domestic and Canadian crude oil, gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, natural gas and propane. The Partnership also receives revenue from convenience store sales and gasoline station rental income. 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 owns transload and storage terminals in North Dakota and Oregon that extend its origin-to-destination capabilities from the mid-continent region of the United States and Canada to the East and West Coasts. The Partnership is one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. As of March 31, 2016, the Partnership had a portfolio of 1,498 owned, leased and/or supplied gasoline stations, including 274 directly operated convenience stores, in the Northeast, Maryland and Virginia.

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 GMG.

The General Partner, which holds a 0.67% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of March 31, 2016, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,434,775 common units, representing a 21.9% limited partner interest.

Basis of Presentation

On January 7, 2015, the Partnership acquired, through one of its wholly owned subsidiaries, Global Montello Group Corp. ("GMG"), 100% of the equity interests in Warren Equities, Inc. ("Warren") from The Warren Alpert Foundation. On January 14, 2015, the Partnership acquired the Revere terminal (the "Revere Terminal") located in Boston Harbor in Revere, Massachusetts from Global Petroleum Corp. ("GPC") and related entities. On June 1, 2015, the Partnership acquired, through one of its wholly owned subsidiaries, Alliance Energy LLC ("Alliance"), retail gasoline stations and dealer supply contracts from Capitol Petroleum Group ("Capitol"). See Note 2.

The financial results of Warren and the Revere Terminal for the three months ended March 31, 2015 are included in the accompanying statement of operations for the three months ended March 31, 2015. The accompanying consolidated financial statements as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015 reflect the accounts of the Partnership. Upon consolidation, all intercompany balances and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition and operating results for the interim periods. The interim financial information, which has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 months ended March 31, 2016 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2016. The consolidated balance sheet at December 31, 2015 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, 2015.

Due to the nature of the Partnership's business and its reliance, in part, on consumer travel and spending patterns, the Partnership may experience more demand for gasoline during the late spring and summer months than during the fall and winter. Travel and recreational activities are typically higher in these months in the geographic areas in which the Partnership operates, increasing the demand for gasoline that the Partnership distributes. 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.

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 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.

Concentration of Risk

The following table presents the Partnership's product sales and other revenues as a percentage of the consolidated sales for the periods presented:

	Three Months Ended March 31,			
	2016		2015	
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	57	%	50	%
Crude oil sales and crude oil logistics revenue	8	%	9	%
Distillates (home heating oil, diesel and kerosene), residual oil, natural gas and propane sales	30	%	38	%
Convenience store sales, rental income and sundry sales	5	%	3	%
Total	100	%	100	%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the Partnership's product margin by segment as a percentage of the consolidated product margin for the periods presented:

	Three Months Ended March 31,			
	2016		2015	
Wholesale segment	25	%	42	%
GDSO segment	70	%	52	%
Commercial segment	5	%	6	%
Total	100	%	100	%

See Note 10, "Segment Reporting" for additional information on the Partnership's operating segments.

None of the Partnership's customers accounted for greater than 10% of total sales for the three months ended March 31, 2016 and 2015.

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. At March 31, 2016 and December 31, 2015, goodwill recorded in the accompanying consolidated balance sheets aggregated $435.4 million, of which $121.7 million relates to the Wholesale segment and $313.7 million relates to the Gasoline Distribution and Station Operations ("GDSO") segment.

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. The process of testing goodwill for impairment involves numerous judgments, assumptions and estimates made by management which inherently reflect a high degree of uncertainty. The impairment test first includes a qualitative assessment in order to conclude if it is more likely than not that the reporting unit's fair value exceeds its carrying value. Factors considered in the qualitative analysis include changes in the business and industry, as well as macro-economic conditions, that would influence the fair value of the reporting unit as well as changes in the carrying values of the reporting unit. If necessary, the Partnership will then complete a two-step quantitative assessment. In the quantitative assessment, the fair value of each reporting unit is

determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, including goodwill, then the recorded goodwill is impaired to its implied fair value with a charge to operations. The Partnership calculates the fair value of each reporting unit using a combination of discounted cash flows and market comparables.

Key assumptions included in the development of the discounted cash flow value for each reporting unit include:

Future commodity volumes and margins. The discounted cash flows are based on a five-year forecast with an estimate of terminal value. In general, the reporting units' fair values are most sensitive to volume and gross margin assumptions. In particular, the Wholesale segment's cash flows are impacted by the crude oil market, given the Partnership's 2013 investment in transloading terminals in North Dakota and Oregon. The significant decline in the price of crude oil and tight crude oil differentials negatively impacted the Partnership's fiscal 2015 results. The Partnership expects low crude oil prices and tight differentials to continue for a period of time, which will negatively impact the Partnership's 2016 performance with recovery expected in 2017. As a result of these market conditions, there is increased uncertainty and sensitivity relating to the Partnership's future cash flow projections within its crude oil business on which the Wholesale reporting unit's goodwill impairment analysis relies. If market conditions, and therefore the Partnership's performance, are worse than its projections, the Partnership may record impairment charges in the future. Actual results may not be consistent with these

judgments, assumptions and estimates, and goodwill impairment charges may be required in future periods. This could have an adverse impact on the Partnership's financial position and results of operations.

Discount rate commensurate with the risks involved. The Partnership applies a discount rate to its expected cash flows based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. A higher discount rate decreases the net present value of cash flows.

Future capital requirements. The Partnership's estimates of future capital requirements are based upon a combination of authorized spending and internal forecasts.

On October 1, 2015, the Partnership completed its quantitative assessments for both the Wholesale and GDSO reporting units, and no impairment indicator was identified for either reporting unit. The declining crude oil prices, changes in certain market conditions, and decline in the Partnership's common unit price, collectively caused the Partnership to reassess its goodwill for impairment as of December 31, 2015 for the Wholesale reporting unit. Based on the results of this assessment, the Partnership concluded that step-two of the quantitative assessment was not necessary and no impairment was required.

As of March 31, 2016, the Partnership considered whether there were any change of circumstances or events during the first quarter which would more likely than not reduce the fair value of the Wholesale segment's reporting unit below its carrying amount. The Partnership concluded that such events and circumstances have not occurred.

