

GLOBAL PARTNERS LP  
Form 10-Q  
August 08, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2013

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**

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(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation  
or organization)

**74-3140887**  
(I.R.S. Employer Identification No.)

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

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

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  Smaller reporting company   
(Do not check if a 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 27,430,563 common units outstanding as of August 5, 2013.

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Table of Contents**Item 1. Financial Statements**

**GLOBAL PARTNERS LP**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except unit data)

(Unaudited)

	June 30, 2013	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,673	\$ 5,977
Accounts receivable, net	745,846	696,762
Accounts receivable affiliates	1,400	1,307
Inventories	354,161	634,667
Brokerage margin deposits	21,954	54,726
Fair value of forward fixed price contracts	2,022	48,062
Prepaid expenses and other current assets	45,179	65,432
Total current assets	1,180,235	1,506,933
Property and equipment, net	787,717	712,322
Goodwill	107,579	32,326
Intangible assets, net	128,932	60,822
Other assets	18,832	17,349
Total assets	\$ 2,223,295	\$ 2,329,752
<b>Liabilities and partners equity</b>		
Current liabilities:		
Accounts payable	\$ 764,061	\$ 759,698
Working capital revolving credit facility current portion		83,746
Term loan	115,000	
Environmental liabilities current portion	4,286	4,341
Trustee taxes payable	75,789	91,494
Accrued expenses and other current liabilities	50,205	71,442
Obligations on forward fixed price contracts	8,730	34,474
Total current liabilities	1,018,071	1,045,195
Working capital revolving credit facility less current portion	211,500	340,754
Revolving credit facility	374,700	422,000
Senior notes	68,058	
Environmental liabilities less current portion	38,380	39,831
Other long-term liabilities	41,136	45,511
Total liabilities	1,751,845	1,893,291
<b>Partners equity</b>		
Global Partners LP equity:		
Common unitholders (27,430,563 units issued and 27,393,786 outstanding at June 30, 2013 and 27,430,563 units issued and 27,310,648 outstanding at December 31, 2012)	444,952	456,538
	(332)	(407)

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General partner interest (0.83% interest with 230,303 equivalent units outstanding at June 30, 2013 and December 31, 2012)

Accumulated other comprehensive loss	(14,123)	(19,670)
Total Global Partners LP equity	430,497	436,461
Noncontrolling interest	40,953	
Total partners' equity	471,450	436,461
Total liabilities and partners' equity	\$ 2,223,295	\$ 2,329,752

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

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**GLOBAL PARTNERS LP**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Sales	\$ 4,771,756	\$ 3,916,063	\$ 10,360,946	\$ 7,891,544
Cost of sales	4,673,899	3,825,388	10,167,237	7,745,550
Gross profit	97,857	90,675	193,709	145,994
Costs and operating expenses:				
Selling, general and administrative expenses	27,077	24,036	53,837	46,503
Operating expenses	47,367	37,138	90,707	60,496
Amortization expense	5,677	2,288	10,053	3,862
Total costs and operating expenses	80,121	63,462	154,597	110,861
Operating income	17,736	27,213	39,112	35,133
Interest expense	(9,024)	(9,148)	(17,940)	(18,468)
Income before income tax benefit	8,712	18,065	21,172	16,665
Income tax benefit		450	1,875	450
Net income	8,712	18,515	23,047	17,115
Net (income) loss attributable to noncontrolling interest	(18)		472	
Net income attributable to Global Partners LP	8,694	18,515	23,519	17,115
Less: General partner's interest in net income, including incentive distribution rights	(796)	(309)	(1,602)	(417)
Limited partners' interest in net income	\$ 7,898	\$ 18,206	\$ 21,917	\$ 16,698
Basic net income per limited partner unit	\$ 0.29	\$ 0.67	\$ 0.80	\$ 0.66
Diluted net income per limited partner unit	\$ 0.29	\$ 0.66	\$ 0.80	\$ 0.65
Basic weighted average limited partner units outstanding	27,394	27,376	27,358	25,466
Diluted weighted average limited partner units outstanding	27,491	27,549	27,454	25,638

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

Table of Contents**GLOBAL PARTNERS LP****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 8,712	\$ 18,515	\$ 23,047	\$ 17,115
Other comprehensive income (loss):				
Change in fair value of cash flow hedges	2,049	(42)	3,522	689
Change in pension liability	1,259	(90)	2,025	208
Total other comprehensive income (loss)	3,308	(132)	5,547	897
Comprehensive income	12,020	18,383	28,594	18,012
Comprehensive (income) loss attributable to noncontrolling interest	(18)		472	
Comprehensive income attributable to Global Partners LP	\$ 12,002	\$ 18,383	\$ 29,066	\$ 18,012

