GLOBAL PARTNERS LP
Form 10-Q/A
November 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from to

Commission file number 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

The issuer had 11,338,139 common units and 5,642,424 subordinated units outstanding as of August 3, 2010.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends the Quarterly Report on Form 10-Q of Global Partners LP (the Partnership) for the fiscal quarter ended June 30, 2010, as filed with the Securities and Exchange Commission on August 6, 2010, and restates its unaudited financial statements as of and for the three and six months ended June 30, 2010, the notes thereto and related disclosures, to reflect the error described below. As a result, the unaudited interim financial statements included in the originally filed Form 10-Q should not be relied upon.

Subsequent to the quarter ended June 30, 2010, following a change in the billing protocol for a certain type of sales transaction for a specific customer, management discovered that fuel tax credits associated with such sales transactions had not been properly recorded. This coding error resulted in the Partnership s sales and net income being understated and accrued tax liability being overstated as of and for the three and six months ended June 30, 2010.

The unaudited financial statements and the notes thereto included herein have been restated to reflect this adjustment, and disclosure of the adjustment has been made to the discussion under Management s Discussion and Analysis of Financial Condition and Results of Operations.

For the convenience of the reader, Amendment No. 1 restates the 10-Q in its entirety. Except as stated above, no other information has been changed from the originally filed Form 10-Q. The Partnership has included new certifications of its officers pursuant to Sections 302 and 906 of the Sarbanes Oxley Act with this Form 10-Q/A.

Item 1. Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	June 30, 2010 (Restated)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 4,271	$ 662
Accounts receivable, net	252,520	335,912
Accounts receivable affiliates	3,239	1,565
Inventories	443,296	465,923
Brokerage margin deposits	19,826	18,059
Fair value of forward fixed price contracts	8,195	3,089
Prepaid expenses and other current assets	49,689	37,648
Total current assets	781,036	862,858
Property and equipment, net	197,852	159,292
Intangible assets, net	34,766	28,557
Other assets	15,238	1,996
Total assets	$ 1,028,892	$ 1,052,703
Liabilities and partners equity		
Current liabilities:		
Accounts payable	$ 202,603	$ 243,449
Working capital revolving credit facility current portion	101,328	221,711
Environmental liabilities current portion	3,326	3,296
Accrued expenses and other current liabilities	81,858	77,604
Income taxes payable		461
Obligations on forward fixed price contracts and other derivatives	9,562	21,114
Total current liabilities	398,677	567,635
Working capital revolving credit facility less current portion	269,272	240,889
Acquisition facility	97,800	71,200
Environmental liabilities less current portion	3,607	2,254
Accrued pension benefit cost	2,461	2,751
Deferred compensation	2,051	1,840
Other long-term liabilities	15,546	8,714
Total liabilities	789,414	895,283
Partners equity		
Common unitholders (11,338,139 units issued and 11,291,312 outstanding at June 30, 2010 and 7,428,139 units issued and 7,380,996 outstanding at December 31, 2009)	252,141	165,129
Subordinated unitholders (5,642,424 units issued and outstanding at June 30, 2010 and December 31, 2009)	1,895	(713)
	78	(29)

General partner interest (230,303 equivalent units outstanding at June 30, 2010 and December 31, 2009)				
Accumulated other comprehensive loss		(14,636)		(6,967)
Total partners equity		239,478		157,420
Total liabilities and partners equity	$	1,028,892	$	1,052,703

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

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30, 2010 (Restated)	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010 (Restated)	Six Months Ended June 30, 2009
Sales	$ 1,534,701	$ 1,201,149	$ 3,499,446	$ 2,834,104
Cost of sales	1,502,740	1,173,360	3,419,717	2,755,601
Gross profit	31,961	27,789	79,729	78,503
Costs and operating expenses:				
Selling, general and administrative expenses	13,891	13,299	30,469	31,374
Operating expenses	9,803	9,137	18,462	17,612
Amortization expenses	734	803	1,425	1,603
Total costs and operating expenses	24,428	23,239	50,356	50,589
Operating income	7,533	4,550	29,373	27,914
Interest expense	(4,374)	(3,422)	(8,438)	(7,198)
Income before income tax expense	3,159	1,128	20,935	20,716
Income tax expense		(150)	(387)	(875)
Net income	3,159	978	20,548	19,841
Less: General partner s interest in net income, including incentive distribution rights	(107)	(67)	(446)	(443)
Limited partners interest in net income	$ 3,052	$ 911	$ 20,102	$ 19,398
Basic net income per limited partner unit	$ 0.18	$ 0.07	$ 1.32	$ 1.48
Diluted net income per limited partner unit	$ 0.18	$ 0.07	$ 1.30	$ 1.46
Basic weighted average limited partner units outstanding	16,917	13,059	15,260	13,065
Diluted weighted average limited partner units outstanding	17,155	13,356	15,496	13,273