The fair values of the Partnership's reporting units are based on underlying assumptions that represent the Partnership's best estimates. Many of the factors used in assessing fair value are outside of the control of management. A further sustained decline in commodity prices may cause the Partnership to reassess its long-lived assets and goodwill for impairment, and could result in future non-cash impairment charges as a result of such impairment assessments. If the Partnership is required to perform step-two in the future for the Wholesale reporting unit, up to $121.7 million of goodwill assigned to this reporting unit could be written off in the period of such impairment assessment.

Note 2. Business Combinations

2015 Acquisitions

Warren Equities, Inc.—On January 7, 2015, the Partnership acquired, through GMG, 100% of the equity interests in Warren, one of the largest independent marketers of petroleum products in the Northeast, from The Warren Alpert Foundation. The acquisition included 147 company-owned Xtra Mart convenience stores and related fuel operations, 53 commission agent locations and fuel supply rights for approximately 330 dealers. The acquired properties are located in the Northeast, Maryland and Virginia. The purchase price, inclusive of post-closing adjustments, was approximately $381.8 million, including working capital. The acquisition was funded with borrowings under the Partnership's credit facility and with proceeds from its December 2014 public offering of 3,565,000 common units.

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 Warren subsequent to the acquisition date.

In connection with the acquisition of Warren, the Partnership recorded acquisition costs of approximately $4.4 million for the three months ended March 31, 2015 which are included in selling, general and administrative expenses in the accompanying consolidated statement of operations. Additionally, in January 2015 and subsequent to the acquisition date, the Partnership recorded a restructuring charge of approximately $2.3 million, which is included in selling, general and administrative expenses in the accompanying consolidated statement of operations for the three

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

months ended March 31, 2015. Approximately $0.5 million of the restructuring charge was paid during the three months ended March 31, 2015, and the remaining balance of $1.8 million was paid during the year ended December 31, 2015.

Revere Terminal—On January 14, 2015, through the Partnership's wholly owned subsidiary, Global Companies LLC, the Partnership acquired the Revere Terminal located in Boston Harbor in Revere, Massachusetts from GPC, a privately held affiliate of the Partnership, and related entities for a purchase price of $23.7 million. The acquisition includes contingent consideration which would be payable under specific circumstances involving a subsequent sale of the property during the eight years following the acquisition. The contingent consideration was estimated to be $0 as of the acquisition date as the Partnership concluded that the sale of the terminal for non-petroleum use within the eight years following the acquisition is not probable. The Partnership financed the transaction with borrowings under its revolving credit facility. In connection with the Revere Terminal transaction, the pre-existing terminal storage rental and throughput agreement between the Partnership and GPC was terminated.

The acquisition was accounted for using the purchase method of accounting in accordance with the FASB's guidance regarding business combinations. As the acquisition transitioned the Revere Terminal from a formerly leased facility to an owned facility, the transaction did not have a material impact on the Partnership's consolidated financial statements.

Capitol Petroleum Group—On June 1, 2015, the Partnership acquired 97 primarily Mobil and Exxon branded owned or leased retail gasoline stations and seven dealer supply contracts in New York City and Prince George's County, Maryland, along with certain related supply and franchise agreements and third-party leases and other assets associated with the operations from Liberty Petroleum Realty, LLC, East River Petroleum Realty, LLC, Big Apple Petroleum Realty, LLC, White Oak Petroleum, LLC, Anacostia Realty, LLC, Mount Vernon Petroleum Realty, LLC and DAG Realty, LLC (collectively, "Capitol Petroleum Group"). The purchase price was approximately $155.7 million. 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 Capitol subsequent to the acquisition date.

No acquisition costs were recorded in connection with the acquisition of Capitol for the three months ended March 31, 2015.

Supplemental Pro Forma Information—Revenues and net income not included in the Partnership's consolidated operating results for Warren from January 1, 2015 through January 7, 2015, the acquisition date, were immaterial. Accordingly, the supplemental pro forma information for the three months ended March 31, 2015 is consistent with the amounts reported in the accompanying consolidated statement of operations for the three months ended March 31, 2015.

The following unaudited pro forma information presents the consolidated results of operations of the Partnership as if the acquisition of Capitol occurred on January 1, 2015 (in thousands, except per unit data):

	Three Months Ended March 31, 2015
Sales	$ 3,114,370
Net income attributable to Global Partners LP	$ 32,810
Net income per limited partner unit, basic and diluted	$ 1.00

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 or losses is assumed to be allocated to the common unitholders, or limited partners' interest, and to the General Partner's general partner interest.

Common units outstanding as reported in the accompanying consolidated financial statements at March 31, 2016 and December 31, 2015 excluded 478,060 and 488,719 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program (see Note 13). These units are not deemed outstanding for purposes of calculating net income per limited partner unit (basic and diluted).

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 months ended March 31, 2016 and 2015 (in thousands, except per unit data):

	Three Months Ended March 31, 2016				Three Months Ended March 31, 2015			
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 (1)	$ (7,024)	$ (6,977)	$ (47)	$ —	$ 30,415	$ 28,236	$ 2,179	$ —
Declared distribution	$ 15,829	$ 15,723	$ 106	$ —	$ 23,260	$ 21,076	$ 157	$ 2,027
Assumed allocation of undistributed net (loss) income	(22,853)	(22,700)	(153)	—	7,155	7,160	(5)	—
Assumed allocation of net (loss) income	$ (7,024)	$ (6,977)	$ (47)	$ —	$ 30,415	$ 28,236	$ 152	$ 2,027
Denominator:								
Basic weighted average limited partner units		33,517				30,599		

outstanding		
Dilutive effect of phantom units	—	113
Diluted weighted average limited partner units outstanding	33,517	30,712
Basic net (loss) income per limited partner unit	$ (0.21)	$ 0.92
Diluted net (loss) income per limited partner unit (2)	$ (0.21)	$ 0.92

(1) As a result of the June 2015 issuance of 3,000,000 common units, the general partner interest was reduced to 0.67% for three months ended March 31, 2016 from 0.74% for the three months ended March 31, 2015.

(2) Basic units were used to calculate diluted net income per limited partner unit for the three months ended March 31, 2016, as using the effects of phantom units would have an anti-dilutive effect on net income per limited partner unit.

