Global Partners LP
Form 10-K
March 31, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

S	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal year ended December 31, 2005
	OR
£	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from______________to_______________

Commission file number 001-32593

Global Partners LP

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**74-3140887**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

P.O. Box 9161
800 South Street
Waltham, Massachusetts 02454-9161
(Address of Principal Executive Offices, Including Zip Code)

(781) 894-8800
(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Units representing limited partner interests	**New York Stock Exchange**

Securities registered pursuant to section 12(b) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

The aggregate market value of common units held by non-affiliates of the registrant (treating directors and executive officers of the registrant s general partner and holders of 10% or more of the common units outstanding, for this purpose, as if they were affiliates of the registrant) as of October 4, 2005 was $132,812,877 computed based on a price per common unit of $23.91, the price at which the common units were last sold as reported on the New York Stock Exchange on such date.

Note If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

As of March 17, 2006, 5,642,424 common units and 5,642,424 subordinated units were outstanding.

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Forward-Looking Statements

This annual report on Form 10-K contains certain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are identified as any statements that do not relate strictly to historical or current facts and can generally be identified by the use of forward-looking terminology including may, believe, expect, anticipate, estimate, continue or other similar words. Such stat may discuss future expectations for or contain projections of results of operations, financial condition or our ability to make distributions to unitholders or state other forward-looking information. Forward-looking statements are not guarantees of performance. Although we believe these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks, many of which are beyond our control, which may cause future results to be materially different from the results stated or implied in this document. These risks and uncertainties include, among other things:

- We may not have sufficient cash from operations to enable us to pay the minimum quarterly distribution following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

- Warmer weather conditions could adversely affect our results of operations and cash available for distribution to our unitholders.

- Our risk management policies cannot eliminate all commodity risk. In addition, any non-compliance with our risk management policies could result in significant financial losses.

- We are exposed to trade credit risk in the ordinary course of our business activities.

- Due to our lack of asset and geographic diversification, adverse developments in the terminals that we use or in our operating areas could reduce our ability to make distributions to our unitholders.

- We are exposed to performance risk in our supply chain.

- Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to the detriment of unitholders.

- Unitholders have limited voting rights and are not entitled to elect our general partner or its directors or initially to remove our general partner without its consent, which could lower the trading price of our common units.

- Unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.

Additional information about risks and uncertainties that could cause actual results to differ materially from forward-looking statements is contained in Item 1A. Risk Factors in this annual report on Form 10-K.

All forward-looking statements included in this Form 10-K and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made, other than as required by law, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Available Information

We make available free of charge, through our website, www.globalp.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission (SEC). These documents are also available at the SEC s website at www.sec.gov. Our website also includes our Code of Business Conduct and Ethics, our Governance Guidelines and the charters of our Audit Committee and Compensation Committee.

PART I

References in this Annual Report on Form 10-K to Global Partners LP, we, our, us or like terms when used in a historical context refer to the business of Global Companies LLC and its affiliates, Glen Hes Corp., Global Montello Group LLC, and Chelsea Sandwich LLC (collectively, Global Companies LLC and Affiliates.) When used in the present tense or prospectively, those terms refer to Global Partners LP and its subsidiaries.

Items 1. and 2. Business and Properties.

Overview

On October 4, 2005 we completed the initial public offering of our common units representing limited partner interests. We have four operating subsidiaries which are wholly owned by Global Operating LLC, a wholly owned subsidiary of ours: Global Companies LLC, its subsidiary, Glen Hes Corp., Global Montello Group Corp. and Chelsea Sandwich LLC. Global GP LLC manages our operations and activities and employs our officers and personnel.

We own, control or have access to one of the largest terminal networks of refined petroleum products in New England. We are one of the largest wholesale distributors of distillates (such as home heating oil, diesel and kerosene), gasoline, and residual oil and bunker fuel to wholesalers, retailers and commercial customers in New England. We are also one of the largest wholesale marketers of home heating oil in New England. We own, lease or maintain dedicated storage facilities at 18 refined petroleum product bulk terminals, including 12 located throughout New England, that are supplied primarily by marine transport, pipeline or truck and that collectively have approximately 6.2 million barrels of storage capacity. We also have throughput or exchange agreements at six bulk terminals and 33 inland storage facilities.

We purchase our refined petroleum products primarily from domestic and foreign refiners, traders and producers and sell these products in two segments, Wholesale and Commercial. In 2005, our Wholesale sales accounted for approximately 90% of our total sales and our Commercial sales accounted for approximately 10%.

Business Strategies

Our primary business objective is to increase distributable cash flow per unit by continuing to execute the following strategies:

- *Expand Within and Beyond Our Core New England Market.* We continue to pursue strategic and accretive acquisitions of assets and marketing businesses both within our existing area of operations and in new geographic areas. Consistent with this strategy, we have acquired terminals in South Portland, Maine and Wethersfield, Connecticut that complement our existing terminal asset base and marketing business, and we have expanded into Long Island and Albany, New York and Trenton, New Jersey. We target businesses with (1) physical assets, (2) a marketing division that has, among other attributes, consistent cash flows and stable customer lists or (3) a combination of these attributes. We assign value to the marketing opportunities associated with physical assets, terminals in particular. Because of our interest in purchasing marketing businesses as well as physical assets, we believe we have a competitive advantage over bidders interested in purchasing only physical assets. In addition, we continue to seek strategic relationships with companies that are looking to outsource their wholesale marketing business, as these opportunities allow us to leverage our strengths in marketing infrastructure and credit fundamentals. We currently have marketing arrangements with a major supplier of unbranded gasoline in several northeastern states as well as one distillate supplier in the Northeast. We also continue to develop our bunkering operations in

New England, New York and Maryland, and in the future we expect to enter into new bunkering markets in other significant Atlantic ports.

- *Serve as a Preferred Supplier to Our Customers.* We believe that our customers value dependability and quality of supply. We strive to maintain a level of inventory to ensure that the supply needs of our customers are always satisfied. During periods of product shortages, we have historically succeeded in sustaining a supply of product sufficient to meet the needs of our customers while many of our competitors have not. We own, control or have access to bulk terminals and inland storage facilities that are strategically located for ease of access by our customers. Such access reduces our customers transportation costs and maximizes the number of deliveries they can make. Additionally, we satisfy specific customer needs by customizing our products such as diesel and home heating oil by blending and injecting additives.

- *Focus on Credit Fundamentals of Our Customers.* We manage our trade credit exposure through conservative management practices:

- pre-approving customers up to certain credit limits;

- seeking secondary sources of repayment for trade credit, such as letters of credit or guarantees;

- not offering to extend credit as a marketing tool to attract customers; and

- placing many of our customers on automatic debit systems for payment.

- As a result of these practices, in each of the past five years the amount of account receivables that we wrote off was less than five one-hundredths of one percent (0.05%) of sales. Our ability to manage our trade credit exposure helps us to expand our marketing business and has allowed us to enter into marketing arrangements with third parties where we assume the sales credit risk and the third party retains the commodity risk.

