GLOBAL PARTNERS LP
Form 10-Q
May 09, 2018
Table of Contents

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, 2018

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

The issuer had 33,995,563 common units outstanding as of May 7, 2018.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Item 1.Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 11,693	$ 14,858
Accounts receivable, net	417,657	417,263
Accounts receivable—affiliates	3,691	3,773
Inventories	392,950	350,743
Brokerage margin deposits	14,291	9,681
Derivative assets	9,823	3,840
Prepaid expenses and other current assets	86,075	77,977
Total current assets	936,180	878,135
Property and equipment, net	1,019,513	1,036,667
Intangible assets, net	53,968	56,545
Goodwill	312,258	312,401
Other assets	33,265	36,421
Total assets	$ 2,355,184	$ 2,320,169
Liabilities and partners' equity		
Current liabilities:		
Accounts payable	$ 271,798	$ 313,412
Working capital revolving credit facility—current portion	251,700	126,700
Environmental liabilities—current portion	5,006	5,009
Trustee taxes payable	37,960	110,321
Accrued expenses and other current liabilities	83,678	99,507
Derivative liabilities	12,498	13,708
Total current liabilities	662,640	668,657
Working capital revolving credit facility—less current portion	100,000	100,000
Revolving credit facility	196,000	196,000
Senior notes	662,444	661,774
Environmental liabilities—less current portion	51,514	52,968
Financing obligations	150,283	150,334

Deferred tax liabilities	38,948	40,105
Other long-term liabilities	54,961	56,013
Total liabilities	1,916,790	1,925,851
Partners' equity		
Global Partners LP equity:		
Common unitholders 33,995,563 units issued and 33,652,198 outstanding at March 31, 2018 and 33,995,563 units issued and 33,645,092 outstanding at December 31, 2017)	443,694	399,399
General partner interest (0.67% interest with 230,303 equivalent units outstanding at March 31, 2018 and December 31, 2017)	(2,688)	(2,978)
Accumulated other comprehensive loss	(5,610)	(5,468)
Total Global Partners LP equity	435,396	390,953
Noncontrolling interest	2,998	3,365
Total partners' equity	438,394	394,318
Total liabilities and partners' equity	$ 2,355,184	$ 2,320,169

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

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Sales	$ 2,802,891	$ 2,270,784
Cost of sales	2,658,561	2,130,757
Gross profit	144,330	140,027
Costs and operating expenses:		
Selling, general and administrative expenses	39,366	36,787
Operating expenses	74,049	67,213
Gain on trustee taxes	(52,627)	—
Amortization expense	2,468	2,261
Net loss (gain) on sale and disposition of assets	1,867	(11,862)
Total costs and operating expenses	65,123	94,399
Operating income	79,207	45,628
Interest expense	(21,445)	(23,287)
Income before income tax benefit	57,762	22,341
Income tax benefit	913	164
Net income	58,675	22,505
Net loss attributable to noncontrolling interest	367	441
Net income attributable to Global Partners LP	59,042	22,946
Less: General partner’s interest in net income, including incentive distribution rights	396	154
Limited partners’ interest in net income	$ 58,646	$ 22,792
Basic net income per limited partner unit	$ 1.74	$ 0.68
Diluted net income per limited partner unit	$ 1.73	$ 0.68
Basic weighted average limited partner units outstanding	33,652	33,554
Diluted weighted average limited partner units outstanding	33,802	33,610

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)

	Three Months Ended March 31,	
	2018	2017
Net income	$ 58,675	$ 22,505
Other comprehensive (loss) income:		
Change in fair value of cash flow hedges	209	398
Change in pension liability	(351)	319
Total other comprehensive (loss) income	(142)	717
Comprehensive income	58,533	23,222
Comprehensive loss attributable to noncontrolling interest	367	441
Comprehensive income attributable to Global Partners LP	$ 58,900	$ 23,663