During 2016, the board of directors of the General Partner declared the following quarterly cash distribution:

Cash Distribution Declaration Date	Per Unit Cash Distribution Declared	Distribution Declared for the Quarterly Period Ended
April 26, 2016	$ 0.4625	March 31, 2016

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

See Note 8, “Partners’ Equity and Cash Distributions” for further information.

Note 4. Inventories

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

Convenience store inventory and Renewable Identification Numbers (“RINs”) inventory are carried at the lower of historical cost or market.

Inventories consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Distillates: home heating oil, diesel and kerosene	$ 143,206	$ 156,411
Gasoline	63,468	62,467
Gasoline blendstocks	41,897	32,542
Crude oil	116,366	102,253
Residual oil	17,236	12,895
Propane and other	1,639	1,469

Renewable identification numbers (RINs)	664	803
Convenience store inventory	18,396	20,112
Total	$ 402,872	$ 388,952

In addition to its own inventory, the Partnership has exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to $9.3 million and $3.4 million at March 31, 2016 and December 31, 2015, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $4.1 million and $12.1 million at March 31, 2016 and December 31, 2015, respectively. Exchange transactions are valued using current carrying costs.

Note 5. Derivative Financial Instruments

The Partnership principally uses derivative instruments, which include regulated exchange-traded futures and options contracts (collectively, "exchange-traded derivatives") and physical and financial forwards and over-the-counter ("OTC") swaps (collectively, "OTC derivatives"), to reduce its exposure to unfavorable changes in commodity market prices and interest rates. The Partnership uses these exchange-traded and OTC derivatives to hedge commodity price risk associated with its inventory and undelivered forward commodity purchases and sales ("physical forward contracts") and uses interest rate swap instruments to reduce its exposure to fluctuations in interest rates associated with the Partnership's credit facilities. The Partnership accounts for derivative transactions in accordance with ASC 815, "Derivatives and Hedging," and recognizes derivatives instruments as either assets or liabilities in the consolidated

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balance sheet and measures those instruments at fair value. The changes in fair value of the derivative transactions are presented currently in earnings, unless specific hedge accounting criteria are met.

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

The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at March 31, 2016:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	56,203	Thousands of barrels
Short	(63,591)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	8,006	Thousands of barrels
Short	(6,149)	Thousands of barrels
OTC Derivatives (Natural Gas)		
Long	11,677	Thousands of decatherms
Short	(11,530)	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)	$ 1.1	Millions of Canadian dollars

	$ 0.8	Millions of U.S. dollars

(1) Number of open positions and gross notional values do not measure the Partnership's risk of loss, quantify risk or represent assets or liabilities of the Partnership, but rather indicate the relative size of the derivative instruments and are used in the calculation of the amounts to be exchanged between counterparties upon settlements.
(2) All-in forward rate Canadian dollars $1.2973 to USD $1.00.

Derivatives Accounted for as Hedges

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

Fair Value Hedges

Derivatives designated as fair value hedges are used to hedge price risk in commodity inventories and principally include exchange-traded futures contracts that are entered into in the ordinary course of business. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together

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with the offsetting change in fair value on the hedged item of the risk being hedged. Gains and losses related to fair value hedges are recognized in the consolidated statement of operations through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

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

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 three months ended March 31, 2016 and 2015 (in thousands):

	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31,	
		2016	2015
Derivatives in fair value hedging relationship			
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	$ 27,839	$ 26,176
Hedged items in fair value hedge relationship			
Physical inventory	Cost of sales	$ (24,175)	$ (23,621)

Cash Flow Hedges

Derivatives designated as cash flow hedges are used to hedge interest rate risk from fluctuations in interest rates and may include various interest rate derivative instruments entered into with major financial institutions. For a derivative instrument being designated as a cash flow hedge, the effective portion of the derivative gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into the consolidated statement of operations through interest expense in the same period that the hedged exposure affects earnings. The ineffective portion is recognized in the consolidated statement of operations immediately.

The Partnership's cash flow hedges currently include interest rate swaps and an interest rate cap that are hedges of variability in forecasted interest payments due to changes in the interest rate on LIBOR-based borrowings, a summary of which includes the following designations:

· In October 2009, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on May 16, 2011 and 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 expired on April 13, 2016, was used to hedge the variability in interest payments due to changes in the one-month LIBOR rate above 5.5% with respect to $100.0 million of one-month LIBOR-based borrowings on the credit facility.

· In September 2013, the Partnership executed an interest rate swap with a major financial institution. The swap, which became effective on October 2, 2013 and 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%.

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In the aggregate, these hedging instruments have historically been effective in hedging 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.

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 was 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 March 31, 2016, 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 interest rate cap, which expired on April 13, 2016, was not in a hedging relationship for the three months ended March 31, 2016 and 2015. Accordingly, all changes in fair value of this instrument subsequent to the date of de-designation were recorded in the consolidated statement of operations through interest expense.

The following table presents the amount of gains and losses from the Partnership's derivative instruments designated in cash flow hedging relationships recognized in the consolidated statements of operations and partners' equity for the three months ended March 31, 2016 and 2015 (in thousands):

Derivatives Designated in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion) Three Months Ended March 31, 2016	2015	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Other Comprehensive Income into Income (Effective Portion) Three Months Ended March 31, 2016	2015
Interest rate swaps	$ 28	$ 47	Interest expense	$ —	$ —

The amount of gain (loss) recognized in income as ineffectiveness for derivatives designated in cash flow hedging relationships was $0 for the three months ended March 31, 2016 and 2015.

Derivatives Not Accounted for as Hedges

The Partnership utilizes petroleum and ethanol commodity contracts, natural gas 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.

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

Natural Gas Commodity Contracts

The Partnership uses physical forward purchase contracts to hedge price risk associated with the marketing and selling of natural gas to third-party users. These physical forward purchase commitments for natural gas are typically executed when the Partnership enters into physical forward sale commitments of product for physical delivery. These physical forward contracts, to the extent they meet the definition of a derivative, are reflected as derivative assets and derivative liabilities in the consolidated balance sheet. Changes in fair value of the forward purchase and sale commitments are recognized in the consolidated statement of operations through cost of sales.

Foreign Currency Contracts

The Partnership uses 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.