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

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2010 (Restated)	Six Months Ended June 30, 2009
Cash flows from operating activities		
Net income	$ 20,548	$ 19,841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,566	7,460
Amortization of deferred financing fees	1,008	578
Gain on disposition of property and equipment and other	(4)	
Bad debt expense	280	1,155
Stock-based compensation expense	(49)	917
Changes in operating assets and liabilities:		
Accounts receivable	83,112	57,642
Accounts receivable affiliate	(1,674)	1,447
Inventories	22,627	(129,007)
Broker margin deposits	(1,767)	(16,872)
Prepaid expenses, all other current assets and other assets	(25,653)	(3,520)
Accounts payable	(40,846)	(87,559)
Income taxes payable	(1,179)	(578)
Change in fair value of forward fixed price contracts	(16,658)	159,535
Accrued expenses, all other current liabilities and other long-term liabilities	3,253	9,142
Net cash provided by operating activities	50,564	20,181
Cash flows from investing activities		
Terminal acquisition	(46,046)	
Capital expenditures	(4,828)	(6,303)
Proceeds from sale of property and equipment	43	
Net cash used in investing activities	(50,831)	(6,303)
Cash flows from financing activities		
Proceeds from public offering, net	84,584	
(Payments on) proceeds from credit facilities, net	(65,400)	2,500
Repurchase of common units		(1,293)
Repurchased units withheld for tax obligations	(404)	
Distributions to partners	(14,904)	(13,068)
Net cash provided by (used in) in financing activities	3,876	(11,861)
Increase in cash and cash equivalents	3,609	2,017
Cash and cash equivalents at beginning of period	662	945
Cash and cash equivalents at end of period	$ 4,271	$ 2,962
Supplemental information		
Cash paid during the period for interest	$ 8,200	$ 7,289

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

GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF PARTNERS EQUITY

(In thousands)

(Restated) (Unaudited)

	Common Unitholders	Subordinated Unitholders	General Partner Interest	Accumulated Other Comprehensive Loss	Total Partners Equity
Balance at December 31, 2009	$ 165,129	$ (713)	$ (29)	$ (6,967)	$ 157,420
Proceeds from public offering, net	84,584				84,584
Stock-based compensation	(49)				(49)
Distributions to partners	(9,063)	(5,502)	(339)		(14,904)
Phantom unit dividends	(48)				(48)
Repurchased units withheld for tax obligations	(404)				(404)
Comprehensive income:					
Net income	11,992	8,110	446		20,548
Other comprehensive income:					
Change in fair value of interest rate collars and forward starting swap				(7,111)	(7,111)
Change in pension liability				(558)	(558)
Total comprehensive income					12,879
Balance at June 30, 2010	$ 252,141	$ 1,895	$ 78	$ (14,636)	$ 239,478

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Global Partners LP (the Partnership) is a publicly traded master limited partnership that engages in the wholesale and commercial distribution of refined petroleum products and small amounts of natural gas and provides ancillary services to companies.

The Partnership has five operating subsidiaries: Global Companies LLC, its subsidiary, Glen Hes Corp., Global Montello Group Corp., Chelsea Sandwich LLC and Global Energy Marketing LLC (Global Energy) (the five operating subsidiaries, collectively, the Companies). The Companies (other than Glen Hes Corp.) are wholly owned by Global Operating LLC, a wholly owned subsidiary of the Partnership. Global Energy was formed to conduct the Partnership s natural gas operations. It commenced operations in January 2010 after obtaining the necessary licensure. In addition, GLP Finance Corp. (GLP Finance) is a wholly owned subsidiary of the Partnership. GLP Finance has no material assets or liabilities. Its activities will be limited to co-issuing debt securities and engaging in other activities incidental thereto.

On March 19, 2010, the Partnership completed a public offering of 3,910,000 common units at a price of $22.75 per common unit. Net proceeds were approximately $84.6 million, after deducting approximately $4.4 million in underwriting fees and offering expenses. The Partnership used the net proceeds to reduce indebtedness under its senior secured credit agreement. See Note 16 for additional information related to the public offering.

The Partnership s 1.34% general partner interest (reduced from 1.73% following the Partnership s public offering discussed above and in Note 16) is held by Global GP LLC, the Partnership s general partner (the General Partner). The General Partner, which is owned by affiliates of the Slifka family, manages the Partnership s operations and activities and employs its officers and substantially all of its personnel. Affiliates of the General Partner, including its directors and executive officers, own 241,141 common units and 5,642,424 subordinated units, representing a combined 34.2% limited partner interest.

Basis of Presentation

Interim Financial Statements

The accompanying consolidated financial statements as of June 30, 2010 and December 31, 2009 and for the three and six months ended June 30, 2010 and 2009 reflect the accounts of the Partnership. 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, 2009 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, 2010 are not necessarily indicative of the results of operations that will be realized for the entire year ending December 31, 2010. The consolidated balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements and footnotes thereto included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2009.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Basis of Presentation (continued)

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, sales are generally higher during the first and fourth quarters of the calendar year which may result in significant fluctuations in the Partnership s quarterly operating results.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Distillate sales: home heating oil, diesel and kerosene	30%	35%	41%	51%
Gasoline sales	65%	60%	54%	43%
Residual oil sales	5%	5%	5%	6%
	100%	100%	100%	100%

The Partnership had one customer, ExxonMobil Oil Corporation (ExxonMobil), who accounted for approximately 23% and 25% of total sales for the three months ended June 30, 2010, and 2009, respectively and approximately 20% and 19% of total sales for the six months ended June 30, 2010 and 2009, respectively.