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



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## GLOBAL PARTNERS LP

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2013	2012
<b>Cash flows from operating activities</b>		
Net income	\$ 23,047	\$ 17,115
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,238	21,397
Amortization of deferred financing fees	3,318	2,710
Amortization of senior notes discount	158	
Bad debt expense	1,569	180
Stock-based compensation expense	104	(46)
Deferred income taxes		450
Curtailed gain		(469)
Changes in operating assets and liabilities, exclusive of business combinations:		
Accounts receivable	(48,354)	190,344
Accounts receivable affiliate	(93)	988
Inventories	281,023	171,479
Broker margin deposits	32,772	14,341
Prepaid expenses, all other current assets and other assets	15,615	4,863
Accounts payable	1,609	(205,314)
Trustee taxes payable	(15,705)	(1,578)
Change in fair value of forward fixed price contracts	20,296	(3,296)
Accrued expenses, all other current liabilities and other long-term liabilities	(23,885)	3,136
Net cash provided by operating activities	327,712	216,300
<b>Cash flows from investing activities</b>		
Acquisitions	(185,251)	(181,898)
Capital expenditures	(30,069)	(19,730)
Proceeds from sale of property and equipment	2,413	4
Net cash used in investing activities	(212,907)	(201,624)
<b>Cash flows from financing activities</b>		
Payments on working capital revolving credit facility	(213,000)	(179,200)
(Payments on) borrowings from revolving credit facility	(47,300)	192,000
Borrowings from term loan	115,000	
Proceeds from senior notes, net of discount	67,900	
Repurchase of common units		(2,152)
Repurchased units withheld for tax obligations	(2,086)	(96)
Noncontrolling interest capital contribution	1,425	
Distributions to partners	(33,048)	(24,995)
Net cash used in financing activities	(111,109)	(14,443)
Increase in cash and cash equivalents	3,696	233

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Cash and cash equivalents at beginning of period		5,977		4,328
Cash and cash equivalents at end of period	\$	9,673	\$	4,561

**Supplemental information**

Cash paid during the period for interest	\$	15,544	\$	18,561
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**Non-cash investing activities** (see Note 17)

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

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**GLOBAL PARTNERS LP**  
**CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY**

(In thousands)

(Unaudited)

	Common Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Partners Equity
<b>Balance at December 31, 2012</b>	\$ 456,538	\$ (407)	\$ (19,670)	\$	\$ 436,461
Net income	21,917	1,602		(472)	23,047
Noncontrolling interest capital contribution				41,425	41,425
Other comprehensive income			5,547		5,547
Stock-based compensation	104				104
Distributions to partners	(31,615)	(1,527)			(33,142)
Repurchased units withheld for tax obligation	(2,086)				(2,086)
Phantom unit dividends	94				94
<b>Balance at June 30, 2013</b>	\$ 444,952	\$ (332)	\$ (14,123)	\$ 40,953	\$ 471,450

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

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**GLOBAL PARTNERS LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Organization and Basis of Presentation**

*Organization*

Global Partners LP (the Partnership) is a publicly traded Delaware master limited partnership formed in March 2005. As of June 30, 2013, the Partnership had the following wholly owned subsidiaries: Global Companies LLC, Glen Hes Corp., Global Montello Group Corp. (GMG), Chelsea Sandwich LLC, Global Energy Marketing LLC, Alliance Energy LLC, Bursaw Oil LLC, GLP Finance Corp., Global Energy Marketing II LLC, Global CNG LLC and Cascade Kelly Holdings LLC. Global GP LLC, the Partnership's general partner (the General Partner) manages the Partnership's operations and activities and employs its officers and substantially all of its personnel, except for its gasoline station and convenience store employees and certain union personnel who are employed by GMG.

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

On March 1, 2012, the Partnership acquired from AE Holdings Corp. (AE Holdings) 100% of the outstanding membership interests in Alliance Energy LLC (Alliance) (see Note 2). Prior to the closing of the acquisition, Alliance was wholly owned by AE Holdings, which is approximately 95% owned by members of the Slifka family. No member of the Slifka family owned a controlling interest in AE Holdings, nor currently owns a controlling interest in the General Partner. Three independent directors of the General Partner's board of directors serve on a conflicts committee. The conflicts committee unanimously approved the Alliance acquisition and received advice from its independent counsel and independent financial adviser.

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

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The General Partner, which holds a 0.83% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of June 30, 2013, affiliates of the General Partner, including its directors and executive officers, owned 11,546,993 common units, representing a 42.1% limited partner interest.

### ***Basis of Presentation***

The financial results of Basin Transload for the five months ended June 30, 2013 and of Cascade Kelly for the four and one-half months ended June 30, 2013 are included in the accompanying statements of income for the six months ended June 30, 2013. The Partnership consolidated the June 30, 2013 balance sheet of Basin Transload because the Partnership controls the entity. The accompanying consolidated financial statements as of June 30, 2013 and December 31, 2012 and for the three and six months ended June 30, 2013 and 2012 reflect the accounts of the Partnership. All intercompany balances and transactions have been eliminated.

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**GLOBAL PARTNERS LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Organization and Basis of Presentation (continued)**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) and reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition and operating results for the interim periods. The interim financial information, which has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ), should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012 and notes thereto contained in the Partnership's Annual Report on Form 10-K. The significant accounting policies described in Note 2, Summary of Significant Accounting Policies, of such Annual Report on Form 10-K are the same used in preparing the accompanying consolidated financial statements.

The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2013. The consolidated balance sheet at December 31, 2012 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, 2012.