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 three months ended March 31, 2016 and 2015 (in thousands):

Derivatives not designated as hedging instruments	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31,	
		2016	2015
Commodity contracts	Cost of sales	$ (415)	$ 3,651
Forward foreign currency contracts	Cost of sales	39	18
Total		$ (376)	$ 3,669

Margin Deposits

All of the Partnership's exchange-traded derivative contracts (designated and not designated) are transacted through clearing brokers. The Partnership deposits initial margin with the clearing brokers, along with variation margin, which is paid or received on a daily basis, based upon the changes in fair value of open futures contracts and settlement of closed futures contracts. Cash balances on deposit with clearing brokers and open equity are presented on a net basis within brokerage margin deposits in the consolidated balance sheets.

Commodity Contracts and Other Derivative Activity

The Partnership's commodity contract derivatives 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

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Partnership does not take the normal purchase and sale exemption available under ASC 815 for its physical forward contracts.

The following table presents the fair value of each classification of the Partnership's derivative instruments and its location in the consolidated balance sheets at March 31, 2016 and December 31, 2015 (in thousands):

		March 31, 2016		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ 2,305	$ 40,153	$ 42,458
Forward derivative contracts (1)	Derivative assets	—	43,397	43,397
Total asset derivatives		$ 2,305	$ 83,550	$ 85,855
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ 22,276	$ 19,259	$ 41,535
Forward derivative contracts (1)	Derivative liabilities		25,923	25,923
Forward foreign currency contracts	Accrued expenses and other current liabilities	—	13	13
Interest rate swap contracts	Other long-term liabilities	—	3,315	3,315
Total liability derivatives		$ 22,276	$ 48,510	$ 70,786

December 31, 2015	
Derivatives Designated as Hedging	Derivatives Not Designated as Hedging

	Balance Sheet Location	Instruments	Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ 83,645	$ 11,722	$ 95,367
Forward derivative contracts (1)	Derivative assets	—	66,099	66,099
Forward foreign currency contracts	Other assets	—	10	10
Total asset derivatives		$ 83,645	$ 77,831	$ 161,476
Liability Derivatives:				
Forward derivative contracts (1)	Derivative liabilities	$ —	$ 31,911	$ 31,911
Interest rate swap contracts	Other long-term liabilities	—	3,343	3,343
Total liability derivatives		$ —	$ 35,254	$ 35,254

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

Credit Risk

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

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

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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 6. Debt

Credit Agreement

Certain subsidiaries of the Partnership, as borrowers, and the Partnership and certain of its subsidiaries, as guarantors, have a senior secured credit facility (the "Credit Agreement"). On February 24, 2016, the Partnership entered into the fifth amendment to the Credit Agreement (the "Fifth Amendment") which reflects, among other things, the Partnership's voluntary election to reduce its working capital revolving credit facility from $1.0 billion to $900.0 million and its revolving credit facility from $775.0 million to $575.0 million, for a total available commitment of $1.475 billion. The Credit Agreement will mature on April 30, 2018.

As of March 31, 2016, the two facilities under the Credit Agreement included:

- 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 $900.0 million; and

- a $575.0 million revolving credit facility to be used for acquisitions, joint ventures, capital expenditures, letters of credit and general corporate purposes.

In addition, the Credit Agreement has an accordion feature whereby the Partnership may request on the same terms and conditions 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 $1.775 billion. 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 $1.475 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 $1.475 billion.

Pursuant to the Credit Agreement, and in connection with any agreement by and between a Loan Party and a Lender (as such terms are defined in the Credit Agreement) or affiliate thereof (an “AR Buyer”), a Loan Party may sell certain of its accounts receivables to an AR Buyer. The Loan Parties are permitted to sell or transfer any account receivable to an AR Buyer only pursuant to the provisions provided in the Credit Agreement. To date, the level of receivables sold has not been significant, and the Partnership has accounted for such transfers as sales pursuant to ASC 860, “Transfers and Servicing.” Due to the short term nature of the receivables sold to date, no servicing obligation has been recorded because it would have been de minimis.

Availability under the working capital revolving credit facility is subject to a borrowing base which is redetermined from time to time 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

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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). Pursuant to the Fifth Amendment, borrowings under the revolving credit facility bear interest at (1) the Eurocurrency rate plus 2.25% to 3.50%, (2) the cost of funds rate plus 2.25% to 3.50%, or (3) the base rate plus 1.25% to 2.50%, each depending on the Combined Total Leverage Ratio (as defined in the Credit Agreement).

The average interest rates for the Credit Agreement were 3.8% and 3.4% for the three months ended March 31, 2016 and 2015, respectively.

As of March 31, 2016, 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. Additionally, the Partnership had an interest rate cap that was hedging variable interest. The cap was not designated for accounting purposes.

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 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 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 March 31, 2016, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed $150.0 million over the next twelve months and, therefore, classified $185.2 million as the current portion at March 31, 2016, representing the amount the Partnership expects to pay down over the next twelve months. The long-term portion of the working capital revolving credit facility was $150.0 million and $150.0 million at

March 31, 2016 and December 31, 2015, respectively, and the current portion was $185.2 million and $98.1 million, at March 31, 2016 and December 31, 2015, respectively. The increase in total borrowings under the working capital revolving credit facility of $87.1 million from December 31, 2015 was primarily due to cash used in operating assets and liabilities during the year. Inventory increased due to higher prices, and accounts payable decreased as the Partnership exited the heating season. Lower crude oil volume also contributed to the decline in accounts payable.

As of March 31, 2016, the Partnership had total borrowings outstanding under the Credit Agreement of $610.3 million, including $275.1 million outstanding on the revolving credit facility. In addition, the Partnership had outstanding letters of credit of $57.9 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $806.8 million and $1.2 billion at March 31, 2016 and December 31, 2015, 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 with the exception of Basin Transload.

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

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additional indebtedness or guarantee other indebtedness, make any material change to the nature of the Partnership's business or undergo a fundamental change, make any material dispositions, acquire another company, enter into a merger, consolidation, sale leaseback transaction or purchase of assets or make capital expenditures in excess of specified levels.

The Credit Agreement 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 Fifth Amendment amended the definition of "Total Combined Leverage Ratio" to permit for an increased maximum ratio of 5.50:1.00 through the first quarter of 2017 and 5.00:1.00 thereafter. The Partnership was in compliance with the foregoing covenants at March 31, 2016. 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).