- *Minimize our Exposure to Commodity Price Volatility.* Although we take title to the products we sell, we actively manage our business to minimize commodity price exposure by using hedging techniques. We seek to maintain a position that is substantially balanced between purchases and sales by establishing an offsetting sales position with a positive margin each time we commit to purchase a volume of product.

Product Sales

General

We sell our refined petroleum products in two segments, Wholesale and Commercial. The majority of products we sell can be grouped into three categories: distillates, gasoline and residual oil and bunker fuel. Of our total volume sold in 2005, distillates accounted for approximately 52%, gasoline approximately 32% and residual oil and bunker fuel approximately 16%.

Distillates. Distillates are further divided into home heating oil, diesel and kerosene. In 2005, sales of home heating oil accounted for approximately 82% of total volume of distillates sold, diesel approximately 16% and kerosene approximately 2%.

We sell generic home heating oil and Heating Oil Plus®, our proprietary premium branded heating oil. Heating Oil Plus® is electronically blended at the delivery facility and is designed to reduce fuel related service calls by reducing the problems associated with today s fuel quality, such as plugged nozzles and clogged filters and pump screens. Of the volume of home heating oil we sell to wholesale resellers, approximately 6% is Heating Oil Plus®. In addition, we sell to some wholesale resellers the additive used to create Heating Oil Plus®, make available special injection systems and provide technical support to

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assist them with blending. We also educate the sales force of our customers to better prepare them for marketing our products to their customers.

We sell generic diesel and Diesel One®, our proprietary premium diesel product, to unbranded motor fuel stations, diesel-consuming truck fleets and other end users. We also have the ability to blend diesel according to customers specifications. Diesel One® is formulated to achieve consistent, high quality fuel performance with the following benefits for all diesel engine applications: better fuel quality, increased horsepower, lower maintenance costs, longer engine life and maximum cold weather operability. We offer marketing and technical support for those customers who purchase Diesel One®. Of the volume of diesel we sell to wholesale resellers, approximately 38% is Diesel One®.

Gasoline. We sell grades of unbranded gasoline that comply with seasonal and geographical requirements in the areas in which we market. We have the ability to blend gasoline, and we sell conventional gasoline and ethanol blended gasoline in the markets that require such products.

Residual Oil and Bunker Fuel. We are one of two primary residual oil marketers in New England. We specially blend bunker fuel for users in accordance with their individual power plant specifications.

Wholesale

In the Wholesale segment we sell home heating oil, diesel, kerosene, unbranded gasoline and residual oil to wholesalers, retailers and commercial customers. Generally, customers use their own vehicles or contract carriers to take delivery of the product at bulk terminals and inland storage facilities that we own or control or with which we have throughput arrangements. Please read Storage.

In 2005, we sold home heating oil, including Heating Oil Plus®, to over 875 wholesale distributors and retailers. We have a fixed price sales program that we market primarily to wholesale distributors and retailers which uses the New York Mercantile Exchange (NYMEX) heating oil contract as the pricing benchmark as a vehicle to manage the commodity risk. Please read Commodity Risk Management. Approximately 45% of our home heating oil volume is sold using fixed price forward contracts. A fixed price forward contract requires our customer to purchase a specific volume during a specific price period. The remaining home heating oil is sold on either a posted price or a price based on various indices which, in both instances, reflect current market conditions.

In 2005, we sold unbranded gasoline, diesel and/or Diesel One® to approximately 670 wholesalers and retail gasoline station operators, vehicles, fleet and marine users and other end users throughout the Northeast.

We have marketing arrangements with a major supplier of unbranded gasoline in several northeastern states as well as a distillate supplier in the Northeast. We are responsible for marketing and we bear the credit risk.

We sell residual oil to approximately 25 wholesale distributors. Approximately 30% of our Wholesale residual oil sales is accomplished through fixed price forward contracts. The remaining residual oil is sold using market-related prices, either posted prices or indexed prices to reflect current market conditions.

Commercial

Our Commercial segment includes sales of home heating oil, diesel, kerosene, unbranded gasoline and residual oil to customers in the public sector through competitive bidding and to large commercial and industrial customers. Our Commercial segment also includes custom blended residual oil and distillates delivered by bunker barges or from a terminal dock. In 2005, this segment accounted for approximately 14% of our total volume for all refined petroleum products sold.

Our Commercial customers include federal and state agencies, municipalities, large industrial companies, many autonomous authorities, such as transportation authorities and water resource authorities, colleges and universities and a select group of small utilities. Unlike our Wholesale segment, in our Commercial segment, we generally arrange the delivery of the product to the customer s designated location. We typically hire third-party common carriers to deliver the product. Please read Storage.

In this segment we respond to publicly issued requests for product proposals and quotes. As of December 31, 2005, we currently have contracts as a result of this public bidding process with the U.S. government and the states of Massachusetts, New Hampshire and Rhode Island. We also have contracts with more than 50 municipalities, seven autonomous authorities and six institutional customers in New England to meet their various fuel requirements.

The average term of contracts in our bid business is for one year. The volume of these contracts range from 40,000 to 8 million gallons. We offer both fixed and indexed (floating) price and volume contracts to customers. The majority of bid activity is priced using an indexed price with the index typically chosen by the issuing authority in its solicitation for the bid proposal. The index prices are usually referenced to one of five industry publications and/or the utilization of regulated exchanges.

In addition to these products, our Commercial segment includes sales of a small amount of natural gas which is delivered through a pipeline. In 2005, sales of natural gas accounted for approximately 6% of the total sales generated in our Commercial segment.

Our Commercial customers also include cruise ships, dry and wet bulk carriers, fishing fleets and other marine equipment. We blend the fuel to the customers specifications at the terminal facility or on the bunker barge and then deliver the resulting bunker fuel directly to the ship or barge.

We are the largest bunkering provider in New England. In addition, we are the dominant bunkering operator in Boston Harbor where we are the only marine-based provider of bunker fuel.

Supply

Our products come from some of the major energy companies in the world. Cargos are sourced from the United States, Canada, South America, the former Soviet Republics, Europe and occasionally from Asia. During 2005, we purchased an average of approximately 174,000 barrels per day of refined petroleum products from approximately 80 suppliers. In 2005, our top eight suppliers were ExxonMobil Corporation, Morgan Stanley Capital Group, Vitol S.A., ConocoPhillips Co., Giant Industries, Inc., Petróleos de Venezuela, S.A., Citgo Petroleum Corporation and Irving Oil Limited, and accounted for 68% of our product purchases by volume. We enter into supply agreements with these suppliers on a term basis or a spot basis. With respect to trade terms, our supply purchases vary depending on the particular contract from prompt payment (usually three days) to net 30 days. Please read Commodity Risk Management.