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

***Noncontrolling Interest***

These financial statements reflect the application of ASC 810, Consolidations ( ASC 810 ) which establishes accounting and reporting standards that require: (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within shareholder's equity, but separate from the parent's equity; (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of operations and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently.

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The Partnership acquired a 60% interest in Basin Transload on February 1, 2013. After evaluating ASC 810, the Partnership concluded it is appropriate to consolidate the balance sheet and statement of operations of Basin Transload based on an evaluation of the outstanding voting interests. Amounts pertaining to the noncontrolling ownership interest held by third parties in the financial position and operating results of the Partnership are reported as a noncontrolling interest in the accompanying consolidated balance sheet and statement of income.

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 1. Organization and Basis of Presentation (continued)***Concentration of Risk*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gasoline sales: gasoline and gasoline blendstocks such as ethanol and naphtha	59%	74%	56%	66%
Distillates (home heating oil, diesel and kerosene), residual oil, crude oil, natural gas and propane sales	41%	26%	44%	34%
Total	100%	100%	100%	100%

The Partnership had two significant customers, ExxonMobil Corporation (ExxonMobil) and Phillips66 (Phillips66), which accounted for approximately 14% and 16%, respectively, of total sales for the three months ended June 30, 2013, and approximately 14% and 15%, respectively, of total sales for the six months ended June 30, 2013. The Partnership had one significant customer, ExxonMobil, which accounted for approximately 17% and 16% of total sales for the three and six months ended June 30, 2012, respectively.

**Note 2. Business Combinations***2013 Acquisitions**Acquisition of Basin Transload LLC*



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

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

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the allocation period in accordance with the FASB's guidance regarding business combinations. The purchase price allocation will be finalized as the Partnership receives additional information relevant to the acquisition, including a final valuation of the assets purchased, including tangible and intangible assets, and liabilities assumed.

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 2. Business Combinations (continued)**

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

Assets purchased:	
Accounts receivable	\$ 2,003
Prepaid expenses	68
Property and equipment	28,016
Intangibles	78,163
Total identifiable assets purchased	108,250
Liabilities assumed:	
Accounts payable	(1,326)
Total liabilities assumed	(1,326)
Net identifiable assets acquired	106,924
Noncontrolling interest	(40,000)
Goodwill	24,148
Net assets acquired	\$ 91,072

Management is in the process of evaluating the purchase price accounting. The Partnership engaged a third-party valuation firm to assist in the valuation of the Partnership's interest in Basin Transload's property and equipment and intangibles. Although the valuation has commenced, it remains in the early stages of progress. Therefore, management continues to rely on its original estimate of fair value for property and equipment in the table above of \$28.0 million which was developed by management based on their estimates, assumptions and acquisition history. The fair value of \$78.2 million assigned to the intangibles, primarily customer relationships, was also estimated by management based on their estimates, assumptions and acquisition history and will be updated upon completion of the Partnership's third-party valuation firm.

The fair value of the noncontrolling interest has been primarily developed by management based on the fair value of the acquired business as a whole, reduced by the consideration paid by management to obtain control. This fair value of the business was estimated based on the fair value of Basin Transload's net assets and applying a reasonable control premium.

The fair values of the remaining Basin Transload assets and liabilities noted above approximate their carrying values at February 1, 2013. It is possible that once the Partnership receives the completed valuations on the property and equipment, intangible assets and noncontrolling interest, the final purchase price accounting may be different than what is presented above.

The preliminary purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon on their estimates and assumptions. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill.

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

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 2. Business Combinations (continued)**

As part of the purchase price allocation, identifiable intangible assets include customer relationships that are being amortized over five years. Amortization expense amounted to \$3.9 million and \$6.5 million for the three and six months ended June 30, 2013, respectively. The estimated remaining amortization expense for intangible assets acquired in connection with the acquisition for each of the five succeeding years and thereafter is as follows (in thousands):

2013 (7/1/13	12/31/13)	\$	7,800
2014			15,600
2015			15,600
2016			15,600
2017			15,600
Thereafter			1,300
Total		\$	71,500

The \$24.1 million of goodwill was assigned to the Wholesale reporting unit. The goodwill recognized is attributed to the unique origin of the acquired locations through which the Partnership's customers can efficiently supply cost-competitive crude oil to destinations on the East and West Coasts. The goodwill is deductible for income tax purposes.

***Acquisition of Cascade Kelly Holdings LLC***

On February 15, 2013, the Partnership acquired 100% of the membership interests in Cascade Kelly, which owns a West Coast crude oil and ethanol facility near Portland, Oregon. The total cash purchase price was approximately \$94.2 million which the Partnership funded with borrowings under its credit facility and with proceeds from the issuance of the Partnership's unsecured 8.00% senior notes due 2018 (see Note 6). The transaction includes a rail transloading facility serviced by the Burlington Northern Santa Fe Railway, 200,000 barrels of storage capacity, a deepwater marine terminal with access to a 1,200-foot leased dock and the largest ethanol plant on the West Coast. Situated along the Columbia River in Clatskanie, Oregon, the site is located on land leased under a long-term agreement from the Port of St. Helens.