6.25% Senior Notes

On June 19, 2014, the Partnership and GLP Finance Corp. ("GLP Finance" and, together with the Partnership, the "Issuers") entered into a Purchase Agreement (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 of 1933, as amended (the "Securities Act"). The 6.25% Notes were resold by the Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

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.

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

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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 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 are not 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. The exchange offer was completed on April 21, 2015, and 100% of the 6.25% Notes were exchanged for SEC-registered notes.

7.00% Senior Notes

On June 1, 2015, the Issuers entered into a Purchase Agreement (the "7.00% Notes Purchase Agreement") with the Initial Purchasers (as defined therein) (the "7.00% Notes Initial Purchasers") pursuant to which the Issuers agreed to sell

$300.0 million aggregate principal amount of the Issuers' 7.00% senior notes due 2023 (the "7.00% Notes") to the 7.00% Notes Initial Purchasers in a private placement exempt from the registration requirements under the Securities Act. The 7.00% Notes were resold by the 7.00% Notes Initial Purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States pursuant to Regulation S under the Securities Act.

The 7.00% Notes 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 7.00% Notes Initial Purchasers, on the other, agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act. In addition, the 7.00% Notes Purchase Agreement required the execution of a registration rights agreement, described below, relating to the 7.00% Notes. Closing of the offering occurred on June 4, 2015.

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Indenture

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

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

The Issuers will have the option to redeem up to 35% of the 7.00% Notes prior to June 15, 2018 at a redemption price (expressed as a percentage of principal amount) of 107.00% plus accrued and unpaid interest, if any. The Issuers have the option to redeem the 7.00% Notes, in whole or in part, at any time on or after June 15, 2018, at the redemption prices of 105.250% for the twelve-month period beginning June 15, 2018, 103.500% for the twelve-month period beginning June 15, 2019, 101.750% for the twelve-month period beginning June 15, 2020, and 100.0% beginning June 15, 2021 and at any time thereafter, together with any accrued and unpaid interest to the date of redemption. In addition, before June 15, 2018, the Issuers may redeem all or any part of the 7.00% 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 7.00% Notes may require the Issuers to repurchase the 7.00% Notes following certain asset sales or a Change of Control (as defined in the 7.00% Notes Indenture) at the prices and on the terms specified in the 7.00% Notes Indenture.

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

uninsured final judgments exceeding $50.0 million.

Registration Rights Agreement

On June 4, 2015, the Issuers and the subsidiary guarantors entered into a registration rights agreement (the “7.00% Notes Registration Rights Agreement”) with the 7.00% Notes Initial Purchasers in connection with the Issuers’ private placement of the 7.00% Notes. Under the 7.00% 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 7.00% Notes for an issue of SEC-registered notes with terms identical to the 7.00% Notes (except that the exchange notes are not subject to restrictions on transfer or to any increase in annual interest rate for failure to comply with the 7.00% Notes Registration Rights Agreement) that are registered under the Securities Act so as to permit the exchange offer to be consummated by the 420th day after June 4, 2015. The exchange offer was completed on October 22, 2015, and 100% of the 7.00% Notes were exchanged for SEC-registered notes.

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Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are amortized over the life of the Credit Agreement or other financing arrangements. The Partnership capitalized deferred financing fees of $17.8 million and $19.0 million at March 31, 2016 and December 31, 2015, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to $10.3 million and $11.2 million at March 31, 2016 and December 31, 2015, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and amounted to $7.5 million and $7.8 million at March 31, 2016 and December 31, 2015, respectively.

On February 24, 2016, the Partnership voluntarily elected to reduce its working capital revolving credit facility from $1.0 billion at December 31, 2015 to $900.0 million at March 31, 2016 and its revolving credit facility from $775.0 million at December 31, 2015 to $575.0 million at March 31, 2016. As a result, the Partnership incurred expenses of approximately $1.8 million associated with the write-off of a portion of its deferred financing fees. These expenses are included in interest expense in the accompanying statement of operations for the three months ended March 31, 2016.

Amortization expense of approximately $1.4 million and $1.5 million for the three months ended March 31, 2016 and 2015, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Financing Obligation

In connection with the Capitol acquisition on June 1, 2015 (see Note 2), 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 term of these leases, which expire in May 2028 and September 2029, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Interest expense of approximately $2.4 million was recorded for the three months ended March 31, 2016 and is included in interest expense in the accompanying statement of operations. The financing

obligation will amortize through expiration of the lease based upon the lease rental payments which were $2.3 million for the three months ended March 31, 2016. The financing obligation balance outstanding at March 31, 2016 was $89.8 million.

Note 7. Related Party Transactions

The Partnership was a party to an exclusive Second Amended and Restated Terminal Storage Rental and Throughput Agreement, as amended (the "Terminal Storage Rental and Throughput Agreement"), with GPC, an affiliate of the Partnership that is 100% owned by members of the Slifka family, with respect to the Revere Terminal in Revere, Massachusetts. On January 14, 2015, the Partnership acquired the Revere Terminal from GPC and related entities, and the Terminal Storage Rental and Throughput Agreement was terminated. Prior to the acquisition, the agreement was accounted for as an operating lease. The expenses under this agreement totaled $0 and $0.8 million for the three months ended March 31, 2016 and 2015, respectively.

The Partnership was a party to an Amended and Restated Services Agreement with GPC, whereby GPC provided certain terminal operating management services to the Partnership and used certain administrative, accounting and information processing services of the Partnership. The expenses from these services totaled approximately $0 and $8,000 for the three months ended March 31, 2016 and 2015, respectively. These charges were recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations.

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On March 11, 2015, the Partnership entered into the following amendments and restatements to its shared services agreements: (i) Global Companies entered into an Amended and Restated Services Agreement with AE Holdings Corp. (the “AE Holdings Amended and Restated Services Agreement”), and (ii) certain of the Partnership’s subsidiaries entered into a Second Amended and Restated Services Agreement with GPC (the “GPC Second Amended and Restated Services Agreement,” and together with the AE Holdings Amended and Restated Services Agreement, the “Amended and Restated Services Agreements”).