Note 2. Restatement

Subsequent to the quarter ended June 30, 2010, following a change in the billing protocol for a certain type of sales transaction for a specific customer, management discovered that fuel tax credits associated with such sales transactions had not been properly recorded. This coding error resulted in the Partnership s sales and net income being understated and accrued tax liability being overstated as of and for the three and six months ended June 30, 2010. As a result, the Partnership has restated its unaudited financial statements for the correction of an error as of and for the three and six months ended June 30, 2010. The error had no impact on the Partnership s previously reported net cash provided by operating activities.

The following is a summary of the adjustments to the Partnership s previously issued unaudited consolidated balance sheet as of June 30, 2010 (in thousands):

	Previously Reported	Adjustments	Restated
Liabilities and partners equity			
Accrued expenses and other current liabilities	$ 88,469	$ (6,611)	$ 81,858
Total current liabilities	$ 405,288	$ (6,611)	$ 398,677
Total liabilities	$ 796,025	$ (6,611)	$ 789,414
Partners equity			
Common unitholders	$ 247,980	$ 4,161	$ 252,141
Subordinated unitholders	$ (458)	$ 2,353	$ 1,895
General partner interest	$ (19)	$ 97	$ 78
Total partners equity	$ 232,867	$ 6,611	$ 239,478

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 2. Restatement (continued)

The following is a summary of the adjustments to the Partnership s previously issued unaudited consolidated statement of operations for the three months and six months ended June 30, 2010 (in thousands, except per unit data):

	Three Months Ended June 30, 2010		
	Previously Reported	**Adjustments**	**Restated**
Sales	$ 1,530,451	$ 4,250	$ 1,534,701
Gross profit	$ 27,711	$ 4,250	$ 31,961
Operating income	$ 3,283	$ 4,250	$ 7,533
Loss (income) before income taxes	$ (1,091)	$ 4,250	$ 3,159
Net (loss) income	$ (1,091)	$ 4,250	$ 3,159
General partner s interest in net (loss) income, including incentive distribution rights	$ (50)	$ (57)	$ (107)
Limited partners interest in net (loss) income	$ (1,141)	$ 4,193	$ 3,052
Basic net income per limited partner unit	$ (0.07)	$ 0.25	$ 0.18
Diluted net income per limited partner unit	$ (0.07)	$ 0.25	$ 0.18

	Six Months Ended June 30, 2010		
	Previously Reported	**Adjustments**	**Restated**
Sales	$ 3,492,835	$ 6,611	$ 3,499,446
Gross profit	$ 73,118	$ 6,611	$ 79,729
Operating income	$ 22,762	$ 6,611	$ 29,373
Income before income taxes	$ 14,324	$ 6,611	$ 20,935
Net income	$ 13,937	$ 6,611	$ 20,548
General partner s interest in net income, including incentive distribution rights	$ (349)	$ (97)	$ (446)
Limited partners interest in net income	$ 13,588	$ 6,514	$ 20,102
Basic net income per limited partner unit	$ 0.89	$ 0.43	$ 1.32
Diluted net income per limited partner unit	$ 0.88	$ 0.42	$ 1.30

The following is a summary of the adjustments to the Partnership s previously issued unaudited consolidated statement of cash flows for the six months ended June 30, 2010 (in thousands).

	Previously Reported	**Adjustments**	**Restated**

Net income	$	13,937	$	6,611	$	20,548
Accrued expenses, all other current liabilities and other long-term liabilities	$	9,864	$	(6,611)	$	3,253

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 and subordinated unitholders, or limited partners interest, and to the General Partner s interest.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

On April 21, 2010, the board of directors of the General Partner declared a quarterly cash distribution of $0.4875 per unit for the period from January 1, 2010 through March 31, 2010. On July 21, 2010, the board declared a quarterly cash distribution of $0.4875 per unit for the period from April 1, 2010 through June 30, 2010. These declared cash distributions resulted in incentive distributions to the General Partner, as the holder of the IDRs, and enabled the Partnership to reach its second target distribution with respect to such IDRs. See Note 10, Cash Distributions for further information.

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, 2010 and 2009 (in thousands, except per unit data):

	Three Months Ended June 30, 2010			
	Total	Limited Partner Interest	General Partner Interest	IDRs
Numerator:				
Net income(1)	$ 3,159	$ 3,052	$ 107	$
Declared distribution	$ 8,455	$ 8,278	$ 112	$ 65
Assumed allocation of undistributed net income	(5,296)	(5,226)	(70)	
Assumed allocation of net income	$ 3,159	$ 3,052	$ 42	$ 65
Denominator:				
Basic weighted average limited partner units outstanding(2)		16,917		
Dilutive effect of phantom units		238		
Diluted weighted average limited partner units outstanding(2)		17,155		
Basic net income per limited partner unit		$ 0.18		
Diluted net income per limited partner unit		$ 0.18		

	Three Months Ended June 30, 2009			
	Total	Limited Partner Interest	General Partner Interest	IDRs
Numerator:				
Net income(1)	$ 978	$ 911	$ 67	$