Commodity Risk Management

Since we take title to the refined petroleum products that we sell, we are exposed to commodity risk. Commodity risk describes the risk of unfavorable market fluctuations in the price of commodities such as refined petroleum products. We endeavor to minimize commodity risk in connection with our daily operations. Generally, as we purchase and/or store refined petroleum products, we reduce commodity risk and establish a margin by selling the product for physical delivery to third parties. Products are generally purchased and sold at fixed prices or at indexed prices. While we use these transactions to seek to maintain a position that is substantially balanced between purchased volumes versus sales volumes through regulated exchanges or derivatives, we 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 associated with inclement weather conditions. In connection with managing these positions and

maintaining a constant presence in the marketplace, both necessary for our business, we engage in a controlled trading program for up to an aggregate of 250,000 barrels of refined petroleum products on any day. Our general policy is not to hold refined petroleum products, futures contracts or other derivative products and instruments for the sole purpose of speculating on price change. While our policies are designed to minimize market risk, some degree of exposure to unforeseen fluctuations in market conditions remains.

Operating results are sensitive to a number of factors. Such factors include commodity location, grades of product, individual customer demand for grades or location of product, localized market price structures, availability of transportation facilities, daily delivery volumes that vary from expected quantities and timing and costs to deliver the commodity to the customer. The term basis risk is used to describe the inherent market price risk created when a commodity of certain grade or location is purchased, sold or exchanged versus a purchase, sale or exchange of a like commodity of varying location or grade including, without limitation, timing differential. We attempt to reduce our exposure to basis risk by grouping our purchase and sale activities by geographical region in order to stay balanced within such designated region. However, there can be no assurance that all basis risk is or will be eliminated.

With respect to the pricing of commodities, we enter into future contracts to minimize or hedge the impact of market fluctuations on our purchase and fixed forward sales of refined petroleum products. Any hedge ineffectiveness is reflected in our results of operations. We utilize the NYMEX, which is a regulated exchange for energy products that it trades, thereby reducing potential delivery and supply risks. Generally, our practice is to close all NYMEX positions rather than to make or receive physical deliveries. With respect to other energy products, we enter into derivative agreements with counterparties that we believe have a strong credit profile, in order to hedge market fluctuations and/or lock-in margins relative to our commitments.

We monitor processes and procedures to prevent unauthorized trading by our personnel and to maintain substantial balance between purchases and sales or future delivery obligations. We can provide no assurance, however, that these steps will detect and prevent all violations of such trading policies and procedures, particularly if deception or other intentional misconduct is involved.

Storage

Bulk terminals and inland storage facilities play a key role in the distribution of product to our customers. We own four bulk terminals in the New England area, lease the entirety of two bulk terminals in Massachusetts that we operate exclusively for our business and maintain dedicated storage facilities at another 12 bulk terminals. Collectively, these bulk terminals provide us with approximately 6.2 million barrels of storage capacity, and our throughput volume at these facilities was approximately 1.4 billion gallons in 2005. Additionally, we have throughput or exchange agreements with another six bulk terminals and 33 inland storage facilities.

Throughput arrangements allow us to store product at terminals owned by others. Our customers can load product at these terminals and we pay the owners of these terminals fees for services rendered in connection with the receipt, storage and handling of such product. Compensation to the terminal owners may be fixed, or it may be based upon the volume of our product that is delivered at the terminal.

Exchange agreements also allow our customers to take delivery of product at a terminal that is not owned or leased by us. An exchange is a contractual agreement where the parties exchange product at their respective terminals or facilities. For example, we (or our customers) will receive product that is owned by our exchange partner from such party s facility or terminal, and we will deliver the same volume of our product to such party (or to such party s customers) out of one of the terminals in our terminal network. Generally, both sides of an exchange transaction pay a handling fee (similar to a throughput fee), and often one party also will pay a location differential that covers any excess transportation costs incurred by

the other party in supplying product to the location at which the first party receives product. Other differentials that may occur in exchanges (and result in additional payments) include product value differentials and timing differentials.

The bulk terminals and inland storage facilities from which we distribute product are supplied by ship, barge, truck, pipeline or rail. The inland storage facilities, which we use exclusively to store distillates, are supplied with product from marine bulk terminals and delivered by truck. Our customers receive product from our network of bulk terminals and inland storage facilities via truck, barge, rail or pipeline.

Many of our bulk terminals operate 24 hours a day and consist of multiple storage tanks and automated truck loading equipment. These automated systems monitor terminal access, volumetric allocations, credit control and carrier certification through the remote identification of customers. In addition, some of the bulk terminals at which we market are equipped with truck loading racks capable of providing automated blending and additive packages which meet our customers specific requirements.

The locations of the inland storage facilities that we use, eight of which are exclusive to us, provide convenience to our customers and allow them to reduce their transportation costs by reducing their travel time (to and from a marine facility), thus enhancing their ability to make more deliveries per day. We have longstanding relationships with many of the owners of the inland storage facilities that we use. We also consider the use of additional and alternative inland storage facilities as new opportunities become available and frequently explore potential arrangements with the owners of other facilities.

Bulk Terminals That We Own or Operate or at Which We Maintain Dedicated Storage

The following table lists the bulk terminals that we own or operate or at which we maintain dedicated storage facilities:

Bulk Terminal	Total Storage Capacity (barrels)	Approximate Product Capacity/Use	Supply Source	Mode of Delivery
Owned by Us				
Global Chelsea Terminal (Chelsea, MA)	684,600	46% Distillate; 54% Residual Oil	Marine; Truck	Marine; Truck
Global South Portland Terminal (South Portland, ME)	657,700	63% Distillate; 37% Residual Oil	Marine; Truck; Rail	Marine; Truck
Global Wethersfield Terminal (Wethersfield, CT)	168,700	100% Distillate	Pipeline; Truck	Truck
Global Sandwich Terminal (Sandwich, MA)	95,400	100% Distillate	Marine; Truck	Truck
Subtotal	**1,606,400**			
Leased and Operated by Us				
New Bedford Terminal (New Bedford, MA)(1)	249,800	23% Distillate; 77% Residual Oil	Marine; Truck	Marine; Truck
Joffe Terminal (Springfield, MA)(1)	54,000	100% Distillate	Pipeline; Truck	Truck
Subtotal	**303,800**			
Dedicated Storage Maintained by Us and Operated by Others				
Revere Terminal (Revere, MA)(1)(2)	2,086,700	69% Distillate; 31% Gasoline	Marine; Pipeline; Rail; Truck	Marine; Pipeline; Truck
Capital Terminal (East Providence, RI)(1)	835,000	100% Distillate	Marine; Pipeline; Truck	Marine; Pipeline; Truck
Gateway Terminal (New Haven, CT)(1)	511,400	76% Distillate; 24% Residual Oil	Marine; Truck; Pipeline	Marine; Truck; Pipeline
ExxonMobil (Everett, MA)	175,000	100% Distillate	Marine	Marine; Truck
United Oil Recovery (Portland, CT)	12,000	100% Distillate	Pipeline; Truck	Truck
Taylor Energy (Broad Brook, CT)	36,900	100% Distillate	Pipeline; Truck	Truck
Cibro Petroleum Products (Albany, NY)	310,000	100% Residual Oil	Marine; Rail; Truck	Marine; Rail; Truck
Intercontinental Terminal Company (Deer Park, TX)	110,000	100% Blendstock	Marine; Pipeline; Truck	Marine; Pipeline; Rail; Truck
Hess Bayonne (Bayonne, NJ)	72,000	100% Residual Oil	Marine	Marine
Hess Baltimore (Baltimore, MD)	112,000	100% Residual Oil	Marine	Marine
Plains Marketing, L.P. (Ingleside, TX)	50,000	100% Petrochemical Feedstock	Truck	Marine
Commander Terminals LLC (Oyster Bay, NY)	5,000	100% Distillate	Marine; Truck	Marine; Truck
Subtotal	**4,316,000**			
Total	**6,226,200**			

(1) We are the sole marketer at this facility.