Under the AE Holdings Amended and Restated Services Agreement, the Partnership provided AE Holdings with certain tax, accounting, treasury and legal support services for which AE Holdings paid the Partnership an aggregate of $15,000 per year in equal monthly installments until it was voluntarily dissolved effective on July 10, 2015. Under the GPC Second Amended and Restated Services Agreement, GPC no longer provides the Partnership with terminal, environmental and operational support services, but the Partnership continues to provide 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 GPC 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 March 31, 2016, no such notice of termination was given by GPC.

The General Partner employs substantially all of the Partnership’s employees, except for most of its gasoline station and convenience store employees, who are employed by GMG. The Partnership reimburses the General Partner for expenses incurred in connection with these employees. These expenses, including payroll, payroll taxes and bonus accruals, were $25.6 million and $29.4 million for the three months ended March 31, 2016 and 2015, 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):

	March 31,	December 31,

	2016	2015
Receivables from GPC	$ 7	$ —
Receivables from the General Partner (1)	3,475	2,578
Total	$ 3,482	$ 2,578

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

Note 8. Partners' Equity and Cash Distributions

Partners' Equity

Partners' equity at March 31, 2016 consisted of 33,995,563 common units issued, including 7,434,775 common units held by affiliates of the General Partner, including directors and executive officers, collectively representing a 99.33% limited partner interest in the Partnership, and 230,303 general partner units representing a 0.67% general partner interest in the Partnership. There have been no changes to partners' equity during the three months ended March 31, 2016.

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Cash Distributions

The Partnership intends to make cash distributions to unitholders on a quarterly basis, although there is no assurance as to the future cash distributions since they are dependent upon future earnings, capital requirements, financial condition and other factors. The Credit Agreement prohibits the Partnership from making cash distributions if any potential default or Event of Default, as defined in the Credit Agreement, occurs or would result from the cash distribution. The indentures governing the Partnership's outstanding senior notes also limit the Partnership's ability to make distributions to its unitholders in certain circumstances.

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

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

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

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions			
		Unitholders		General Partner	
First Target Distribution	up to $0.4625	99.33	%	0.67	%
Second Target Distribution	above $0.4625 up to $0.5375	86.33	%	13.67	%

Third Target Distribution	above $0.5375 up to $0.6625	76.33 %	23.67 %
Thereafter	above $0.6625	51.33 %	48.67 %

The Partnership paid the following cash distribution during 2016 (in thousands, except per unit data):

Cash Distribution Payment Date	Earned for the Quarter Ended	Per Unit Cash Distribution	Common Units	General Partner	Incentive Distribution	Total Cash Distribution
2/16/2016	12/31/15	$ 0.4625	$ 15,723	$ 106	$ —	$ 15,829

In addition, on April 26, 2016, the board of directors of the General Partner declared a quarterly cash distribution of $0.4625 per unit ($1.85 per unit on an annualized basis) on all of its outstanding common units for the period from January 1, 2016 through March 31, 2016 to the Partnership's unitholders of record as of the close of business on May 6, 2015.

Note 9. 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

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units having an aggregate offering price of up to $50.0 million. Sales of the common units, if any, will be made by any method permitted by law deemed to be an "at-the-market" offering, including ordinary brokers' transactions through the facilities of the New York Stock Exchange, to or through a market maker, or directly on or through an electronic communication network, a "dark pool" or any similar market venue, at market prices, in block transactions, or as otherwise agreed upon by the Partnership and one or more of its sales agents.

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

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

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

As of March 31, 2016, no common units were sold by the Partnership pursuant to the at-the-market offering program.

Note 10. Segment Reporting

The Partnership engages in the purchasing, selling, storing and logistics of transporting petroleum and related products, including domestic and Canadian crude oil, gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, natural gas and propane. The Partnership also receives revenue from convenience store sales and gasoline station rental income. 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, 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 months ended March 31, 2016 and 2015, 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, 2015.

In the Wholesale reporting segment, the Partnership sells branded and unbranded gasoline and gasoline blendstocks and diesel to wholesale distributors. The Partnership transports these products by railcars, barges and/or pipelines pursuant to spot or long term contracts. The Partnership aggregates crude oil by truck or pipeline in the mid-continent region of the United States and Canada, transports it by train and ships it by barge to refiners on the East and West Coasts. The Partnership sells home heating oil, 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 and distillates at bulk terminals and inland storage facilities that the Partnership owns or controls

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or with which it has throughput or exchange arrangements. Additionally, 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, 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, bunker fuel and natural gas. In the case of public sector commercial and industrial end user customers, the Partnership sells products primarily either through a competitive bidding process or through contracts of various terms. The Partnership generally arranges for the delivery of the product to the customer's designated location, and the Partnership responds to publicly-issued requests for product proposals and quotes. The Commercial segment also includes sales of custom blended fuels delivered by barges or from a terminal dock to ships through bunkering activity.

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.

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

	Three Months Ended March 31,	
	2016	2015
Wholesale Segment:		
Sales		
Gasoline and gasoline blendstocks	$ 342,729	$ 776,143
Crude oil (1)	148,502	252,110
Other oils and related products (2)	419,009	943,693
Total	$ 910,240	$ 1,971,946
Product margin		
Gasoline and gasoline blendstocks	$ 16,362	$ 29,829
Crude oil (1)	(2,373)	15,257
Other oils and related products (2)	25,249	35,007
Total	$ 39,238	$ 80,093
Gasoline Distribution and Station Operations Segment:		
Sales		
Gasoline	$ 616,103	$ 697,334
Station operations (3)	85,185	83,075
Total	$ 701,288	$ 780,409
Product margin		
Gasoline	$ 65,387	$ 61,699
Station operations (3)	42,925	36,723
Total	$ 108,312	$ 98,422
Commercial Segment:		
Sales	$ 139,284	$ 226,761
Product margin	$ 6,910	$ 11,558
Combined sales and Product margin:		
Sales	$ 1,750,812	$ 2,979,116
Product margin (4)	$ 154,460	$ 190,073
Depreciation allocated to cost of sales	(24,401)	(21,515)
Combined gross profit	$ 130,059	$ 168,558

(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 primarily consist of convenience store sales and rental income.
(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 111 million gallons and 110 million gallons of the GDSO segment's sales for the three months ended March 31, 2016 and 2015, respectively, were supplied from petroleum products and renewable fuels sourced by the Wholesale segment. Except for natural gas, predominantly all of the Commercial segment's sales are sourced by the Wholesale segment. These intra-segment sales are not reflected as sales in the Wholesale segment as they are eliminated.