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

Table of Contents

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

6

	Three Months Ended March 31, 2018	2017
Cash flows from operating activities		
Net income	$ 58,675	$ 22,505
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	26,482	26,364
Amortization of deferred financing fees	1,343	1,535
Amortization of leasehold interests	109	310
Amortization of senior notes discount	370	356
Bad debt expense	312	752
Unit-based compensation expense	1,237	(117)
Gain on trustee taxes	(52,627)	—
Net loss (gain) on sale and disposition of assets	1,867	(11,862)
Changes in operating assets and liabilities, excluding net assets acquired:		
Accounts receivable	(706)	108,294
Accounts receivable-affiliate	82	186
Inventories	(42,287)	87,379
Broker margin deposits	(4,610)	8,767
Prepaid expenses, all other current assets and other assets	(5,970)	(16,017)
Accounts payable	(41,614)	(88,137)
Trustee taxes payable	(19,734)	(2,211)
Change in derivatives	(7,193)	(5,256)
Accrued expenses, all other current liabilities and other long-term liabilities	(19,450)	(15,283)
Net cash (used in) provided by operating activities	(103,714)	117,565
Cash flows from investing activities		
Capital expenditures	(9,557)	(8,378)
Proceeds from sale of property and equipment	800	24,249
Net cash (used in) provided by investing activities	(8,757)	15,871
Cash flows from financing activities		
Net borrowings from (payments on) working capital revolving credit facility	125,000	(97,700)
Net payments on revolving credit facility	—	(16,000)
Distributions to partners	(15,694)	(15,638)

Net cash provided by (used in) financing activities	109,306	(129,338)
Cash and cash equivalents		
(Decrease) increase in cash and cash equivalents	(3,165)	4,098
Cash and cash equivalents at beginning of period	14,858	10,028
Cash and cash equivalents at end of period	$ 11,693	$ 14,126
Supplemental information		
Cash paid during the period for interest	$ 16,344	$ 17,265

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

6

Table of Contents

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
Balance at December 31, 2017	$ 399,399	$ (2,978)	$ (5,468)	$ 3,365	$ 394,318
Net income	58,646	396	—	(367)	58,675
Distributions to partners	(15,723)	(106)	—	—	(15,829)
Unit-based compensation	1,237	—	—	—	1,237
Other comprehensive income	—	—	(142)	—	(142)
Dividends on repurchased units	135	—	—	—	135
Balance at March 31, 2018	$ 443,694	$ (2,688)	$ (5,610)	$ 2,998	$ 438,394

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 gasoline and gasoline blendstocks (such as ethanol), distillates (such as home heating oil, diesel and kerosene), residual oil, renewable fuels, crude oil and propane. The Partnership owns, controls or has access to one of the largest terminal networks of refined petroleum products and renewable fuels in Massachusetts, Maine, Connecticut, Vermont, New Hampshire, Rhode Island, New York, New Jersey and Pennsylvania (collectively, the "Northeast"). The Partnership is one of the largest distributors of gasoline, distillates, residual oil and renewable fuels to wholesalers, retailers and commercial customers in the New England states and New York. The Partnership is also one of the largest independent owners, suppliers and operators of gasoline stations and convenience stores with locations throughout the New England states and New York. As of March 31, 2018, the Partnership had a portfolio of 1,445 owned, leased and/or supplied gasoline stations, including 260 directly operated convenience stores, in the Northeast, Maryland and Virginia. The Partnership also receives revenue from convenience store sales, rental income and sundries. In addition, 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.

Global GP LLC, the Partnership's general partner (the "General Partner"), manages the Partnership's operations and activities and employs its officers and substantially all of its personnel, except for most of its gasoline station and convenience store employees who are employed by Global Montello Group Corp. ("GMG"), a wholly owned subsidiary of the Partnership.

The General Partner, which holds a 0.67% general partner interest in the Partnership, is owned by affiliates of the Slifka family. As of March 31, 2018, affiliates of the General Partner, including its directors and executive officers and their affiliates, owned 7,377,738 common units, representing a 21.7% limited partner interest.

Basis of Presentation

The accompanying consolidated financial statements as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 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, 2017 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, except as described below for trustee taxes and in Note 2 herein for the adoption of Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," including modifications to that standard thereafter, and now codified as Accounting Standards Codification 606 ("ASC 606") which the Partnership adopted on January 1, 2018 (see Note 22, New Accounting Standards—"Accounting Standards or Updates Recently Adopted" for additional information).

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2018. The consolidated balance sheet at December 31, 2017 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, 2017.

Trustee Taxes

The Partnership collects trustee taxes, which consist of various pass through taxes collected on behalf of taxing authorities, and remits such taxes directly to those taxing authorities. Examples of trustee taxes include, among other things, motor fuel excise tax and sales and use tax. As such, it is the Partnership's policy to exclude trustee taxes from revenues and cost of sales and account for them as current liabilities.