Declared distribution	$ 6,534	$ 6,372	$ 112	$ 50
Assumed allocation of undistributed net income	(5,556)	(5,461)	(95)	
Assumed allocation of net income	$ 978	$ 911	$ 17	$ 50
Denominator:				
Basic weighted average limited partner units outstanding		13,059		
Dilutive effect of phantom units		297		
Diluted weighted average limited partner units outstanding		13,356		
Basic net income per limited partner unit		$ 0.07		
Diluted net income per limited partner unit		$ 0.07		

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

			Six Months Ended June 30, 2010				
		Total		Limited Partner Interest		General Partner Interest		IDRs
Numerator:								
Net income(1)	$	20,548	$	20,102	$	446	$	
Declared distribution	$	16,910	$	16,556	$	224	$	130
Assumed allocation of undistributed net income		3,638		3,546		92		
Assumed allocation of net income	$	20,548	$	20,102	$	316	$	130
Denominator:								
Basic weighted average limited partner units outstanding(2)				15,260				
Dilutive effect of phantom units				236				
Diluted weighted average limited partner units outstanding(2)				15,496				
Basic net income per limited partner unit			$	1.32				
Diluted net income per limited partner unit			$	1.30				

			Six Months Ended June 30, 2009				
		Total		Limited Partner Interest		General Partner Interest		IDRs
Numerator:								
Net income(1)	$	19,841	$	19,398	$	443	$	
Declared distribution	$	13,068	$	12,744	$	224	$	100
Assumed allocation of undistributed net income		6,773		6,654		119		
Assumed allocation of net income	$	19,841	$	19,398	$	343	$	100
Denominator:								
Basic weighted average limited partner units outstanding				13,065				
Dilutive effect of phantom units				208				
Diluted weighted average limited partner units outstanding				13,273				
Basic net income per limited partner unit			$	1.48				
Diluted net income per limited partner unit			$	1.46				

(1) Calculation includes the effect of the public offering on March 19, 2010 (see Note 16) and, as a result, the general partner interest was reduced to 1.34% for the three months ended June 30, 2010 and, based on a weighted average, 1.61% for the six months ended June 30, 2010. For the three and six months ended June 30, 2009, the general partner interest was 1.73%.

(2) At June 30, 2010, limited partner units outstanding excluded common units held on behalf of the Partnership pursuant to its Repurchase Program and for future satisfaction of the General Partner s Obligations (as defined in Note 14). These units are not deemed outstanding for purposes of calculating net income per limited partner unit (basic and diluted).

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 4. Comprehensive (Loss) Income

The components of comprehensive (loss) income consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	$ 3,159	$ 978	$ 20,548	$ 19,841
Change in fair value of interest rate collars and forward starting swap	(4,879)	2,263	(7,111)	3,415
Change in pension liability	(679)	593	(558)	351
Total comprehensive (loss) income	$ (2,399)	$ 3,834	$ 12,879	$ 23,607

Note 5. Inventories

The Partnership hedges substantially all of its inventory purchases through futures contracts and swap agreements. Hedges are executed when inventory is purchased and are identified with that specific inventory. 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.

Inventories consisted of the following (in thousands):

	June 30, 2010	December 31, 2009
Distillates: home heating oil, diesel and kerosene	$ 283,033	$ 339,737
Residual oil	44,330	39,787
Gasoline	88,827	64,645
Blend stock	27,106	21,754
Total	$ 443,296	$ 465,923

In addition to its own inventory, the Partnership has exchange agreements 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 $34.7 million and $22.9 million at June 30, 2010 and December 31, 2009, respectively. Negative exchange balances are accounted for as accounts payable and amounted to $30.9 million and $10.2 million at June 30, 2010 and December 31, 2009, respectively. Exchange transactions are valued using current quoted market prices.

Note 6. Derivative Financial Instruments

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

The following table presents the volume of activity related to the Partnership s derivative financial instruments at June 30, 2010:

		Units(1)	Unit of Measure
Oil Contracts			
Long		10,192	Thousands of barrels
Short		(14,373)	Thousands of barrels
Natural Gas Contracts			
Long		20,487	Thousands of decatherms
Short		(20,487)	Thousands of decatherms
Interest Rate Collars	$	200	Millions of dollars
Forward Starting Swap	$	100	Millions of 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 cash settlements under the contracts.

Fair Value Hedges

The fair value of the Partnership s derivatives is determined through the use of independent markets and is based upon the prevailing market prices of such instruments at the date of valuation. The Partnership enters into futures contracts for the receipt or delivery of refined petroleum products in future periods. The contracts are entered into in the normal course of business to reduce risk of loss of inventory on hand, which could result through fluctuations in market prices. 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. Ineffectiveness related to these hedging activities was immaterial for the three and six months ended June 30, 2010 and 2009.