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

	Three Months Ended March 31,	
	2016	2015
Combined gross profit	$ 130,059	$ 168,558
Operating costs and expenses not allocated to operating segments:		
Selling, general and administrative expenses	34,984	48,786
Operating expenses	72,236	68,656
Amortization expense	2,509	5,341
Loss on sale and disposition of assets and impairment charges	6,105	437
Total operating costs and expenses	115,834	123,220
Operating income	14,225	45,338
Interest expense	(22,980)	(13,963)
Income tax benefit (expense)	920	(966)
Net (loss) income	(7,835)	30,409
Net loss attributable to noncontrolling interest	811	6
Net income attributable to Global Partners LP	$ (7,024)	$ 30,415

The Partnership’s foreign assets and foreign sales were immaterial as of and for the three months ended March 31, 2016 and 2015.

Segment Assets

The Partnership’s terminal assets are allocated to the Wholesale and Commercial segments, and its acquired 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 March 31, 2016 and December 31, 2015 (in thousands):

	Wholesale	Commercial	GDSO	Unallocated	Total
March 31, 2016	$ 791,417	$ 3,059	$ 1,361,094	$ 499,868	$ 2,655,438
December 31, 2015	$ 774,352	$ 3,224	$ 1,392,397	$ 493,702	$ 2,663,675

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Note 11. Property and Equipment

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

	March 31, 2016	December 31, 2015
Buildings and improvements	$ 995,143	$ 992,917
Land	441,799	450,045
Fixtures and equipment	41,213	40,946
Construction in process	69,403	67,080
Capitalized internal use software	18,852	18,852
Total property and equipment	1,566,410	1,569,840
Less accumulated depreciation	348,751	327,157
Total	$ 1,217,659	$ 1,242,683

At March 31, 2016 and December 31, 2015, construction in process included $30.5 million related to the Partnership's ethanol plant acquired from Cascade Kelly Holdings LLC ("Cascade Kelly") in 2013. The Partnership has begun to take steps to utilize this location by shifting the terminalling facility to ethanol transloading. This measure is substantially related to cleaning of tanks and modifications to associated infrastructure, which commenced during the quarter ended March 31, 2016 and is expected to be completed in the third quarter of 2016. Therefore, as of March 31, 2016 and December 31, 2015, the recorded value of the ethanol plant was included in construction in process. After the plant has been successfully placed into service, depreciation will commence.

As part of continuing operations in the GDSO segment, the Partnership may periodically divest certain gasoline stations. The loss on the sale, representing cash proceeds less net book value of assets at disposition, is recorded in loss on sale and disposition of assets and impairment charges in the accompanying consolidated statements of operations and amounted to $0.6 million and $0.4 million for the three months ended March 31, 2016 and 2015, respectively.

Additionally, in conjunction with the periodic divestiture of gasoline stations, as well as the non-strategic owned or leasehold assets of the GDSO segment identified by the Partnership (see Note 19), the Partnership may classify certain gasoline station assets as held-for-sale. Accordingly, the Partnership has classified 28 sites and 15 sites as held-for-sale at March 31, 2016 and December 31, 2015, respectively. Assets held-for-sale of $12.8 million and $7.4 million at March 31, 2016 and December 31, 2015, respectively, are included in property and equipment in the accompanying balance sheets. The Partnership recorded impairment charges related to its assets held-for-sale in the amount of $5.5 million and $0 for the three months ended March 31, 2016 and 2015, respectively, which are included in loss on sale and disposition of assets and impairment charges in the accompanying consolidated statements of operations. Assets held-for-sale are expected to be sold within the next 12 months.

The Partnership evaluates its assets for impairment on a quarterly basis. No other impairment charges were required for the three months ended March 31, 2016 and 2015. However, at March 31, 2016, the Partnership had a $36.6 million remaining net book value of long lived assets used at its crude oil transloading terminals in North Dakota. The long term recoverability of these assets might be adversely impacted by a prolonged decline in crude oil prices or crude oil differentials. Over the long term, if these market conditions remain, this may become an indicator of the potential impairment of these North Dakota assets in the future. The Partnership will monitor the pricing environment and the related impact this may have on the North Dakota operating and cash flows and whether this would constitute an impairment indicator.

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Note 12. Environmental Liabilities, Asset Retirement Obligations and Renewable Identification Numbers

Environmental Liabilities

The Partnership owns or leases properties where refined petroleum products, renewable fuels and crude oil are being or may have been handled. These properties and the refined petroleum products, 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 or wastes into the environment, including contaminated groundwater, or to implement best management practices to prevent future contamination.

The Partnership maintains insurance of various types with varying levels of coverage that it considers adequate under the circumstances to cover its operations and properties. The insurance policies are subject to deductibles that the Partnership considers reasonable and not excessive. In addition, the Partnership has entered into indemnification agreements with various sellers in conjunction with several of its acquisitions. Allocation of environmental liability is an issue negotiated in connection with each of the Partnership's acquisition transactions. In each case, the Partnership makes an assessment of potential environmental liability exposure based on available information. Based on that assessment and relevant economic and risk factors, the Partnership determines whether to, and the extent to which it will, assume liability for existing environmental conditions.

In connection with the June 2015 acquisition of retail gasoline stations from Capitol, the Partnership assumed certain environmental liabilities, including future remediation activities required by applicable federal, state or local law or regulation at certain of the retail gasoline stations owned by Capitol. Certain environmental remediation obligations at most of the acquired retail gasoline station assets from Capitol are being funded by third parties who assumed certain liabilities in connection with Capitol's acquisition of these assets from ExxonMobil Corporation ("ExxonMobil") in 2009 and 2010 and, therefore, cost estimates for such obligations at these stations are not included in this estimate. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $0.3 million for those locations not covered by third parties.

In connection with the January 2015 acquisition of the Revere Terminal, the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $3.1 million.

In connection with the January 2015 acquisition of Warren, the Partnership assumed certain environmental liabilities, including certain ongoing environmental remediation efforts at certain of the retail gasoline stations owned or leased by Warren and future remediation activities required by applicable federal, state or local law or regulation. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $36.5 million.