(2) We have entered into a terminalling agreement with a third party that has reserved approximately 230,000 barrels of throughput and/or storage capabilities at this facility.

Bulk Terminals with Throughput or Exchange Agreements

The following table shows the bulk terminals with which we have throughput or exchange agreements. Our products are stored at these facilities on a commingled basis and volumes vary.

Throughput or Exchange Bulk Terminal(1)	Contracted Storage Capacity (barrels)	Approximate Product Capacity/Use	Supply Source	Mode of Delivery
Irving Oil, Inc. (Portsmouth, NH)	50,000	100% Distillates	Marine; Truck	Marine; Truck
Connecticut Petroleum Wholesalers (Bridgeport, CT)	As Available	100% Distillates	Marine; Truck	Marine; Truck
Commander Terminals LLC (Oyster Bay, NY)	As Available	100% Distillates	Marine; Truck	Marine; Truck
Consumers Oil Co. (Trenton, NJ)	As Available	100% Distillates	Pipeline; Truck	Truck
CITGO Petroleum Corp. (Braintree, MA)	As Available	100% Gasoline	Marine; Truck	Marine; Truck
Springfield Terminal, Inc. (Springfield, MA)	As Available	100% Distillates	Pipeline; Truck	Truck

(1) In February 2006, we entered into an agreement with Metro Terminals Corp. in Brooklyn, NY for the throughputting of distillates.

Competition

We encounter varying degrees of competition based on product and geographic locations. Our competitors include terminal companies, major integrated oil companies and their marketing affiliates and independent marketers of varying sizes, financial resources and experience. In our core market of New England, Sprague Energy Corp. competes with us in virtually all product lines and for all customers. In the residual oil markets, however, we face less competition because of the strategic locations of our storage facilities and bunkering assets. Residual oil is heated when stored and cannot be delivered long distances. Bunkering requires facilities at ports to service vessels. Within Boston Harbor, we have at Chelsea the largest storage capacity in Massachusetts committed to marine fuels, and furthermore, the Chelsea facility has multi-grade residual fuels. In various other geographic markets, particularly the unbranded gasoline and distillates markets, we compete with integrated refiners, merchant refiners and regional marketing companies.

Environmental

General

Our business of supplying refined petroleum products involves a number of activities that are subject to extensive and stringent environmental laws. As part of our business, we own and operate various petroleum storage and distribution facilities, and must comply with environmental laws at the federal, state and local levels, which increases the cost of operating terminals and our business generally.

Our operations also utilize a number of petroleum storage facilities and distribution facilities that we do not own or operate, but at which refined petroleum products are stored. We utilize these facilities

through several different contractual arrangements, including leases, throughput and terminalling services agreements. If facilities with whom we contract that are owned and operated by third parties fail to comply with environmental laws, they could be shut down, requiring us to incur costs to use alternative facilities.

Environmental laws and regulations can restrict or impact our business activities in many ways, such as:

- requiring remedial action to mitigate releases of hydrocarbons, hazardous substances or wastes caused by our operations or attributable to former operators;
- requiring capital expenditures to comply with environmental control requirements; and
- enjoining the operations of facilities deemed in non-compliance with environmental laws and regulations.

Failure to comply with environmental laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hydrocarbons, hazardous substances or wastes have been released or disposed of. Moreover, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the release of hydrocarbons, hazardous substances or other wastes into the environment.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. As a result, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. We try to anticipate future regulatory requirements that might be imposed and to plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance.

We do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on our business, financial position or results of operations. We can provide no assurance, however, that future events, such as changes in existing laws (including changes in the interpretation of existing laws), the promulgation of new laws, or the development or discovery of new facts or conditions will not cause us to incur significant costs.

Hazardous Materials and Waste Handling

In most instances, the environmental laws and regulations affecting our business relate to the release of hazardous substances into the water or soils, and include measures to control pollution of the environment. For instance, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, also known as CERCLA or the Superfund law, and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of hazardous substances into the environment. These persons include the owner or operator of the site where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances. Under the Superfund law, these persons may be subject to joint and several liability for the costs of cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. The Superfund law also authorizes the U.S. Environmental Protection Agency (EPA), and in some instances third parties, to act in response to threats to the public health or the environment and to seek to recover from the responsible persons the costs they incur. It is possible for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In the course of our ordinary operations, we may generate, store or otherwise handle materials and wastes that fall within the Superfund law s

definition of a hazardous substance, and as a result, we may be jointly and severally liable under the Superfund law for all or part of the costs required to clean up sites at which those hazardous substances have been released into the environment.

We currently own, lease or utilize storage or distribution facilities where hydrocarbons are being or have been handled for many years. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on, under or from the properties owned or leased by us or on or under other locations where we have contractual arrangements or where these wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under our control. These properties and wastes disposed thereon may be subject to the Superfund law or other federal and state laws. Under these laws, we could be required to remove or remediate previously disposed wastes, including wastes disposed of or released by prior owners or operators, to clean up contaminated property, including groundwater contaminated by prior owners or operators, or to make capital improvements to prevent future contamination.

Our operations generate a variety of wastes, including some hazardous wastes that are subject to the federal Resource Conservation and Recovery Act, as amended (RCRA) and comparable state laws. By way of summary, these regulations impose detailed requirements for the handling, storage, treatment and disposal of hazardous waste. Our operations also generate solid wastes which are regulated under state law or the less stringent solid waste requirements of the federal Solid Waste Disposal Act. We believe that we are in material compliance with the existing requirements of RCRA, the Solid Waste Disposal Act, and similar state and local laws, and the cost involved in complying with these requirements is not material.

We are incurring ongoing costs for monitoring groundwater and/or remediation of contamination at several facilities that we operate. Assuming that we will be able to continue to use common remedial and monitoring methods or associated engineering or institutional controls to demonstrate compliance with applicable regulatory requirements, as we have in the past and regulations currently allow, we believe that these costs will not have a material impact on our financial condition or results of operations.

Above Ground Storage Tanks

Above-ground tanks that contain petroleum and other hazardous substances are subject to comprehensive regulation under environmental laws. Generally, these laws impose liability for releases, and require secondary containment systems for tanks or that the operators take alternative precautions to ensure that no contamination results from tank leaks or spills. We believe we are in material compliance with environmental laws and regulations applicable to above ground storage tanks.