The Partnership also uses futures contracts and swap agreements to hedge exposure under forward purchase and sale commitments. These agreements are intended to hedge the cost component of virtually all of the Partnership s forward purchase and sale commitments. Changes in the fair value of these contracts, as well as offsetting gains or losses on the forward fixed price purchase and sale commitments, are recognized in earnings as an increase or decrease in cost of sales. Gains and losses on net product margin from forward fixed price purchase and sale contracts are reflected in earnings as an increase or decrease in cost of sales as these contracts mature. Ineffectiveness related to these hedging activities was immaterial for the three and six months ended June 30, 2010 and 2009.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

The following table presents the gross fair values of the Partnership s derivative instruments and firm commitments and their location in the Partnership s consolidated balance sheets at June 30, 2010 and December 31, 2009 (in thousands):

Asset Derivatives	**Balance Sheet Location (Net)**	**June 30, 2010 Fair Value**	**December 31, 2009 Fair Value**
Derivatives designated as hedging instruments and firm commitments			
Oil product contracts(1)	(2)	$ 5,919	$ 4,085
Derivatives not designated as hedging instruments			
Oil product and natural gas contracts	(2)	9,798	11,067
Total asset derivatives		$ 15,717	$ 15,152
Liability Derivatives			
Derivatives designated as hedging instruments and firm commitments			
Oil product contracts(1)	(3)	$ 4,636	$ 23,030
Derivatives not designated as hedging instruments			
Oil product and natural gas contracts	(4)	9,602	10,805
Total liability derivatives		$ 14,238	$ 33,835

(1) Includes forward fixed price purchase and sale contracts as recognized in the Partnership s consolidated balance sheets at June 30, 2010 and December 31, 2009.

(2) Fair value of forward fixed price contracts and prepaid expenses and other current assets

(3) Obligations on forward fixed price contracts and other derivatives and accrued expenses and other current liabilities

(4) Obligations on forward fixed price contracts and other derivatives and accrued expenses and other current liabilities

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

The following table presents the amount of gains and losses 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, 2010 and 2009 (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 June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Oil product contracts	Cost of sales	$ 42,230	$ (99,378)	$ 42,203	$ (199,602)

Hedged Items in Fair Value Hedged Relationships	Location of Gain (Loss) Recognized in Income on Hedged Items	Amount of Gain (Loss) Recognized in Income on Hedged Items — Three Months Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Inventories and forward fixed price contracts	Cost of sales	$ (42,332)	$ 99,699	$ (42,305)	$ 200,247

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

The table below presents the composition and fair value of forward fixed price purchase and sale contracts on the Partnership s consolidated balance sheet being hedged by the following derivative instruments (in thousands):

	June 30, 2010	December 31, 2009
Futures contracts	$ (865)	$ (14,605)
Swaps and other, net	(502)	(3,420)
Total	$ (1,367)	$ (18,025)

The total balances of $(1.4) million and $(18.0) million reflect the fair value of the forward fixed price contract liability net of the corresponding asset on the accompanying consolidated balance sheets at June 30, 2010 and December 31, 2009, respectively.

The Partnership also markets and sells natural gas. The Partnership generally conducts business by entering into forward purchase commitments for natural gas only when it simultaneously enters into arrangements for the sale of product for physical delivery to third-party users. The Partnership generally takes delivery under its purchase commitments at the same location as it delivers to third-party users. Through these transactions, which establish an immediate margin, the Partnership seeks to maintain a position that is substantially balanced between firm forward purchase and sales commitments. Natural gas is generally purchased and sold at fixed prices and quantities. Current price quotes from actively traded markets are used in all cases to determine the contracts   fair value. Changes in the fair value of these contracts are recognized in earnings as an increase or decrease in cost of sales.

The Partnership formally documents all relationships between hedging instruments and hedged items after its risk management objectives and strategy for undertaking the hedge are determined. The Partnership calculates hedge effectiveness on a quarterly basis. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument s effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, the Partnership assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items. The derivative instruments that qualify for hedge accounting are fair value hedges.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

The Partnership has a daily margin requirement with its broker based on the prior day s market results on open futures contracts. The brokerage margin balance was $19.8 million and $18.1 million at June 30, 2010 and December 31, 2009, respectively.

The Partnership is exposed to credit loss in the event of nonperformance by counterparties of forward purchase and sale commitments, futures contracts, options 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 one clearing broker, a major financial institution, for all New York Mercantile Exchange (NYMEX) derivative transactions and the right of offset exists. Accordingly, the fair value of all derivative instruments is presented on a net basis on the consolidated balance sheets. Exposure on forward purchase and sale commitments, swap and certain option agreements is limited to the amount of the recorded fair value as of the balance sheet dates.

The Partnership generally enters into master netting arrangements to mitigate counterparty credit risk with respect to its derivatives. Master netting arrangements are standardized contracts that govern all specified transactions with the same counterparty and allow the Partnership to terminate all contracts upon occurrence of certain events, such as a counterparty s default or bankruptcy. Because these arrangements provide the right of offset, and the Partnership s intent and practice is to offset amounts in the case of contract terminations, the Partnership records fair value of derivative positions on a net basis.

Cash Flow Hedges

The Partnership links all hedges that are designated as cash flow hedges to forecasted transactions. 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 and reclassified into interest expense in the same period during which the hedged transaction affects earnings.