In connection with the December 2012 acquisition of six New England retail gasoline stations from Mutual Oil Company, the Partnership assumed certain environmental liabilities, including certain ongoing remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $0.6 million.

In connection with the March 2012 acquisition of Alliance, the Partnership assumed Alliance's environmental liabilities, including ongoing environmental remediation at certain of the retail gasoline stations owned by Alliance and future remediation activities required by applicable federal, state or local law or regulation. Remedial action plans are in place, as may be applicable with the state agencies regulating such ongoing remediation. Based on reports from environmental engineers, the Partnership's estimated cost of the ongoing environmental remediation for which Alliance

was responsible and future remediation activities required by applicable federal, state or local law or regulation is estimated to be approximately $16.1 million to be expended over an extended period of time. Certain environmental remediation obligations at the retail stations acquired by Alliance from ExxonMobil in 2011 are being funded by a third party who assumed the liability in connection with the Alliance/ExxonMobil transaction in 2011 and, therefore, cost estimates for such obligations at these stations are not included in this estimate. As a result, the Partnership initially recorded, on an undiscounted basis, total environmental liabilities of approximately $16.1 million.

In connection with the September 2010 acquisition of retail gasoline stations from ExxonMobil, the Partnership assumed certain environmental liabilities, including ongoing environmental remediation at and monitoring activities at certain of the acquired sites and future remediation activities required by applicable federal, state or local law or regulation. Remedial action plans are in place with the applicable state regulatory agencies for the majority of these locations, including plans for soil and groundwater treatment systems at certain sites. Based on consultations with environmental engineers, the Partnership's estimated cost of the remediation is expected to be approximately $30.0 million to be expended over an extended period of time. As a result, the Partnership initially recorded, on an undiscounted basis, total environmental liabilities of approximately $30.0 million.

In connection with the June 2010 acquisition of three refined petroleum products terminals in Newburgh, New York, the Partnership assumed certain environmental liabilities, including certain ongoing remediation efforts. As a result, the Partnership initially recorded, on an undiscounted basis, a total environmental liability of approximately $1.5 million.

In addition to the above-mentioned environmental liabilities related to the Partnership's retail gasoline stations, the Partnership retains some of the environmental obligations associated with certain gasoline stations that the Partnership has sold.

The following table presents a summary roll forward of the Partnership's environmental liabilities at March 31, 2016 (in thousands):

Environmental Liability Related to:	Balance at December 31, 2015	Payments in 2016	Dispositions 2016	Other Adjustments 2016	Balance at March 31, 2016

Retail gasoline stations	$ 68,451	$ (922)	$ (525)	$ 360	$ 67,364
Terminals	4,782	(6)	—	—	4,776
Total environmental liabilities	$ 73,233	$ (928)	$ (525)	$ 360	$ 72,140
Current portion	$ 5,350				$ 5,345
Long-term portion	67,883				66,795
Total environmental liabilities	$ 73,233				$ 72,140

The Partnership's estimates used in these environmental liabilities are based on all known facts at the time and its assessment of the ultimate remedial action outcomes. Among the many uncertainties that impact the Partnership's estimates are the necessary regulatory approvals for, and potential modification of, its remediation plans, the amount of data available upon initial assessment of the impact of soil or water contamination, changes in costs associated with environmental remediation services and equipment, relief of obligations through divestures 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.

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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. The associated asset retirement costs are capitalized as part of the carrying cost of the asset. The Partnership had approximately $7.9 million and $7.8 million in total asset retirement obligations at March 31, 2016 and December 31, 2015, respectively, which are included in other long-term liabilities in the accompanying balance sheets.

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 largely limited to the foreign gasoline that the Partnership may choose to import and a small amount of 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 are 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 $0.1 million and $0.4 million at March 31, 2016 and December 31, 2015, respectively.

The Partnership may enter into RIN forward purchase and sales commitments. Total losses from firm non-cancellable commitments were immaterial at March 31, 2016 and December 31, 2015.

Note 13. Long-Term Incentive Plan

The Partnership has a Long Term Incentive Plan, as amended (the "LTIP"), whereby a total of 4,300,000 common units were authorized for delivery with respect to awards under the LTIP. The LTIP provides for awards to employees, consultants and directors of the General Partner and employees and consultants of affiliates of the Partnership who perform services for the Partnership. The LTIP allows for the award of options, unit appreciation rights, restricted units, phantom units, distribution equivalent rights, unit awards and substitute awards.

Awards granted 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") may grant awards of phantom units without distribution equivalent rights to employees of the General Partner and the Partnership's

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subsidiaries, other than named executive officers. The CEO Authorized LTIP program was approved for three consecutive calendar years commencing January 1, 2014, subject to modification or earlier termination by the Committee. During each calendar year of the program, the CEO is 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 may 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 would be 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.

Phantom Unit Awards

In 2013, the Committee granted a total of 498,112 phantom units under the LTIP to certain employees and non-employee directors of the General Partner. In 2014, a total of 44,902 phantom units were granted to certain employees. In 2015, a total of 76,893 phantom units were granted to certain employees and the non-employee directors. No awards were granted during the three months ended March 31, 2016.

The phantom units for these awards vest pursuant to the terms of the grant agreements. The Partnership currently intends and reasonably expects to issue and deliver the common units upon vesting.

The Partnership recorded total compensation expense related to the above awards of $1.1 million and $1.0 million for the three months ended March 31, 2016 and 2015, 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 March 31, 2016 was approximately $13.3 million and is expected to be recognized ratably over the remaining requisite service periods.

The following table presents a summary of the status of the non-vested phantom units:

Weighted

	Number of Non-vested Units	Average Grant Date Fair Value
Outstanding non—vested units at December 31, 2015	595,720	38.85
Vested	(10,659)	35.94
Outstanding non—vested units at March 31, 2016	585,061	$ 38.91

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 has repurchased 838,505 common units pursuant to the Repurchase Program for approximately $24.8 million. No units were purchased during the quarter ended March 31, 2016.

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Note 14. 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.

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.

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The following tables present, by level within the fair value hierarchy, the Partnership's financial assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 (in thousands):

	Fair Value at March 31, 2016				
				Cash Collateral	
	Level	Level 2	Level 3	Netting	Total
Assets:					