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

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the allocation period in accordance with the FASB's guidance regarding business combinations. The purchase price allocation will be finalized as the Partnership receives additional information relevant to the acquisition, including a final valuation of the assets purchased, including tangible and intangible assets, and liabilities assumed.

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 2. Business Combinations (continued)**

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

Assets purchased:		
Accounts receivable	\$	296
Inventory		517
Prepaid expenses		96
Property and equipment		45,100
Total identifiable assets purchased		46,009
Liabilities assumed:		
Accounts payable		(1,428)
Other current liabilities		(1,507)
Total liabilities assumed		(2,935)
Net identifiable assets acquired		43,074
Goodwill		51,105
Net assets acquired	\$	94,179

Management is in the process of evaluating the purchase price accounting. The Partnership engaged a third-party valuation firm to assist in the valuation of Cascade Kelly's property and equipment and possible intangibles. Although the valuation has commenced, it remains in the early stages of progress. Therefore, management continues to rely on its original estimate of fair value for property and equipment in the table above of \$45.1 million which was developed by management based on their estimates, assumptions and acquisition history.

The fair values of the remaining Cascade Kelly assets and liabilities noted above approximate their carrying values at February 15, 2013. It is possible that once the Partnership receives the completed valuations on the property and equipment, the final purchase price accounting may be different than what is presented above.

The preliminary purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values. The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, if any, based upon on their estimates and assumptions. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill.

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The \$51.1 million of goodwill was assigned to the Wholesale reporting unit. The goodwill recognized is primarily attributed to the crude oil facility and, to a lesser extent, the ethanol plant, which will strategically enhance the Partnership's network of origin and destination assets and extend the Partnership's virtual pipeline to the West Coast. The goodwill is deductible for income tax purposes.

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**GLOBAL PARTNERS LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 2. Business Combinations (continued)**

**2012 Acquisition**

**Alliance Energy LLC** On March 1, 2012, pursuant to a Contribution Agreement between the Partnership and AE Holdings (the Contribution Agreement), the Partnership acquired from AE Holdings 100% of the outstanding membership interests in Alliance, a gasoline distributor and operator of gasoline stations and convenience stores. The aggregate purchase price of the acquisition was approximately \$312.4 million, consisting of both cash and non-cash components. Alliance was an affiliate of the Partnership as Alliance was owned by AE Holdings which is approximately 95% owned by members of the Slifka family. Both the Partnership and Alliance shared certain common directors.

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 Alliance subsequent to the acquisition date.

The purchase price includes cash consideration of \$181.9 million which was funded by the Partnership through additional borrowings under its revolving credit facility. The consideration also includes the issuance of 5,850,000 common units representing limited partner interests in the Partnership which had a fair value of \$22.31 per unit on March 1, 2012, resulting in equity consideration of \$130.5 million.

The purchase price for the acquisition was allocated to assets acquired and liabilities assumed based on their estimated fair values with the exception of environmental liabilities which were recorded on an undiscounted basis (see Note 11). The Partnership then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, based upon a valuation from an independent third party. Any excess purchase price over the fair value of the net tangible and intangible assets acquired was allocated to goodwill and assigned to the Gasoline Distribution and Station Operations reporting unit.

**Goodwill** The following table presents a summary roll forward of the Partnership's goodwill at June 30, 2013 (in thousands):

Goodwill at December 31, 2012	2013 Additions	Goodwill at June 30, 2013
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Acquisition of Alliance (1)	\$	31,151	\$		\$	31,151
Acquisition of gasoline stations from Mutual Oil Company (1)		1,175				1,175
Acquisition of 60% interest in Basin Transload (2)				24,148		24,148
Acquisition of Cascade Kelly (2)				51,105		51,105
Total	\$	32,326	\$	75,253	\$	107,579

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(1) Goodwill allocated to the Gasoline Distribution and Station Operations reporting unit

(2) Goodwill allocated to the Wholesale reporting unit

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 2. Business Combinations (continued)**

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

The following unaudited pro-forma information presents the consolidated results of income of the Partnership as if the acquisitions of Basin Transload, Cascade Kelly and Alliance occurred at the beginning of the period presented, with pro-forma adjustments to give effect to intercompany sales and certain other adjustments (in thousands, except per unit data):

	Six Months Ended June 30, 2012
Sales	\$ 8,135,917
Net income (loss)	\$ (5,077)
Basic net income per limited partner unit	\$ (0.19)
Diluted net income per limited partner unit	\$ (0.19)

The Partnership's 60% interest in Basin Transload's sales and net loss included in the Partnership's consolidated operating results from February 2013, the acquisition date, through the period ended June 30, 2013 were \$4.0 million and \$0.7 million, respectively. Cascade Kelly's sales and net loss included in the Partnership's consolidated operating results from February 15, 2013, the acquisition date, through the period ended June 30, 2013 were \$4.7 million and \$0.8 million, respectively.

**Note 3. Net Income Per Limited Partner Unit**

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

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At June 30, 2013 and December 31, 2012, common units outstanding as reported in the accompanying consolidated financial statements excluded 36,777 and 119,915 common units, respectively, held on behalf of the Partnership pursuant to its repurchase program. These units are not deemed outstanding for purposes of calculating net income per limited partner unit (basic and diluted).