The Oil Pollution Act of 1990 (OPA) addresses three principal areas of oil pollution prevention, containment and cleanup. In order to handle, store or transport oil, we are required to file oil spill response plans with either the United States Coast Guard (for marine facilities) or the EPA. States in which we operate have enacted laws similar to OPA. Under OPA and comparable state laws, responsible parties for a regulated facility from which oil is discharged may be subject to strict, joint and several liability for removal costs and certain other consequences of an oil spill such as natural resource damages, where the spill is into navigable waters or along shorelines. We believe that we are in material compliance with regulations pursuant to OPA and similar state laws.

Under the authority of the federal Clean Water Act, the EPA imposes specific requirements for Spill Prevention, Control, and Countermeasure (SPCC) plans that are designed to prevent, and minimize the impacts of, releases from above ground storage tanks. We believe that we are in substantial compliance with these requirements.

Water Discharges

The federal Clean Water Act imposes restrictions regarding the discharge of pollutants into navigable waters. This law and comparable state laws require permits for discharging pollutants into state and federal waters and impose substantial liabilities for noncompliance. EPA regulations also require us to obtain permits to discharge certain storm water runoff. Storm water discharge permits also may be required by certain states in which we operate. We believe that we hold the required permits and operate in material compliance with those permits. While we have experienced permit discharge exceedences at some of our terminals, we do not expect any non-compliance with existing permits and foreseeable new permit requirements to have a material adverse effect on our financial position or results of operations.

Air Emissions

Our operations are subject to the federal Clean Air Act and comparable state and local laws. Under such laws, permits are typically required to emit pollutants into the atmosphere. We believe that we currently hold or have applied for all necessary air permits and that we are in material compliance with applicable air laws and regulations. Although we can give no assurances, we are aware of no changes to air quality regulations that will have a material adverse effect on our financial condition or results of operations.

Various federal, state and local agencies have the authority to prescribe product quality specifications for the refined petroleum products that we sell, largely in an effort to reduce air pollution. Failure to comply with these regulations can result in substantial penalties. Although we can give no assurances, we believe that we are currently in substantial compliance with these regulations.

Changes in product quality specifications could require us to incur additional handling costs or reduce our throughput volume. For instance, different product specifications for different markets could require the construction of additional storage. Also, states in which we are operating have considered limiting the sulfur content of home heating oil. If such regulations are enacted, this could restrict the supply of available heating oil, which could increase our costs to purchase such oil or limit our ability to sell heating oil.

Environmental Insurance

We maintain insurance which may cover in whole or in part certain costs relating to the clean up of releases of refined petroleum products. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our general partner believes are reasonable and prudent. These policies may not cover all environmental risks and costs, and may not provide sufficient coverage in the event an environmental claim is made against us.

Security Regulation

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the U.S. government has issued warnings that energy infrastructure assets may be future targets of terrorist organizations. These developments have subjected our operations to increased risks. Increased security measures taken by us as a precaution against possible terrorist attacks have resulted in increased costs to our business. Where required by federal or local laws, we have prepared security plans for storage and distribution facilities we operate. Terrorist attacks aimed at our facilities could adversely affect our business, and any global and domestic economic repercussions from terrorist activities could adversely affect our business. For instance, terrorist activity could lead to increased volatility in prices for home heating oil, gasoline and other products we sell.

Insurance carriers are currently required to offer coverage for terrorist activities as a result of the federal Terrorism Risk Insurance Act of 2002, also known as TRIA. We have opted to purchase this coverage with respect to our property and casualty insurance programs, which resulted in additional insurance premiums. Pursuant to the Terrorism Risk Insurance Extension Act of 2005, the TRIA has been extended through December 31, 2007. Although we cannot determine the future availability and cost of insurance coverage for terrorist acts, we do not expect the availability and cost of such insurance to have a material adverse effect on our financial condition or results of operations.

Employee Safety

We are subject to the requirements of the Occupational Safety and Health Act (OSHA) and comparable state statutes that regulate the protection of the health and safety of workers. In addition, the OSHA hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with the OSHA requirements.

With respect to the transportation of refined petroleum products by truck, we only operate a limited number of trucks, as most of the trucks that distribute products we sell are owned and operated by third parties. We are subject to regulations promulgated under the Federal Motor Carrier Safety Act for those trucks that we do operate. These regulations cover the transportation of hazardous materials and are administered by the U.S. Department of Transportation. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable regulations.

Title to Properties, Permits and Licenses

We believe that we have all leases, permits and licenses necessary for us to operate our business in all material respects. With respect to any consents, permits or authorizations that have not been obtained, we believe that the failure to obtain these consents, permits or authorizations will have no material adverse effect on the operation of our business.

We believe that we have satisfactory title to all of our assets. Title to property may be subject to encumbrances. We believe that none of these encumbrances will materially detract from the value of our properties or from our interest in these properties, nor will they materially interfere with the use of these properties in the operation of our business.

We believe that we have all of the assets needed, including all permits and licenses, to conduct our operations in all material respects.

Facilities

We lease office space for our principal executive office in Waltham, Massachusetts. The lease expires on December 31, 2008.

Employees

To carry out our operations, our general partner and certain of our operating subsidiaries employ approximately 172 full-time employees. Ten of the employees assigned to our terminal in Chelsea, Massachusetts are employed under collective bargaining agreements that expire in 2008. We believe we have good relations with the employees.

We have two shared services agreements, one with Global Petroleum Corp. and another with Alliance Energy Corp. The services provided among these entities by any employees shared pursuant to these agreements will not limit the ability of such employees to provide all services necessary to properly run our business. Please read Item 13. Certain Relationships and Related Transactions Shared Services Agreements.

Item 1A. Risk Factors

Risks Inherent in Our Business

We may not have sufficient cash from operations to enable us to pay the minimum quarterly distribution following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

We may not have sufficient available cash each quarter to pay the minimum quarterly distribution. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- seasonal variation in temperatures, which affects demand for home heating oil and residual oil to the extent that it is used for space heating;
- competition from other companies that sell refined petroleum products in New England;
- demand for refined petroleum products in the markets we serve;
- the level of our operating costs, including payments to our general partner; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors such as:

- the level of capital expenditures we make;
- the restrictions contained in our credit agreement;
- our debt service requirements;
- the cost of acquisitions, if any;
- fluctuations in our working capital needs;
- our ability to borrow under our credit agreement to make distributions to our unitholders; and
- the amount, if any, of cash reserves established by our general partner.

The amount of cash we have available for distribution depends primarily on our cash flow, including cash flow from financial reserves and working capital borrowings, and not solely on profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

Warmer weather conditions could adversely affect our results of operations and cash available for distribution to our unitholders.

Because we have retail distributors whose customers depend on home heating oil and residual oil for space heating purposes during the winter, weather conditions have a significant impact on the demand for both home heating oil and residual oil. Furthermore, warmer than normal temperatures during the winter in one or more regions in which we operate can significantly decrease the total volume we sell and the gross profit realized on those sales and, consequently, our results of operations and cash available for distribution to our unitholders. In 2002, temperatures were significantly warmer than normal for the areas in which we sell home heating oil and residual oil, which adversely affected our results of operations.