The Partnership executed two zero premium interest rate collars with major financial institutions. Each collar is designated and accounted for as a cash flow hedge. The first collar, which became effective on May 14, 2007 and expires on May 14, 2011, is used to hedge the variability in interest payments due to changes in the three-month LIBOR rate with respect to $100.0 million of three-month LIBOR-based borrowings. Under the first collar, the Partnership capped its exposure at a maximum three-month LIBOR rate of 5.75% and established a minimum floor rate of 3.75%. As of June 30, 2010, the three-month LIBOR rate of 0.43% was lower than the floor rate. As a result, in August 2010, the Partnership will remit to the respective financial institution the difference between the floor rate and the current rate which amounted to approximately $442,600 and, at June 30, 2010, such amount was recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets. The fair values of the first collar, excluding accrued interest, were liabilities of approximately $2.7 million and $3.9 million as of June 30, 2010 and December 31, 2009, respectively, and were recorded in both other long-term liabilities and accumulated other comprehensive income. Hedge effectiveness was assessed at inception and is assessed quarterly, prospectively and retrospectively. The changes in the fair value of the first collar are expected to be highly effective in offsetting the changes in interest rate payments attributable to fluctuations in the three-month LIBOR rate above and below the first collar s strike rates.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

On September 29, 2008, the Partnership executed its second zero premium interest rate collar. The second 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 the Partnership s $100.0 million one-month LIBOR-based borrowings (and subsequent refinancings thereof) due to changes in the one-month LIBOR rate. Under the second collar, the Partnership capped its exposure at a maximum one-month LIBOR rate of 5.50% and established a minimum floor rate of 2.70%. As of June 30, 2010, the one-month LIBOR rate of 0.35% was lower than the floor rate. As a result, in July 2010, the Partnership remitted to the respective financial institution the difference between the floor rate and the current rate which amounted to approximately $189,200 and, at June 30, 2010, such amount was recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheet. The fair values of the second collar, excluding accrued interest, were liabilities of approximately $4.9 million and $3.2 million as of June 30, 2010 and December 31, 2009, respectively, and were recorded in both other long-term liabilities and accumulated other comprehensive income in the accompanying consolidated balance sheets. Hedge effectiveness was assessed at inception and is assessed quarterly, prospectively and retrospectively, using the regression analysis. The changes in the fair value of the second collar are expected to be highly effective in offsetting the changes in interest rate payments attributable to fluctuations in the one-month LIBOR rate above and below the second collar s strike rates.

In addition, in October 2009, the Partnership executed a forward starting swap with a major financial institution. The swap, which will become effective on May 16, 2011 and expire on May 16, 2016, will be 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 at a fixed rate of 3.93%. The fair value of the swap was a liability of approximately $6.5 million as of June 30, 2010 and was recorded in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the swap was an asset of approximately $80,000 as of December 31, 2009 and was recorded in other long-term assets in the accompanying consolidated balance sheets. Hedge effectiveness was assessed at inception and will be assessed quarterly, prospectively and retrospectively, using regression analysis. The changes in the fair value of the swap are expected to be highly effective in offsetting the changes in interest rate payments attributable to fluctuations in the one-month LIBOR swap curve.

The following table presents the fair value of the Partnership s derivative instruments and their location in the Partnership s consolidated balance sheets at June 30, 2010 and December 31, 2009 (in thousands):

Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**June 30, 2010 Fair Value**	**December 31, 2009 Fair Value**
Asset derivatives			
Forward starting swap	Other assets	$	$ 80
Liability derivatives			
Interest rate collars	Other long-term liabilities	$ 7,577	$ 7,047

Forward starting swap	Other long-term liabilities	6,501	
Total liability derivatives		$ 14,078	$ 7,047

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 6. Derivative Financial Instruments (continued)

The following table presents the amount of 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, 2010 and 2009 (in thousands):

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives Three Months Ended June 30, 2010	June 30, 2009	Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing) Three Months Ended June 30, 2010	June 30, 2009	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives Six Months Ended June 30, 2010	June 30, 2009	Recognized in Income on Derivatives (Ineffectiveness Portion and Amount Excluded from Effectiveness Testing) Six Months Ended June 30, 2010	June 30, 2009
Interest rate collars	$ (161)	$ 2,263	$	$	$ (529)	$ 3,415	$	$
Forward starting swap	(4,718)				(6,582)			
Total	$ (4,879)	$ 2,263	$	$	$ (7,111)	$ 3,415	$	$

Ineffectiveness related to the interest rate collars and forward starting swap is recognized as interest expense and was immaterial for the three and six months ended June 30, 2010 and 2009. The effective portion related to the interest rate collars that was originally reported in other comprehensive income and reclassified to earnings was $1.5 million and $3.0 million for the three and six months ended June 30, 2010, respectively, and $1.3 million and $2.3 million for the three and six months ended June 30, 2009, respectively.

Derivatives Not Involved in a Hedging Relationship

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 logistical issues inherent in the business, such as weather conditions. In connection with managing these positions and maintaining a constant presence in the marketplace, both necessary for its business, the Partnership engages in a controlled trading program for up to an aggregate of 250,000 barrels of refined petroleum products at any one point in time.