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The following table provides a reconciliation of net income and the assumed allocation of net income to the limited partners' interest for purposes of computing net income per limited partner unit for the three and six months ended June 30, 2013 and 2012 (in thousands, except per unit data):

	Three Months Ended June 30, 2013				Three Months Ended June 30, 2012			
	Total	Limited Partner Interest	General Partner Interest	IDRs	Total	Limited Partner Interest	General Partner Interest	IDRs
<b>Numerator:</b>								
Net income attributable to Global Partners LP	\$ 8,694	\$ 7,898	\$ 796	\$	\$ 18,515	\$ 18,206	\$ 309	\$
Declared distribution	\$ 16,975	\$ 16,116	\$ 135	\$ 724	\$ 14,781	\$ 14,401	\$ 121	\$ 259
Assumed allocation of undistributed net income	(8,281)	(8,218)	(63)		3,734	3,805	(71)	
Assumed allocation of net income	\$ 8,694	\$ 7,898	\$ 72	\$ 724	\$ 18,515	\$ 18,206	\$ 50	\$ 259
<b>Denominator:</b>								
Basic weighted average limited partner units outstanding		27,394				27,376		
Dilutive effect of phantom units		97				173		
Diluted weighted average limited partner units outstanding		27,491				27,549		
Basic net income per limited partner unit	\$	0.29			\$	0.67		
Diluted net income per limited partner unit	\$	0.29			\$	0.66		

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Six Months Ended June 30, 2013				Six Months Ended June 30, 2012			
	Total	Limited Partner Interest	General Partner Interest	IDRs	Total	Limited Partner Interest	General Partner Interest	IDRs
<b>Numerator:</b>								
Net income attributable to Global Partners LP (1)	\$ 23,519	\$ 21,917	\$ 1,602	\$	\$ 17,115	\$ 16,698	\$ 417	\$
Declared distribution	\$ 33,771	\$ 32,095	\$ 269	\$ 1,407	\$ 28,767	\$ 28,117	\$ 236	\$ 414
Adjustment to distribution in connection with the Alliance acquisition (2)					(1,929)	(1,929)		
Adjusted declared distribution	33,771	32,095	269	1,407	26,838	26,188	236	414
Assumed allocation of undistributed net income	(10,252)	(10,178)	(74)		(9,723)	(9,490)	(233)	
Assumed allocation of net income	\$ 23,519	\$ 21,917	\$ 195	\$ 1,407	\$ 17,115	\$ 16,698	\$ 3	\$ 414
<b>Denominator:</b>								
Basic weighted average limited partner units outstanding		27,358				25,466		
Dilutive effect of phantom units		96				172		
Diluted weighted average limited partner units outstanding		27,454				25,638		
Basic net income per limited partner unit		\$ 0.80				\$ 0.66		
Diluted net income per limited partner unit		\$ 0.80				\$ 0.65		

(1) Calculation includes the effect of the March 1, 2012 issuance of 5,850,000 common units in connection with the acquisition of Alliance. As a result, the general partner interest was 0.83% for the six months ended June 30, 2013 and, based on a weighted average, 0.95% for the six months ended June 30, 2012.

(2) In connection with the acquisition of Alliance on March 1, 2012 and the issuance of 5,850,000 common units, the Contribution Agreement provided that any declared distribution for the first quarter of 2012 reflect the seller's actual period of ownership during that quarter. The payment by the seller of \$1.9 million reflects the timing of the transaction (March 1), the seller's 31 days of actual unit ownership in the 91 days of the quarter and the net receipt by seller (\$1.0 million) of a pro-rated portion of the quarterly cash distribution of \$0.50 per unit paid on the issued 5,850,000 common units.

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On April 24, 2013, the board of directors of the General Partner declared a quarterly cash distribution of \$0.5825 per unit for the period from January 1, 2013 through March 31, 2013. On July 23, 2013, the board of directors of the General Partner declared a quarterly cash distribution of \$0.5875 per unit for the period from April 1, 2013 through June 30, 2013. These declared cash distributions result in incentive distributions to the General Partner, as the holder of the IDRs, and enable the Partnership to exceed its second target level distribution with respect to such IDRs. See Note 8, Cash Distributions for further information.

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 4. Inventories**

Except for its convenience store inventory, the Partnership hedges substantially all of its inventory, primarily through futures contracts. These futures contracts are entered into when inventory is purchased and are designated as fair value hedges against the inventory on a specific barrel basis. Changes in the fair value of these contracts, as well as the offsetting gain or loss on the hedged inventory item, are recognized in earnings as an increase or decrease in cost of sales. All hedged inventory is valued using the lower of cost, as determined by specific identification, or market. Prior to sale, hedges are removed from specific barrels of inventory, and the then unhedged inventory is sold and accounted for on a first-in, first-out basis. In addition, the Partnership has convenience store inventory which is carried at the lower of historical cost or market. Inventory from Cascade Kelly was nominal at June 30, 2013 and is carried at the lower of cost or market.