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

Noncontrolling Interest

The Partnership acquired a 60% interest in Basin Transload, LLC ("Basin Transload") on February 1, 2013. After evaluating Accounting Standards Codification ("ASC") Topic 810, "Consolidations," 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

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. Therefore, the Partnership's volumes in gasoline are typically higher in the second and third quarters of the calendar year. As demand for some of the Partnership's refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally greater during the winter months, heating oil and residual oil volumes are generally higher during the first and fourth quarters of the calendar year. These factors may result in fluctuations in the Partnership's quarterly operating results.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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,	
	2018	2017
Gasoline sales: gasoline and gasoline blendstocks (such as ethanol)	63 %	59 %
Crude oil sales and crude oil logistics revenue	1 %	5 %
Distillates (home heating oil, diesel and kerosene), residual oil and propane sales	33 %	33 %
Convenience store sales, rental income and sundries	3 %	3 %
Total	100 %	100 %

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,	
	2018	2017
Wholesale segment	28 %	32 %
Gasoline Distribution and Station Operations segment	69 %	65 %
Commercial segment	3 %	3 %
Total	100 %	100 %

See Note 16, "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, 2018 and 2017.

.

Note 2. Adoption of ASC 606, Revenue from Contract Customers

On January 1, 2018, the Partnership adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606 while prior period amounts are not adjusted and continue to be reported in accordance with the Partnership's historic accounting under ASC 605, "Revenue Recognition," ("ASC 605"). See below for the Partnership's updated revenue recognition policy and the required disclosures under ASC 606.

Update to Revenue Recognition Policy

The Partnership's sales relate primarily to the sale of refined petroleum products, renewable fuels, crude oil and propane and are recognized along with the related receivable upon delivery, net of applicable provisions for discounts and allowances. The Partnership may also provide for shipping costs at the time of sale, which are included in cost of sales.

Contracts with customers typically contain pricing provisions that are tied to a market index, with certain adjustments based on quality and freight due to location differences and prevailing supply and demand conditions, among other factors. As a result, the price of the products fluctuates to remain competitive with other available product supplies. The revenue associated with such arrangements is recognized upon delivery.

In addition, the Partnership generates revenue from its logistics activities when it stores, transloads and ships products owned by others. Revenue from logistics services is recognized as services are provided.

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Partnership has certain logistics agreements that require counterparties to throughput a minimum volume over an agreed-upon period. These agreements may include make-up rights if the minimum volume is not met. The Partnership recognizes revenue associated with make-up rights at the earlier of when the make-up volume is shipped, the make-up right expires or when it is determined that the likelihood that the shipper will utilize the make-up right is remote.

The Partnership also recognizes convenience store sales of gasoline, grocery and other merchandise and commissions on lottery at the time of the sale to the customer. Gasoline station rental income is recognized on a straight-line basis over the term of the lease.

Product revenue is not recognized on exchange agreements, which are entered into primarily to acquire various refined petroleum products, renewable fuels and crude oil of a desired quality or to reduce transportation costs by taking delivery of products closer to the Partnership's end markets. The Partnership recognizes net exchange differentials due from exchange partners in sales upon delivery of product to an exchange partner. The Partnership recognizes net exchange differentials due to exchange partners in cost of sales upon receipt of product from an exchange partner.

The amounts recorded for bad debts are generally based upon a specific analysis of aged accounts while also factoring in any new business conditions that might impact the historical analysis, such as market conditions and bankruptcies of particular customers. Bad debt provisions are included in selling, general and administrative expenses.

Required Disclosures Under ASC 606

Disaggregation of Revenue

The following table provides the disaggregation of revenue from contracts with customers and other sales by segment for the three months ended March 31, 2018 (in thousands):

Revenue from contracts with customers:	Wholesale	GDSO	Commercial	Total
Refined petroleum products, renewable fuels, crude oil and propane	$ 467,010	$ 892,299	$ 170,174	$ 1,529,483
Station operations	—	70,205	—	70,205
Total revenue from contracts with customers	467,010	962,504	170,174	1,599,688
Other sales:				
Revenue originating as physical forward contracts and exchanges	1,086,317	—	98,981	1,185,298
Revenue from leases	505	17,400	—	17,905
Total other sales	1,086,822	17,400	98,981	1,203,203
Total sales	$ 1,553,832	$ 979,904	$ 269,155	$ 2,802,891

Nature of Goods and Services

Revenue from Contracts with Customers (ASC 606):

· Refined petroleum products, renewable fuels, crude oil and propane sales—Under the Partnership's Wholesale, Gasoline Distribution and Station Operations ("GDSO") and Commercial segments, revenue is recognized at the point control that the product is transferred to the customer and collectability is reasonably assured.