Our financial results are seasonal and generally lower in the second and third quarters of the calendar year, which is likely to result in our need to borrow money in order to make distributions to our unitholders during these quarters.

Demand for some of our refined petroleum products, specifically our home heating oil and residual oil, is generally higher during November through March than during April through October. We obtain a significant portion of our sales during these winter months. As a result, our results of operations for the second and third calendar quarters are generally lower than for the first and fourth calendar quarters. With lower cash flow during the second and third calendar quarters, we may be required to borrow money in order to pay the minimum quarterly distribution to our unitholders. Any restrictions on our ability to borrow money could restrict our ability to pay the minimum quarterly distribution to our unitholders.

Our risk management policies cannot eliminate all commodity risk. In addition, any non-compliance with our risk management policies could result in significant financial losses.

While our hedging policies are designed to minimize commodity risk, some degree of exposure to unforeseen fluctuations in market conditions remains. For example, we change our hedged position daily in response to movements in our inventory. If we overestimate or underestimate our sales from inventory, we may be unhedged for the amount of the overestimate or underestimate. Also, significant increases in the costs of refined petroleum products can materially increase our costs to carry inventory. We use our credit facility as our primary source of financing to carry inventory and may be limited on the amounts we can borrow to carry inventory.

We use the NYMEX to hedge our commodity risk with respect to pricing of energy products traded on the NYMEX. Physical deliveries under NYMEX contracts are made in New York Harbor. To the extent we need such deliveries in other ports, such as Boston Harbor, we may have basis risk. Basis risk describes the inherent market price risk created when a commodity of certain grade or location is purchased, sold or exchanged versus a purchase, sale or exchange of a like commodity of varying location or grade. Transportation costs and timing differential are components of basis risk.

We monitor processes and procedures to prevent unauthorized trading and to maintain substantial balance between purchases and sales or future delivery obligations. We can provide no assurance, however, that these steps will detect and prevent all violations of such risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

We are exposed to trade credit risk in the ordinary course of our business activities.

We are exposed to risks of loss in the event of nonperformance by our customers and by counterparties of our forward contracts, options and swap agreements. Some of our customers and counterparties may be highly leveraged and subject to their own operating and regulatory risks. Even if our credit review and analysis mechanisms work properly, we may experience financial losses in our dealings with other parties. Any increase in the nonpayment or nonperformance by our customers and/or counterparties could reduce our ability to make distributions to our unitholders.

Some of our competitors have capital resources many times greater than ours and control greater supplies of refined petroleum products.

Our competitors include terminal companies, major integrated oil companies and their marketing affiliates and independent marketers of varying sizes, financial resources and experience. Some of our competitors have capital resources many times greater than ours and control greater supplies of refined petroleum products. If we are unable to compete effectively, we may lose existing customers or fail to acquire new customers, which could have a material adverse effect on our results of operations and cash available for distribution to our unitholders. For example, if a competitor attempts to increase market

share by reducing prices, our operating results and cash available for distribution to our unitholders could be adversely affected. We may not be able to compete successfully with these companies. Please read Items 1. and 2. Business and Properties Competition.

Some of our residual oil volumes are subject to customers switching to natural gas which could result in loss of customers, which in turn could have an adverse effect on our results of operations and cash available for distribution to our unitholders.

Our residual oil business competes for customers with suppliers of natural gas. Those end users who are dual-fuel users have the ability to switch from residual oil to natural gas. During a period of increasing residual oil prices relative to the prices of natural gas, dual-fuel using customers may switch to natural gas. Such switching could have an adverse effect on our results of operations and cash available for distribution to our unitholders. We could face additional competition from alternative energy sources such as natural gas as a result of government-mandated controls or regulation promoting the use of cleaner fuels. Residual oil consumption has steadily declined over the last three decades.

Energy efficiency and new technology may reduce the demand for our products and adversely affect our operating results and cash available for distribution to our unitholders.

Increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, have adversely affected the demand for home heating oil and residual oil. Future conservation measures or technological advances in heating, conservation, energy generation or other devices might reduce demand and adversely affect our operating results and cash available for distribution to our unitholders.

We are exposed to performance risk in our supply chain.

We rely upon our suppliers to timely produce the volumes and types of refined petroleum products for which they contract with us. In the event one or more of our suppliers does not perform in accordance with its contractual obligations, we may be required to purchase product on the open market to satisfy forward contracts we have entered into with our customers in reliance upon such supply arrangements. We purchase refined petroleum products from a variety of suppliers under term contracts and on the spot market. In times of extreme market demand, we may be unable to satisfy our supply requirements. Furthermore, a significant portion of our supply comes from other countries, which could be disrupted by political events. In the event that such supply becomes scarce, whether as a result of political events, natural disaster or otherwise, we may not be able to satisfy our supply requirements. If any of these events were to occur, we may be required to pay more for product that we purchase on the open market, which could result in financial losses and adversely affect our results of operations and cash available for distribution to our unitholders.

If we do not make acquisitions on economically acceptable terms, our future growth may be limited.

Our ability to grow substantially depends on our ability to make acquisitions that result in an increase in operating surplus per unit. We may be unable to make such accretive acquisitions for any of the following reasons:

- we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts for them;
- we are unable to raise financing for such acquisitions on economically acceptable terms; or
- we are outbid by competitors.

In addition, we may consummate acquisitions, which at the time of consummation we believe will be accretive, but which ultimately may not be accretive.

If any of these events occurred, our future growth would be limited. In particular, competition for midstream assets and businesses has intensified, and as a result such assets and businesses have become more costly.

Our acquisition strategy involves risks that could reduce our ability to make distributions to our unitholders.

Even if we consummate acquisitions that we believe will be accretive, they may in fact result in no increase or even a decrease in cash available for distribution to our unitholders. Any acquisition involves potential risks, including:

- performance from the acquired assets and businesses that is below the forecasts we used in evaluating the acquisition;

- a significant increase in our indebtedness and working capital requirements;

- the inability to timely and effectively integrate the operations of recently acquired businesses or assets, particularly those in new geographic areas or in new lines of business;

- the incurrence of substantial unforeseen environmental and other liabilities arising out of the acquired businesses or assets, including liabilities arising from the operation of the acquired businesses or assets prior to our acquisition, for which we are not indemnified or for which the indemnity is inadequate;

- customer or key employee loss from the acquired businesses; and

- diversion of our management s attention from other business concerns.

If any acquisitions we ultimately consummate do not generate expected increases in cash available for distribution to our unitholders, our ability to make such distributions will be reduced.

We may not be able to renew our leases or our agreements for dedicated storage when they expire.