Inventories consisted of the following (in thousands):

	June 30, 2013	December 31, 2012
Distillates: home heating oil, diesel and kerosene	\$ 91,271	\$ 235,029
Gasoline	76,070	144,269
Gasoline blendstocks	77,261	139,316
Residual oil and crude oil	100,184	109,423
Propane and other	2,568	
Convenience store inventory	6,807	6,630
Total	\$ 354,161	\$ 634,667

In addition to its own inventory, the Partnership has exchange agreements for petroleum products with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to \$188.5 million and \$120.9 million at June 30, 2013 and December 31, 2012, respectively. Negative exchange balances are accounted for as accounts payable and amounted to \$201.9 million and \$139.5 million at June 30, 2013 and December 31, 2012, respectively. Exchange transactions are valued using current inventory levels.

**Note 5. Derivative Financial Instruments**

Accounting and reporting guidance for derivative instruments and hedging activities requires that an entity recognize derivatives as either assets or liabilities on the balance sheet and measure the instruments at fair value. Changes in the fair value of the derivative are to be recognized

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currently in earnings, unless specific hedge accounting criteria are met. The Partnership principally uses derivative instruments to hedge the commodity risk associated with its inventory and product purchases and sales and to hedge variable interest rates associated with the Partnership's credit facilities.



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**GLOBAL PARTNERS LP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 5. Derivative Financial Instruments (continued)**

The following table presents the volume of activity related to the Partnership's derivative financial instruments at June 30, 2013:

	Units (1)	Unit of Measure
<b>Futures Contracts</b>		
Long	10,673	Thousands of barrels
Short	(13,471)	Thousands of barrels
<b>Natural Gas Contracts</b>		
Long	6,643	Thousands of decatherms
Short	(6,643)	Thousands of decatherms
Interest Rate Collar	\$ 100.0	Millions of U.S. dollars
Interest Rate Swap	\$ 100.0	Millions of U.S. dollars
Interest Rate Cap	\$ 100.0	Millions of U.S. dollars
<b>Foreign Currency Derivatives</b>		
Open Forward Exchange Contracts (2)	\$ 20.2	Millions of Canadian dollars
	\$ 19.2	Millions of U.S. dollars

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

(2) All-in forward rate Canadian dollars ( CAD ) \$1.0521 to USD \$1.00.

**Fair Value Hedges**

The Partnership enters into futures contracts in the normal course of business to reduce the risk of loss of inventory value, which could result from fluctuations in market prices. These futures contracts are designated as fair value hedges against the inventory with specific futures contracts matched to specific barrels of inventory. As a result of the Partnership's hedge designation on these transactions, the futures contracts are recorded on the Partnership's consolidated balance sheet and marked to market through the use of independent markets based on the

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prevailing market prices of such instruments at the date of valuation. Likewise, the underlying inventory being hedged is also marked to market. Changes in the fair value of the futures contracts, as well as the change in the fair value of the hedged inventory, are recognized in the consolidated statement of income through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

The Partnership's futures contracts are settled daily; therefore, there was no corresponding asset or liability on the Partnership's consolidated balance sheet related to these contracts at June 30, 2013 and December 31, 2012. These contracts remain open until their contract end date. The daily settlement of these futures contracts is accomplished through the use of brokerage margin deposit accounts.

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 5. Derivative Financial Instruments (continued)**

The following table presents the hedge ineffectiveness from derivatives involved in fair value hedging relationships recognized in the Partnership's consolidated statements of income for the three and six months ended June 30, 2013 and 2012 (in thousands):

Derivatives in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivatives					
		Three Months Ended			Six Months Ended		
		June 30,		June 30,		June 30,	
		2013	2012	2013	2012	2013	2012
Futures contracts	Cost of sales	\$ 30,486	\$ 80,430	\$ 20,101	\$ (9,448)		

Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Hedged Items	Amount of Gain (Loss) Recognized in Income on Hedged Items					
		Three Months Ended			Six Months Ended		
		June 30,		June 30,		June 30,	
		2013	2012	2013	2012	2013	2012
Inventories	Cost of sales	\$ (29,974)	\$ (80,354)	\$ (19,578)	\$ 9,602		

**Cash Flow Hedges**

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

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

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

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

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 5. Derivative Financial Instruments (continued)**

The following table presents the fair value of the Partnership's derivative instruments involved in cash flow hedging relationships and their location in the Partnership's consolidated balance sheets at June 30, 2013 and December 31, 2012 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	June 30, 2013 Fair Value	December 31, 2012 Fair Value
<i>Asset derivatives</i>			
Interest rate cap	Other assets	\$ 92	\$ 35
<i>Liability derivatives</i>			
Interest rate collar	Other long-term liabilities	\$ 642	\$ 1,868
Interest rate swap	Other long-term liabilities	9,295	11,534
Total liability derivatives		\$ 9,937	\$ 13,402

The following table presents the amount of net gains and losses from derivatives involved in cash flow hedging relationships recognized in the Partnership's consolidated statements of income and partners' equity for the three and six months ended June 30, 2013 and 2012 (in thousands):