· Station operations—Revenue from convenience store sales of grocery and other merchandise and sundries (such as car wash sales, lottery and ATM commissions) is recognized at the time of the sale to the customer.

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Other Revenue:

- Revenue Originating as Physical Forward Contracts and Exchanges—The Partnership's commodity contracts and other derivative activity include: (i) exchange-traded derivative contracts that are hedges against inventory and either do not qualify for hedge accounting or are not designated in a hedge accounting relationship, (ii) exchange-traded derivative contracts used to economically hedge physical forward contracts, (iii) financial forward and over-the-counter swap agreements used to economically hedge physical forward contracts and (iv) the derivative instruments under the Partnership's controlled trading program. The Partnership does not take the normal purchase and sale exemption available under ASC 815, "Derivatives and Hedging," for its physical forward contracts. This income is recognized under ASC 815 and ASC 845, "Nonmonetary Transactions."

- Revenue from Leases—The Partnership has rental income from gasoline stations and cobranding arrangements and lease income from space leased to several unrelated third parties at several of the Partnership's terminals. This income is recognized under ASC 840, "Leases."

Transaction Price Allocated to Remaining Performance Obligations

The Partnership has elected certain of the optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Partnership applies the practical expedient in paragraph ASC 606-10-50-14 to its contracts with customers where revenue is tied to a market-index and does not disclose information about variable consideration from remaining performance obligations for which the Partnership recognizes revenue.

The fixed component of estimated revenues expected to be recognized in the future related to performance obligations tied to a market index that are unsatisfied (or partially unsatisfied) at the end of the reporting period are not significant.

Contract Balances

A receivable, which is included in accounts receivable, net in the accompanying consolidated balance sheets, is recognized in the period the Partnership provides services when its right to consideration is unconditional. In contrast, a contract asset will be recognized when the Partnership has fulfilled a contract obligation, but must perform other obligations before being entitled to payment.

The nature of the receivables related to revenue from contracts with customers and other revenue, as well as contract assets, are the same, given they are related to the same customers and have the same risk profile and securitization, and the Partnership believes the disaggregation of them would not be meaningful.

A contract liability is recognized when the Partnership has an obligation to transfer goods or services to a customer for which the Partnership has received consideration (or the amount is due) from the customer. The Partnership had no contract liabilities at March 31, 2018 and December 31, 2017. Payment terms on invoiced amounts are typically 2 to 30 days.

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, 2018 and December 31, 2017 excluded 343,365 and 350,471 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 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 periods presented (in thousands, except per unit data):

	Three Months Ended March 31, 2018				Three Months Ended March 31, 2017			
Numerator:	Total	Limited Partner Interest	General Partner Interest	IDRs	Total	Limited Partner Interest	General Partner Interest	IDRs
Net income attributable to Global Partners LP	$ 59,042	$ 58,646	$ 396	$ —	$ 22,946	$ 22,792	$ 154	$ —
Declared distribution	$ 15,829	$ 15,723	$ 106	$ —	$ 15,829	$ 15,723	$ 106	$ —
Assumed allocation of undistributed net income	43,213	42,923	290	—	7,117	7,069	48	—
Assumed allocation of net income	$ 59,042	$ 58,646	$ 396	$ —	$ 22,946	$ 22,792	$ 154	$ —
Denominator:								
Basic weighted average limited partner units outstanding		33,652				33,554		
Dilutive effect of phantom units		150				56		
Diluted weighted average limited partner units outstanding		33,802				33,610		
Basic net income per limited partner unit		$ 1.74				$ 0.68		
		$ 1.73				$ 0.68		

Diluted net income per
limited partner unit

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 27, 2018	$ 0.4625	March 31, 2018

See Note 14, “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, are recognized in earnings as an increase or decrease in cost of sales. All hedged inventory designated in a fair value hedge relationship is valued using the lower of cost, as determined by specific identification, or net realizable value, as determined at the product level. All petroleum and ethanol inventory not designated in a fair value hedging relationship is carried at the lower of historical cost, on a first-in, first-out basis, or net realizable value.

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Convenience store inventory and Renewable Identification Numbers ("RINs") inventory are carried at the lower of historical cost or net realizable value.