The bulk terminals that we own or lease or at which we maintain dedicated storage facilities play a key role in moving product to our customers. We lease the entirety of two bulk terminals that we operate exclusively for our business and maintain dedicated storage facilities at another 12 bulk terminals. The agreements governing these arrangements are subject to expiration at various dates. The expiration dates range from 2006 to 2013. These arrangements may not be renewed when they expire, or if renewed, may not be renewed at rates and on terms at least as favorable. If these agreements are not renewed or we are unable to renew these agreements at rates and on terms at least as favorable, it could have an adverse effect on our results of operations and cash available for distribution to our unitholders.

A material amount of our terminalling capacity is controlled by one of our affiliates. Loss of that capacity could have an adverse effect on our results of operations and cash available for distribution to our unitholders.

We currently have an exclusive throughput arrangement for the Revere terminal with one of our affiliates, Global Petroleum Corp. This facility accounts for approximately 34% of our storage capacity. We store distillates and gasoline at this facility. The throughput agreement for this facility expires in 2013. After expiration of the agreement, we can provide no assurance that Global Petroleum Corp. will continue to grant us exclusive use of the terminal or that the terms of a renegotiated agreement will be as favorable to us as the agreement it replaces. If we are unable to renew the agreement or unable to renew on terms at least as favorable, it could have a material adverse effect on our results of operations and cash available for

distribution to our unitholders. Our general partner has no fiduciary duty to consider our interests in determining whether to renew the throughput arrangement.

Our sales are generated under contracts that must be renegotiated or replaced periodically. If we are unable to successfully renegotiate or replace these contracts, then our results of operations and cash available for distribution to our unitholders could be adversely affected.

Our sales are generated under contracts that must be periodically renegotiated or replaced. Most of our arrangements with our customers are for a single season or on a spot basis. As these contracts expire, they must be renegotiated or replaced. We may be unable to renegotiate or replace these contracts when they expire, and the terms of any renegotiated contracts may not be as favorable as the contracts they replace. Whether these contracts are successfully renegotiated or replaced is often times subject to factors beyond our control. Such factors include fluctuations in refined petroleum product prices, counterparty ability to pay for or accept the contracted volumes and a competitive marketplace for the services offered by us. If we cannot successfully renegotiate or replace our contracts or must renegotiate or replace them on less favorable terms, sales from these arrangements could decline and our ability to make distributions to our unitholders could be adversely affected.

Due to our lack of asset and geographic diversification, adverse developments in the terminals that we use or in our operating areas would reduce our ability to make distributions to our unitholders.

We rely exclusively on sales generated from products distributed from the terminals we own or control or to which we have access. Furthermore, almost all our assets and operations are located in New England. Due to our lack of diversification in asset type and location, an adverse development in these businesses or areas, including adverse developments due to catastrophic events or weather and decreases in demand for refined petroleum products, could have a significantly greater impact on our results of operations and cash available for distribution to our unitholders than if we maintained more diverse assets and locations.

Our operations are subject to operational hazards and unforeseen interruptions for which we may not be adequately insured.

Our operations are subject to operational hazards and unforeseen interruptions such as natural disasters, adverse weather, accidents, fires, explosions, hazardous materials releases, mechanical failures and other events beyond our control. If any of these events were to occur, we could incur substantial losses because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of our related operations.

We are not fully insured against all risks incident to our business. Prior to the formation of our partnership, certain of the insurance policies covering entities being contributed to our partnership and their operations also provided coverage to entities that are not being contributed to our partnership as a part of this transaction. The coverage available under the insurance policies has been allocated among our partnership and these affiliates. This allocation may result in limiting the amount of recovery available to us for purposes of covered losses.

Furthermore, we may be unable to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies have increased and could escalate further. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position and ability to make distributions to unitholders.

Our operations are subject to federal, state, and local laws and regulations relating to environmental protection and operational safety that could require us to incur substantial costs.

The risk of substantial environmental costs and liabilities is inherent in terminal operations, and we may incur substantial environmental costs and liabilities. Our operations involving the receipt, storage and redelivery of refined petroleum products are subject to stringent federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, operational safety and related matters. Compliance with these laws and regulations increases our overall cost of business, including our capital costs to maintain and upgrade equipment and facilities. We utilize a number of terminals that are owned and operated by third parties who are also subject to these stringent federal, state and local environmental laws in their operations. Their compliance with these requirements could increase the cost of doing business with these facilities.

In addition, our operations could be adversely affected if shippers of refined petroleum products incur additional costs or liabilities associated with marine environmental regulations. These shippers could increase their charges to us or discontinue service altogether.

Various governmental authorities, including the EPA, have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including fines, injunctions or both. Joint and several liability may be incurred, without regard to fault or the legality of the original conduct, under federal and state environmental laws for the remediation of contaminated areas at our facilities and those where we do business. Private parties, including the owners of properties located near our terminal facilities and those with whom we do business, also may have the right to pursue legal actions against us to enforce compliance with environmental laws, as well as seek damages for personal injury or property damage. We may also be held liable for damages to natural resources.

The possibility exists that new, stricter laws, regulations or enforcement policies could significantly increase our compliance costs and the cost of any remediation that may become necessary, some of which may be material. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage in the event an environmental claim is made against us. We may incur increased costs because of stricter pollution control requirements or liabilities resulting from non-compliance with required operating or other regulatory permits. New environmental regulations might adversely affect our products and activities, including the storage of refined product, as well as waste management and our control of air emissions. Federal and state agencies also could impose additional safety regulations to which we would be subject. Because the laws and regulations applicable to our operations are subject to change, we cannot provide any assurance that compliance with future laws and regulations will not have a material effect on our results of operations or earnings. Please read Items 1. and 2. Business and Properties Environmental for more information.

Any terrorist attacks aimed at our facilities and any global and domestic economic repercussions from terrorist activities and the government s response could reduce our ability to make distributions to our unitholders.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the U.S. government has issued warnings that energy assets may be future targets of terrorist organizations. These developments have subjected our operations to increased risks. We have incurred costs for providing facility security and may incur additional costs in the future with respect to the receipt, storage and distribution of our products. Additional security measures could also restrict our ability to distribute refined petroleum products. Any future terrorist attack on our facilities, or those of our customers, could have a material adverse effect on our business and reduce our ability to make distributions to our unitholders.

Terrorist activity could lead to increased volatility in prices for home heating oil, gasoline and other products we sell, which could decrease our customers demand for these products. Insurance carriers are required to offer coverage for terrorist activities as a result of federal legislation. We have opted to purchase this coverage with respect to our property and casualty insurance programs. This additional coverage has resulted in additional insurance premiums, which could increase further in the future.

We are subject to federal, state and local laws and regulations that govern the product quality specifications of the refined petroleum products that we purchase, store, transport and sell.

Various federal, state, and local agencies have the authority to prescribe specific product quality specifications to the sale of commodities. Our business includes such commodities. Changes in product quality specifications, such as reduced sulfur content in refined petroleum products, or other more stringent requirements for fuels, could reduce our ability to procure product and our sales volume, require us to incur additional handling costs, and/or require the expenditure of capital. For instance, different product specifications for different markets could require additional storage. If we are unable to procure product or to recover these costs through increased sales, we may not be able to meet our financial obligations. Failure to comply with these regulations could result in substantial penalties. Please read Item 3. Legal Proceedings Environmental for more information.