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives		Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing)		Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives		Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended June 30, 2013	June 30, 2012	Three Months Ended June 30, 2013	June 30, 2012	Six Months Ended June 30, 2013	June 30, 2012	Six Months Ended June 30, 2013	June 30, 2012
Interest rate collar	\$ 611	\$ 545	\$	\$	\$ 1,226	\$ 860	\$	\$
Interest rate swap	1,376	(383)			2,239	56		
Interest rate cap	62	(204)			57	(227)		
Total	\$ 2,049	\$ (42)	\$	\$	\$ 3,522	\$ 689	\$	\$

Ineffectiveness related to the interest rate collar and the interest rate swap is recognized as interest expense and was immaterial for the three and six months ended June 30, 2013 and 2012. The effective portion related to the interest rate collar that was originally reported in other

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comprehensive income and reclassified to earnings was \$0.7 million and \$0.6 million for the three months ended June 30, 2013 and 2012, respectively, and \$1.3 million and \$1.2 million for the six months ended June 30, 2013 and 2012, respectively. None of the effective portion related to the interest rate cap that was originally reported in other comprehensive income was reclassified into earnings for the three and six months ended June 30, 2013 and 2012.

### *Other Derivative Activity*

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

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**GLOBAL PARTNERS LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 5. Derivative Financial Instruments (continued)**

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

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

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

Similar to the futures contracts used by the Partnership to hedge its inventory, the Partnership's futures contracts are settled daily and, accordingly, there was no corresponding asset or liability in the Partnership's consolidated balance sheets related to these contracts at June 30, 2013 and December 31, 2012. These contracts remain open until their contract end date. The daily settlement of these futures contracts is accomplished through the use of brokerage margin deposit accounts.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 5. Derivative Financial Instruments (continued)**

The following table summarizes the derivatives not designated by the Partnership as either fair value hedges or cash flow hedges and their respective fair values and location in the Partnership's consolidated balance sheets at June 30, 2013 and December 31, 2012 (in thousands):

Summary of Other Derivatives	Item Pertains to	Balance Sheet Location	June 30, 2013 Fair Value	December 31, 2012 Fair Value
<i>Asset Derivatives</i>				
Forward purchase commitments	Gasoline and Gasoline Blendstocks	(1)	\$ 636	\$ 131
	Crude Oil	(1)		15,127
	Residual Oil	(1)		285
Total forward purchase commitments			636	15,543
Forward sales commitments	Gasoline and Gasoline Blendstocks	(1)	407	30,928
	Distillates	(1)	847	
	Natural Gas	(1)	50	1,591
	Propane	(1)	82	
Total forward sales commitments			1,386	32,519
Total forward fixed price contracts			2,022	48,062
Foreign currency forward contract	Foreign Denominated Sales	(2)	380	145
Total asset derivatives			\$ 2,402	\$ 48,207
<i>Liability Derivatives</i>				
Forward purchase commitments	Gasoline and Gasoline Blendstocks	(3)	\$ 116	\$ 27,604
	Crude Oil	(3)	7,675	
	Residual Oil	(3)	277	
	Distillates	(3)	516	2,171
	Natural Gas	(3)	49	1,576
	Propane	(3)	97	
Total forward purchase commitments			8,730	31,351
Forward sales commitments	Gasoline and Gasoline Blendstocks	(3)		173
	Distillates	(3)		2,950
Total forward sales commitments				3,123
Total obligations on forward fixed price contracts			\$ 8,730	\$ 34,474

(1) Fair value of forward fixed price contracts



- (2) Prepaid expenses and other current assets
- (3) Obligations on forward fixed price contracts

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## GLOBAL PARTNERS LP

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note 5. Derivative Financial Instruments (continued)**

The following table presents the amount of gains and losses from derivatives not involved in a hedging relationship recognized in the Partnership's consolidated statements of income for the three and six months ended June 30, 2013 and 2012 (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended		Amount of Gain (Loss) Recognized in Income on Derivatives Six Months Ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Product contracts	Cost of sales	\$ 2,981	\$ 2,872	\$ 3,647	\$ 4,604
Foreign currency contracts	Cost of sales	555	(39)	234	(39)
<b>Total</b>		<b>\$ 3,536</b>	<b>\$ 2,833</b>	<b>\$ 3,881</b>	<b>\$ 4,565</b>

**Credit Risk**

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

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

**Note 6. Debt**

*Credit Agreement*

The Partnership entered into an Amended and Restated Credit Agreement dated May 14, 2010, as amended (the *Credit Agreement* ). Total available commitments under the *Credit Agreement* are \$1.615 billion. The *Credit Agreement* will mature on May 14, 2015.

As of June 30, 2013, there were three facilities under the *Credit Agreement*:

- a working capital revolving credit facility to be used for working capital purposes and letters of credit in the principal amount equal to the lesser of the Partnership's borrowing base and \$1.0 billion;
- a \$500.0 million revolving credit facility to be used for acquisitions and general corporate purposes; and
- a \$115.0 million term loan that will mature on January 31, 2014.