Inventories consisted of the following (in thousands):

	March 31, 2018	December 31, 2017
Distillates: home heating oil, diesel and kerosene	$ 146,273	$ 183,059
Gasoline	125,426	81,504
Gasoline blendstocks	63,735	26,789
Crude oil	15,326	10,809
Residual oil	23,268	28,442
Propane and other	475	1,659
Renewable identification numbers (RINs)	396	380
Convenience store inventory	18,051	18,101
Total	$ 392,950	$ 350,743

In addition to its own inventory, the Partnership has exchange agreements for petroleum products and ethanol with unrelated third-party suppliers, whereby it may draw inventory from these other suppliers and suppliers may draw inventory from the Partnership. Positive exchange balances are accounted for as accounts receivable and amounted to $8.1 million and $9.5 million at March 31, 2018 and December 31, 2017, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $12.9 million and $8.4 million at March 31, 2018 and December 31, 2017, respectively. Exchange transactions are valued using current carrying costs.

Note 5. Goodwill

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

	Goodwill Allocated to Wholesale Reporting Unit	GDSO Reporting Unit	Total
Balance at December 31, 2017	—	312,401	$ 312,401
Disposals (1)	—	(143)	(143)
Balance at March 31, 2018	$ —	$ 312,258	$ 312,258

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

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Property and Equipment

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

	March 31, 2018	December 31, 2017
Buildings and improvements	$ 1,015,197	$ 1,015,386
Land	408,632	409,146
Fixtures and equipment	43,107	42,959
Idle plant assets	30,500	30,500
Construction in process	22,673	22,403
Capitalized internal use software	30,626	30,626
Total property and equipment	1,550,735	1,551,020
Less accumulated depreciation	531,222	514,353
Total	$ 1,019,513	$ 1,036,667

Property and equipment includes assets held for sale of $12.3 million and $12.4 million at March 31, 2018 and December 31, 2017, respectively.

At March 31, 2018, the Partnership had a $55.7 million remaining net book value of long-lived assets at its West Coast facility, including $30.5 million related to the Partnership's ethanol plant acquired in 2013. In 2016, the Partnership shifted the facility from crude oil to ethanol transloading and began transloading ethanol. The Partnership would need to take certain measures to prepare the facility for ethanol production in order to place the plant into service. Therefore, the $30.5 million related to the ethanol plant was included in property and equipment and classified as idle plant assets at March 31, 2018 and December 31, 2017.

If the Partnership is unable to generate cash flows to support the recoverability of the plant and facility assets, this may become an indicator of potential impairment of the West Coast facility. The Partnership believes these assets are recoverable but continues to monitor the market for ethanol, the continued business development of this facility for either ethanol or crude oil transloading, and the related impact this may have on the facility's operating cash flows and whether this would constitute an impairment indicator.

Note 7. Sales and Disposition of Assets

The following table provides the Partnership's (gain) loss on sale and dispositions of assets for the periods presented (in thousands):

	Three Months Ended March 31,	
	2018	2017
Sale of natural gas brokerage and electricity businesses	$ —	$ (14,172)
Periodic divestiture of gasoline stations	—	(180)
Strategic asset divestiture program -Real estate firm coordinated sale	(24)	423
Loss on assets held for sale	1,526	2,051
Other	365	16
Total	$ 1,867	$ (11,862)

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Sale of Natural Gas and Electricity Brokerage Businesses

On February 1, 2017, the Partnership completed the sale of its natural gas marketing and electricity brokerage businesses for a purchase price of approximately $17.3 million, subject to customary closing adjustments. Proceeds from the sale amounted to approximately $16.3 million, and the Partnership realized a gain on the sale of $14.2 million for the three months ended March 31, 2017.

Periodic Divestiture of Gasoline Stations

As part of the routine course of operations in the GDSO segment, the Partnership may periodically divest certain gasoline stations. The gain or loss on the sale, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations and amounted to $0 and a $0.2 million gain for the three months ended March 31, 2018 and 2017, respectively.

Strategic Asset Divestiture Program

The Partnership identified certain non-strategic GDSO sites that are part of its Strategic Asset Divestiture Program (the "Divestiture Program").

Real Estate Firm Coordinated Sale—The Partnership has retained a real estate firm to coordinate the continuing sale of non-strategic GDSO sites. Two sites were sold during the three months ended March 31, 2018. The gain or loss on the sale, representing cash proceeds less net book value of assets and recognized liabilities at disposition, net of settlement and dispositions costs, is recorded in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recognized an immaterial gain on the sale for the three months ended March 31, 2018, including the derecognition of GDSO goodwill in the amount of $0.1 million. The Partnership recognized a $0.4 million loss for the three months ended March 31, 2017, including the derecognition of GDSO goodwill in the amount of $2.0 million. As of March 31, 2018, the criteria to be presented as held for sale was met for 17 sites.