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, 2010 and 2009 (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended June 30, 2010	June 30, 2009	Amount of Gain (Loss) Recognized in Income on Derivatives Six Months Ended June 30, 2010	June 30, 2009
Oil product contracts	Cost of sales	$ 1,652	$ 1,767	$ 1,131	$ 5,752

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 7. Debt

On May 14, 2010, the Partnership entered into an Amended and Restated Credit Agreement (the Credit Agreement), increasing the Aggregate Commitments (as defined in the Credit Agreement) available under the Credit Agreement to $950.0 million from $850.0 million under the previous credit agreement. The Credit Agreement will mature on May 14, 2014.

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 $800.0 million; and

- a $150.0 million revolving credit facility to be used for acquisitions and general corporate purposes.

In addition, the Credit Agreement has an accordion feature whereby the Partnership may request on the same terms and conditions of its then existing Credit Agreement, provided no Event of Default (as defined in the Credit Agreement) then exists, an increase to the revolving credit facility, the working capital revolving credit facility, or both, by up to another $200.0 million, for a total credit facility of up to $1.15 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 $950.0 million.

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 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 refined 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.

During the period from January 1, 2009 through May 13, 2010, borrowings under the previous credit agreement under the working capital revolving credit facility bore interest at (1) the Eurodollar rate plus 1.75% to 2.25%, (2) the cost of funds rate plus 1.75% to 2.25%, or (3) the base rate plus 0.75% to 1.25%, each depending on the pricing level provided in the previous credit agreement, which in turn depended upon the Combined Interest Coverage Ratio (as defined in the previous credit agreement). Borrowings under the acquisition and revolving credit facilities bore interest at (1) the Eurodollar rate plus 2.25% to 2.75%, (2) the cost of funds rate plus 1.75% to 2.25%, or (3) the base rate plus 0.75% to 1.25%, each depending on the pricing level provided in the previous credit agreement, which in turn depended upon the Combined Interest Coverage Ratio.

Commencing May 14, 2010 under the Credit Agreement, borrowings under the working capital revolving credit facility bear 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 depends upon the Utilization Amount (as defined in the Credit Agreement). Borrowings under the revolving credit facility bear interest at (1) the Eurodollar rate plus 3.00% to 3.25%, (2) the cost of funds rate plus 3.00% to 3.25%, or (3) the base rate plus 2.00% to 2.25%, each depending on the pricing level provided in the Credit Agreement, which in turn depends upon the Combined Senior Secured Leverage Ratio (as defined in the Credit Agreement). The average interest rates for the Credit Agreement were 4.1% and 3.8% for the three months ended June 30, 2010 and 2009, respectively, and 3.6% and 3.8% for the six months ended June 30, 2010 and 2009, respectively.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 7. Debt (continued)

The Partnership executed two zero premium interest rate collars and a forward starting swap which are used to hedge the variability in interest payments under the Credit Agreement due to changes in LIBOR rates. See Note 6 for additional information on the interest rate collars and the forward starting swap.

The Partnership incurs a letter of credit fee of 2.50% 3.00% 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 equal 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 $269.3 million and $240.9 million at June 30, 2010 and December 31, 2009, respectively, representing the amounts expected to be outstanding during the 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 $101.3 million and $221.7 million at June 30, 2010 and December 31, 2009, respectively, representing the amounts the Partnership expects to pay down during the course of the year.

As of June 30, 2010, the Partnership had total borrowings outstanding under the Credit Agreement of $468.4 million, including $97.8 million outstanding on the acquisition facility. In addition, the Partnership had outstanding letters of credit of $43.5 million. The total remaining availability for borrowings and letters of credit at June 30, 2010 and December 31, 2009 was $438.1 million and $211.2 million, respectively.

The Credit Agreement is secured by substantially all of the assets of the Partnership and each of the Companies 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, 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 EBITDA, 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, 2010. 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). Under the Credit Agreement, the clean down requirement of the previous credit agreement was eliminated.

The Credit Agreement limits distributions by the Partnership to its unitholders to the amount of the Partnership s available cash.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 7. Debt (continued)

The lending group under the Credit Agreement is comprised of the following institutions: Bank of America, N.A.; JPMorgan Chase Bank, N.A.; Wells Fargo Bank, N.A.; Societe Generale; Standard Chartered Bank; RBS Citizens, National Association; BNP Paribas; Cooperative Centrale Raiffeisen-Boerenleenbank B.A., Radobank Nederland New York Branch; Sovereign Bank (Santander Group); Credit Agricole Corporate and Investment Bank; Keybank National Association; Toronto Dominion (New York); RZB Finance LLC; Royal Bank of Canada; Raymond James Bank, FSB; Barclays Bank plc; Webster Bank, National Association; Natixis, New York Branch; DZ Bank AG Deutsche Zentral-Genossenschaftsbank Frankfurt Am Main; Branch Banking & Trust Company; and Sumitomo Mitsui Banking Corporation.