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 \$250.0 million, in the aggregate, for a total credit facility of up to \$1.865 billion. Any such request for an increase by the Partnership must be in a minimum amount of \$5.0 million. The Partnership cannot provide assurance, however, that its lending group will agree to fund any request by the Partnership for additional amounts in excess of the total available commitments of \$1.615 billion.

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**GLOBAL PARTNERS LP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 6. Debt (continued)**

In addition, the Credit Agreement includes a swing line pursuant to which Bank of America, N.A., as the swing line lender, may make swing line loans in an aggregate amount equal to the lesser of (a) \$35.0 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 \$1.615 billion.

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

Availability under the Partnership's working capital revolving credit facility is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. Under the Credit Agreement, the Partnership's borrowings under the working capital revolving credit facility cannot exceed the then current borrowing base. Availability under the Partnership's borrowing base may be affected by events beyond the Partnership's control, such as changes in petroleum product prices, collection cycles, counterparty performance, advance rates and limits, and general economic conditions. These and other events could require the Partnership to seek waivers or amendments of covenants or alternative sources of financing or to reduce expenditures. The Partnership can provide no assurance that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to the Partnership.

Commencing November 16, 2012, borrowings under the working capital revolving credit facility bear interest at (1) the Eurodollar rate plus 2.00% to 2.50%, (2) the cost of funds rate plus 2.00% to 2.50%, or (3) the base rate plus 1.00% to 1.50%, each depending on the Utilization Amount (as defined in the Credit Agreement). From January 1, 2012 through November 15, 2012, borrowings under the working capital revolving credit facility bore interest at (1) the Eurodollar rate plus 2.50% to 3.00%, (2) the cost of funds rate plus 2.50% to 3.00%, or (3) the base rate plus 1.50% to 2.00%, each depending on the pricing level provided in the Credit Agreement, which in turn depended upon the Utilization Amount (as defined in the Credit Agreement).

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Commencing November 16, 2012, borrowings under the revolving credit facility bear interest at (1) the Eurodollar rate plus 2.50% to 3.50%, (2) the cost of funds rate plus 2.50% to 3.50%, or (3) the base rate plus 1.50% to 2.50%, each depending on the Combined Total Leverage Ratio (as defined in the Credit Agreement). From January 1, 2012 through November 15, 2012, borrowings under the revolving credit facility bore interest at (1) the Eurodollar rate plus 3.00% to 3.875%, (2) the cost of funds rate plus 3.00% to 3.875%, or (3) the base rate plus 2.00% to 2.875%, each depending on the pricing level provided in the Credit Agreement, which in turn depended upon the Combined Total Leverage Ratio (as defined in the Credit Agreement).

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**Note 6. Debt (continued)**

Borrowings under the term loan bear interest at either the Eurodollar rate or the cost of funds rate, in each case plus 3.50%, or the base rate plus 2.50%.

The average interest rates for the Credit Agreement were 4.5% and 4.1% for the three months ended June 30, 2013 and 2012, respectively, and 4.3% and 4.1% for the six months ended June 30, 2013 and 2012, respectively.

The Partnership currently has a zero premium interest rate collar, an interest rate swap and an interest rate cap, all of which are used to hedge the variability in interest payments under the Credit Agreement due to changes in LIBOR rates. See Note 5 for additional information on these cash flow hedges.

The Partnership incurs a letter of credit fee of 2.00% - 2.50% per annum for each letter of credit issued. In addition, the Partnership incurs a commitment fee on the unused portion of each facility under the Credit Agreement, ranging from 0.375% to 0.50% per annum.

The Partnership classifies a portion of its working capital revolving credit facility as a long-term liability because the Partnership has a multi-year, long-term commitment from its bank group. The long-term portion of the working capital revolving credit facility was \$211.5 million and \$340.8 million at June 30, 2013 and December 31, 2012, respectively, representing the amounts expected to be outstanding during the entire year. In addition, the Partnership classifies a portion of its working capital revolving credit facility as a current liability because it repays amounts outstanding and reborrows funds based on its working capital requirements. The current portion of the working capital revolving credit facility was approximately \$0 and \$83.7 million at June 30, 2013 and December 31, 2012, respectively, representing the amounts the Partnership expects to pay down during the course of the year.

As of June 30, 2013, the Partnership had total borrowings outstanding under the Credit Agreement of \$701.2 million, including \$374.7 million outstanding on the revolving credit facility and \$115.0 million outstanding on the term loan which was used to acquire a 60% membership interest in Basin Transload and a portion of all of the outstanding membership interests in Cascade Kelly. In addition, the Partnership had outstanding letters of credit of \$301.9 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was \$611.9 million and \$218.9 million at June 30, 2013 and December 31, 2012, respectively.

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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 General Partner. The Credit Agreement imposes certain requirements 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 limitations on the Partnership's ability to grant liens, make certain loans or investments, incur additional indebtedness or guarantee other indebtedness, make any material change to the nature of the Partnership's business or 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, capital expenditure limits, a minimum combined interest coverage ratio, a maximum senior secured leverage ratio and a maximum total leverage ratio. The Partnership was in compliance with the foregoing covenants at June 30, 2013. 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 the Partnership's Available Cash (as defined in its partnership agreement).

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