Loss on Assets Held for Sale

In conjunction with the periodic divestiture of gasoline stations and the sale of sites within the Divestiture Program, the Partnership may classify certain gasoline station assets as held for sale.

The Partnership classified 8 sites as held for sale at both March 31, 2018 and December 31, 2017, which are periodic divestiture gasoline station sites. The Partnership recorded impairment charges related to these assets held for sale in the amount of $0.8 million for the three months ended March 31, 2018, which are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at March 31, 2017 of $0.2 million for the three months ended March 31, 2017.

Additionally, the Partnership classified 17 sites and 18 sites at March 31, 2018 and December 31, 2017, respectively, associated with the real estate firm coordinated sale discussed above. The Partnership recorded impairment charges related to these assets held for sale in the amount of $0.7 million for the three months ended March 31, 2018, which are included in net loss (gain) on sale and disposition of assets in the accompanying consolidated statements of operations. The Partnership recorded impairment charges related to assets held for sale at March 31, 2017 of $1.9 million for the three months ended March 31, 2017.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Assets held for sale of $12.3 million and $12.4 million at March 31, 2018 and December 31, 2017, respectively, are included in property and equipment in the accompanying balance sheets. Assets held for sale are expected to be sold within the next 12 months.

Other

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

Note 8. Debt and Financing Obligations

Credit Agreement

Certain subsidiaries of the Partnership, as borrowers, and the Partnership and certain of its subsidiaries, as guarantors, have a $1.3 billion senior secured credit facility (the “Credit Agreement”). The Credit Agreement matures on April 30, 2020.

There are two facilities under the Credit Agreement:

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

- a $450.0 million revolving credit facility to be used for acquisitions, joint ventures, capital expenditures, letters of credit and general corporate purposes.

Availability under the working capital revolving credit facility is subject to a borrowing base which is redetermined from time to time and based on specific advance rates on eligible current assets. 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.

The average interest rates for the Credit Agreement were 3.9% and 3.4% for the three months ended March 31, 2018 and 2017, respectively. The increase for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 was due to increases in market interest rates.

The Partnership classifies a portion of its working capital revolving credit facility as a current liability and a portion as a long-term liability. The portion classified as a long-term liability represents the amounts expected to be outstanding during the entire year based on an analysis of historical daily borrowings under the working capital revolving credit facility, the seasonality of borrowings, forecasted future working capital requirements and forward product curves, and because the Partnership has a multi-year, long-term commitment from its bank group. Accordingly, at March 31, 2018, the Partnership estimated working capital revolving credit facility borrowings will equal or exceed $100.0 million over the next twelve months and, therefore, classified $251.7 million as the current portion at March 31, 2018, representing the amount the Partnership expects to pay down over the next twelve months. The long-term portion of the working capital revolving credit facility was $100.0 million and $100 million at March 31, 2018 and December 31, 2017, respectively, and the current portion was $251.7 million and $126.7 million at March 31, 2018 and December 31, 2017, respectively. The increase in total borrowings under the working capital revolving credit facility of $125.0 million from December 31, 2017 was primarily due to carrying higher levels of gasoline and gasoline blendstocks inventory volume and to an increase in prices.

As of March 31, 2018, the Partnership had total borrowings outstanding under the Credit Agreement of $547.7 million, including $196.0 million outstanding on the revolving credit facility. In addition, the Partnership had

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

outstanding letters of credit of $66.8 million. Subject to borrowing base limitations, the total remaining availability for borrowings and letters of credit was $685.5 million and $810.3 million at March 31, 2018 and December 31, 2017, respectively.

The Credit Agreement imposes financial covenants that require the Partnership to maintain certain minimum working capital amounts, a minimum combined interest coverage ratio, a maximum senior secured leverage ratio and a maximum total leverage ratio. The Partnership was in compliance with the foregoing covenants at March 31, 2018. The Credit Agreement also contains a representation whereby there can be no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect (as defined in the Credit Agreement). In addition, the Credit Agreement limits distributions by the Partnership to its unitholders to the amount of Available Cash (as defined in the Partnership's partnership agreement).

Please read Note 6 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for additional information on the Credit Agreement.

Senior Notes

The Partnership had 6.25% senior notes due 2022 and 7.00% senior notes due 2023 outstanding at March 31, 2018. Please read Note 6 of Notes to Consolidated Financial Statements in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for additional information on these senior notes.