Note 8. Employee Benefit Plan with Related Party

The General Partner employs substantially all of the Partnership s employees and charges the Partnership for their services. The Partnership also reimburses the General Partner for its contributions under the General Partner s 401(k) Savings and Profit Sharing Plan and the General Partner s qualified and non-qualified pension plans. The Partnership s net periodic benefit cost for the defined benefit pension plan consisted of the following components (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	$ 54	$ 325	$ 107	$ 650
Interest cost	164	228	327	457
Expected return on plan assets	(171)	(160)	(340)	(321)
Recognized net actuarial loss		48		96
Net periodic benefit cost	$ 47	$ 441	$ 94	$ 882

Effective December 31, 2009, the General Partner s qualified pension plan (the Plan) was amended to freeze participation in and benefit accruals under the Plan. Primarily for this reason, the net periodic benefit cost decreased by approximately $0.4 million and $0.8 million for the three and six months ended June 30, 2010, respectively, compared to the same periods in 2009.

Note 9. Related Party Transactions

The Partnership is a party to a Second Amended and Restated Terminal Storage Rental and Throughput Agreement with Global Petroleum Corp. (GPC), an affiliate of the Partnership, which extends through July 2014 with annual renewal options thereafter. The agreement is accounted for as an operating lease. The expenses under this agreement totaled approximately $2.1 million and $2.1 million for the three months ended June 30, 2010 and 2009, respectively, and approximately $4.3 million and $4.2 million for the six months ended June 30, 2010 and 2009, respectively.

Pursuant to an Amended and Restated Services Agreement with GPC, GPC provides certain terminal operating management services to the Partnership and uses certain administrative, accounting and information processing services of the Partnership. The expenses from these services totaled approximately $21,900 and $15,000 for the three months ended June 30, 2010 and 2009, respectively, and approximately $43,700 and $36,500 for the six months ended June 30, 2010 and 2009, respectively. These charges were recorded in selling, general and administrative expenses in the accompanying consolidated statements of income. The agreement is for an indefinite term, and either party may terminate its receipt of some or all of the services thereunder upon 180 days notice at any time after January 1, 2009. As of June 30, 2010, no such notice of termination was given by either party.

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 9. Related Party Transactions (continued)

Pursuant to the Partnership s Amended and Restated Services Agreement with Alliance Energy LLC (Alliance), the Partnership also provides certain administrative, accounting and information processing services, and the use of certain facilities, to Alliance, an affiliate of the Partnership that is wholly owned by AE Holdings Corp., which is approximately 95% owned by members of the Slifka family. The income from these services was approximately $49,000 and $78,800 for the three months ended June 30, 2010 and 2009, respectively, and $98,000 and $191,000 for the six months ended June 30, 2010 and 2009, respectively. These fees were recorded as an offset to selling, general and administrative expenses in the accompanying consolidated statements of income. The agreement extends through January 1, 2011.

On May 12, 2010, the Partnership and Alliance entered into a letter agreement with respect to shared services for the year ending December 31, 2010, pursuant to which the Partnership will provide information technology infrastructure to Alliance for $106,000 for the year in addition to production and project support and routine information technology maintenance at a rate of $100.00 an hour. Also for the year ending December 31, 2010, the Partnership will provide limited legal services to Alliance for $75,000 and limited accounting, treasury, tax and human resources support for $15,000. The income from these services was approximately $35,000 for the three months ended June 30, 2010.

The Partnership sells refined petroleum products to Alliance at prevailing market prices at the time of delivery. Sales to Alliance were approximately $6.2 million and $3.9 million for the three months ended June 30, 2010 and 2009, respectively, and $13.5 million and $6.6 million for the six months ended June 30, 2010 and 2009, respectively.

The General Partner employs substantially all of the Partnership s employees and charges the Partnership for their services. The expenses for the three months ended June 30, 2010 and 2009, including payroll, payroll taxes and bonus accruals, were $9.4 million and $7.6 million, respectively, and $19.8 million and $19.9 million for the six months ended June 30, 2010 and 2009, respectively. The Partnership also reimburses the General Partner for its contributions under the General Partner s 401(k) Savings and Profit Sharing Plan and the General Partner s qualified and non-qualified pension plans.

The table below presents trade receivables with Alliance, receivables incurred in connection with the services agreements between Alliance and the Partnership and GPC and the Partnership, as the case may be, and receivables from the General Partner (in thousands):

	June 30, 2010	December 31, 2009
Receivables from Alliance	$ 674	$ 838
Receivables from GPC	121	251

Receivables from the General Partner (1)		2,444		476
Total	$	3,239	$	1,565

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

Note 10. Cash Distributions

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

GLOBAL PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 10. Cash Distributions (continued)

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

The Partnership will make distributions of available cash from distributable cash flow for any quarter during the subordination period as defined in its partnership agreement in the following manner: firstly, 98.66% to the common unitholders, pro rata, and 1.34% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; secondly, 98.66% to the common unitholders, pro rata, and 1.34% to the General Partner, until the Partnership distributes for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters during the subordination period; thirdly, 98.66% to the subordinated unitholders, pro rata, and 1.34% to the General Partner, until the Partnership distributes for each subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and thereafter, cash in excess of the minimum quarterly distributions is distributed to the unitholders and the General Partner, as the holder of the IDRs, based on the percentages as provided below.

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

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions	
		Unitholders	General Partner
Minimum Quarterly Distribution	$0.4625		