Financing Obligations

Capitol Acquisition

On June 1, 2015, the Partnership acquired retail gasoline stations and dealer supply contracts from Capitol Petroleum Group ("Capitol"). In connection with the acquisition, the Partnership assumed a financing obligation of $89.6 million associated with two sale-leaseback transactions by Capitol for 53 leased sites that did not meet the criteria for sale accounting. During the terms of these leases, which expire in May 2028 and September 2029, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Interest expense of approximately $2.3 million and $2.4 million was recorded for the three months ended March 31, 2018 and 2017, respectively, and is included in interest expense in the accompanying statements of operations. The financing obligation will amortize through expiration of the leases based upon the lease rental payments which were $2.4 million for each of the three months ended March 31, 2018 and 2017. The financing obligation balance outstanding at March 31, 2018 was $87.8 million associated with the Capitol acquisition.

Sale-Leaseback Transaction

On June 29, 2016, the Partnership sold to a premier institutional real estate investor (the “Buyer”) real property assets, including the buildings, improvements and appurtenances thereto, at 30 gasoline stations and convenience stores located in Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island (the “Sale-Leaseback Sites”) for a purchase price of approximately $63.5 million. In connection with the sale, the Partnership entered into a Master Unitary Lease Agreement with the Buyer to lease back the real property assets sold with respect to the Sale-Leaseback Sites (such Master Lease Agreement, together with the Sale-Leaseback Sites, the “Sale-Leaseback Transaction”).

As a result of not meeting the criteria for sale accounting for these sites, the Sale-Leaseback Transaction is accounted for as a financing arrangement. As such, the property and equipment sold and leased back by the Partnership has not been derecognized and continues to be depreciated. The Partnership recognized a corresponding financing obligation of $62.5 million equal to the $63.5 million cash proceeds received for the sale of these sites, net of $1.0 million financing fees. During the term of the lease, which expires in June 2031, in lieu of recognizing lease expense for the lease rental payments, the Partnership incurs interest expense associated with the financing obligation. Lease rental payments are recognized as both interest expense and a reduction of the principal balance associated with the financing obligation. Interest expense and lease rental payments were $1.1 million for each of the three months ended March 31, 2018 and 2017. The financing obligation balance outstanding at March 31, 2018 was $62.5 million associated with the Sale-Leaseback Transaction.

Deferred Financing Fees

The Partnership incurs bank fees related to its Credit Agreement and other financing arrangements. These deferred financing fees are capitalized and amortized over the life of the Credit Agreement or other financing arrangements. The Partnership had unamortized deferred financing fees of $14.6 million and $15.9 million at March 31, 2018 and December 31, 2017, respectively.

Unamortized fees related to the Credit Agreement are included in other current assets and other long-term assets and amounted to $8.6 million and $9.6 million at March 31, 2018 and December 31, 2017, respectively. Unamortized fees related to the senior notes are presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and amounted to $5.1 million and $5.4 million at March 31, 2018 and December 31, 2017, respectively. Unamortized fees related to the Sale-Leaseback Transaction are presented as a direct deduction from the carrying amount of the financing obligation and amounted to $0.9 million at both March 31, 2018 and December 31, 2017.

Amortization expense of approximately $1.3 million and $1.5 million for the three months ended March 31, 2018 and 2017, respectively, is included in interest expense in the accompanying consolidated statements of operations.

Note 9. 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 Topic 815 and recognizes derivatives instruments as either assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. The changes in fair value of the derivative transactions are presented currently in earnings, unless specific hedge accounting criteria are met.

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

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the notional values related to the Partnership's derivative instruments outstanding at March 31, 2018:

	Units (1)	Unit of Measure
Exchange-Traded Derivatives		
Long	82,254	Thousands of barrels
Short	(85,766)	Thousands of barrels
OTC Derivatives (Petroleum/Ethanol)		
Long	16,013	Thousands of barrels
Short	(7,166)	Thousands of barrels
Interest Rate Swap	$ 100.0	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.

Derivatives Accounted for as Hedges

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

Fair Value Hedges

Derivatives designated as fair value hedges are used to hedge price risk in commodity inventories and principally include exchange-traded futures contracts that are entered into in the ordinary course of business. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting change in fair value on the hedged item of the risk being hedged. Gains and losses related to fair value hedges are recognized in the consolidated statement of operations through cost of sales. These futures contracts are settled on a daily basis by the Partnership through brokerage margin accounts.

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 periods presented (in thousands):

	Statement of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31, 2018	2017
Derivatives in fair value hedging relationship			
Exchange-traded futures contracts and OTC derivative contracts for petroleum commodity products	Cost of sales	$ 2,729	$ 20,696
Hedged items in fair value hedge relationship			
Physical inventory	Cost of sales	$ (1,196)	$ (20,845)

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Cash Flow Hedges

At March 31, 2018, the Partnership had in place one interest rate swap agreement which is hedging $100.0 million of variable rate debt and continues to be accounted for as a cash flow hedge. This interest rate swap expires on October 2, 2018.

The amount of gain (loss) recognized in other comprehensive income as effective for derivatives designated in cash flow hedging relationships was $0.2 million and $0.4 million for the three months ended March 31, 2018 and 2017, respectively. The amount of gain (loss) recognized in income as ineffectiveness for derivatives designated in cash flow hedging relationships was $0 for each of the three months ended March 31, 2018 and 2017.

Derivatives Not Accounted for as Hedges

The Partnership utilizes petroleum and ethanol commodity contracts, foreign currency derivatives and, prior to the sale of the Partnership's natural gas marketing and electricity brokerage businesses, natural gas commodity contracts to hedge price and currency risk in certain commodity inventories and physical forward contracts.

Petroleum and Ethanol Commodity Contracts

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

While the Partnership seeks to maintain a position that is substantially balanced within its commodity product purchase and sale activities, it may experience net unbalanced positions for short periods of time as a result of variances in daily purchases and sales and transportation and delivery schedules as well as other logistical issues inherent in the 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.

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 periods presented (in thousands):

	Statement of Gain (Loss)	Three Months Ended	
Derivatives not designated as	Recognized in	March 31,	
hedging instruments	Income on Derivatives	2018	2017
Commodity contracts	Cost of sales	$ 1,832	$ 1,554

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,

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 contracts and other derivative activity include: (i) exchange-traded derivative contracts that are hedges against inventory and either do not qualify for hedge accounting or are not designated in a hedge accounting relationship, (ii) exchange-traded derivative contracts used to economically hedge physical forward contracts, (iii) financial forward and OTC swap agreements used to economically hedge physical forward contracts and (iv) the derivative instruments under the Partnership's controlled trading program. The Partnership does not take the normal purchase and sale exemption available under ASC 815 for its physical forward contracts.

The following table presents the fair value of each classification of the Partnership's derivative instruments and its location in the consolidated balance sheets at March 31, 2018 and December 31, 2017 (in thousands):

		March 31, 2018		
	Balance Sheet Location	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ —	$ 17,054	$ 17,054
Interest rate swaps	Prepaid expenses and other current assets	—	75	75
Forward derivative contracts (1)	Derivative assets	—	9,823	9,823
Total asset derivatives		$ —	$ 26,952	$ 26,952
Liability Derivatives:				
	Broker margin deposits	$ (412)	$ (43,802)	$ (44,214)

Exchange-traded derivative contracts				
Forward derivative contracts (1)	Derivative liabilities	—	(12,498)	(12,498)
Interest rate swap contracts	Other long-term liabilities	—	—	—
Total liability derivatives		$ (412)	$ (56,300)	$ (56,712)

	Balance Sheet Location	December 31, 2017 Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Total
Asset Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ —	$ 32,483	$ 32,483
Forward derivative contracts (1)	Derivative assets	—	3,840	3,840
Total asset derivatives		$ —	$ 36,323	$ 36,323
Liability Derivatives:				
Exchange-traded derivative contracts	Broker margin deposits	$ (7,214)	$ (63,869)	$ (71,083)
Forward derivative contracts (1)	Derivative liabilities	—	(13,708)	(13,708)
Interest rate swap contracts	Other long-term liabilities	—	(134)	(134)
Total liability derivatives		$ (7,214)	$ (77,711)	$ (84,925)

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

Table of Contents

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 value of the Partnership's exchange-traded derivative instruments is presented on a net basis in the consolidated balance sheets. Exposure on OTC derivatives is limited to the amount of the recorded fair value as of the balance sheet dates.

Note 10. Fair Value Measurements

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, 2018 and December 31, 2017 (in thousands):

	Fair Value at March 31, 2018				
	Level 1	Level 2	Level 3	Cash Collateral Netting	Total
Assets:					
Forward derivative contracts (1)	$ —	$ 9,570	$ 253	$ —	