We depend on key personnel for the success of our business and some of those persons face conflicts in the allocation of their time to our business.

We depend on the services of our senior management team and other key personnel. The loss of the services of any member of senior management or key employee could have an adverse effect on our business and reduce our ability to make distributions to our unitholders. We may not be able to locate or employ on acceptable terms qualified replacements for senior management or other key employees if their services were no longer available. Except with respect to Eric Slifka, neither we, our general partner nor any affiliate thereof has entered into an employment agreement with, or carry key man life insurance on, any member of our senior management team or other key personnel. Please read Item 11. Executive Compensation Employment Agreement.

All of the executive officers of our general partner will perform services for certain of our affiliates. Please read Item 13. Certain Relationships and Related Transactions Relationship of Management with Global Petroleum Corp. and Alliance Energy Corp.

We depend on unionized labor for the operation of our terminal in Chelsea, Massachusetts and at the facility in Revere, Massachusetts which is controlled and operated by one of our affiliates. Any work stoppages or labor disturbances at these facilities could disrupt our business.

Certain of our employees at the terminal in Chelsea, Massachusetts and truck drivers directly employed by us are employed under collective bargaining agreements that expire in 2008. Certain of Global Petroleum Corp. s employees at the Revere, Massachusetts facility are similarly employed under a collective bargaining agreement. Please read Items 1. and 2. Business and Properties Employees. Any work stoppages or other labor disturbances at these facilities or by these drivers could have an adverse effect on our business and reduce our ability to make distributions to our unitholders. In addition, employees who are not currently represented by labor unions may seek union representation in the future, and any renegotiation of current collective bargaining agreements may result in terms that are less favorable to us.

Risks Inherent in an Investment in Us

Our general partner and its affiliates have conflicts of interest and limited fiduciary duties, which may permit them to favor their own interests to the detriment of our unitholders.

Affiliates of our general partner, including directors and executive officers of our general partner, own a 49.8% limited partner interest in us and the 2.0% general partner interest. Although our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to its owners. Furthermore, certain directors and officers of our general partner are directors or officers of affiliates of our general partner. Conflicts of interest may arise between our general partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. Please read Our partnership agreement limits our general partner s fiduciary duties to unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty. These conflicts include, among others, the following situations:

- our general partner is allowed to take into account the interests of parties other than us, such as affiliates of its members, in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to our unitholders;

- affiliates of our general partner may engage in competition with us under certain circumstances. See Certain members of the Slifka family and their affiliates may engage in activities that compete directly with us ;

- neither our partnership agreement nor any other agreement requires owners of our general partner to pursue a business strategy that favors us. Directors and officers of our general partner s owners have a fiduciary duty to make these decisions in the best interest of their owners which may be contrary to our interests;

- some officers of our general partner who will provide services to us will devote time to affiliates of our general partner and may be compensated for services rendered to such affiliate;

- our general partner has limited its liability and reduced its fiduciary duties under the partnership agreement, while also restricting the remedies available to our unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty. As a result of purchasing common units, unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;

- our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional partnership securities and reserves, each of which can affect the amount of cash that is available for distribution to our unitholders;

- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is a maintenance capital expenditure, which reduces operating surplus, or a capital expenditure for acquisitions or a capital improvement expenditure, which does not, and determination can affect the amount of cash that is distributed to our unitholders and the ability of the subordinated units to convert to common units;

- in some instances, our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate the expiration of the subordination periods;

- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or entering into additional contractual arrangements with any of these entities on our behalf;

- our general partner intends to limit its liability regarding our contractual and other obligations;

- our general partner may exercise its limited right to call and purchase common units if it and its affiliates own more than 80% of the common units;

- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and

- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

Please read Item 13. Certain Relationships and Related Transactions Omnibus Agreement.

Our partnership agreement limits our general partner s fiduciary duties to unitholders and restricts the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of us;

- provides that our general partner shall not have any liability to us or our unitholders for decisions made in its capacity as general partner so long as it acted in good faith, meaning it believed that the decision was in our best interests;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us and that, in determining whether a transaction or resolution is fair and reasonable, our general partner may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and

- provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct.

By purchasing a common unit, a common unitholder will become bound by the provisions of the partnership agreement, including the provisions described above.

Unitholders have limited voting rights and are not entitled to elect our general partner or its directors or initially to remove our general partner without its consent, which could lower the trading price of our common units.

Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management s decisions regarding our business. Unitholders will have no right to elect our general partner or its board of directors on an annual or other continuing basis. The board of directors of our general partner is chosen entirely by its members and not by the unitholders. Furthermore, if the unitholders are dissatisfied with the performance of our general partner, they will have limited ability to remove our general partner. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

The unitholders are currently unable to remove our general partner without its consent because affiliates of our general partner own sufficient units to be able to prevent removal of our general partner. The vote of the holders of at least 662/3% of all outstanding common and subordinated units voting together as a single class is required to remove our general partner. The holders of the 230,303 general partner units do not participate in any vote to remove our general partner. Without regard to their ownership of the general partner units, as of December 31, 2005 affiliates of our general partner, including directors and executive officers of our general partner, owned 50.8% of our common and subordinated units. Also, if our general partner is removed without cause during the subordination period and units held by our general partner and its affiliates are not voted in favor of that removal, all remaining subordinated units will automatically be converted into common units and any existing arrearages on the common units will be extinguished. A removal of our general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests.

Cause is narrowly defined in our partnership agreement to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor management of the business, so the removal of our general partner during the subordination periods because of the unitholders dissatisfaction with our general partner s performance in managing our partnership will most likely result in the termination of the subordination period.

We may issue additional units without unitholder approval, which would dilute unitholders ownership interests.

At any time, we may issue an unlimited number of limited partner interests of any type without the approval of our unitholders. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Our general partner has a limited call right that may require unitholders to sell their common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, but not the obligation, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than their then-current market price. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of their units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our general partner from issuing additional common units and exercising its call right. If our general partner exercised its limited call right, the effect would be to take us private and, if the units were subsequently deregistered, we would no longer be subject to the reporting requirements of the Securities Exchange Act of 1934.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.

Our partnership agreement restricts unitholders voting rights by providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our general partner, cannot vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders ability to influence the manner or direction of management.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

We have a significant amount of debt. As of December 31, 2005, our total debt was approximately $183.5 million. We have the ability to incur additional debt, including the capacity to borrow up to $500.0 million under our credit facilities, subject to limitations in our credit agreement. Our level of indebtedness could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

- covenants contained in our existing and future credit and debt arrangements will require us to meet financial tests that may affect our flexibility in planning for and reacting to changes in our business, including possible acquisition opportunities;

- we will need a substantial portion of our cash flow to make principal and interest payments on our indebtedness, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;

- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and

- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing

distributions, reducing or delaying our business activities, acquisitions, investments and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Our credit agreement contains operating and financial restrictions that may restrict our business and financing activities.

The operating and financial restrictions and covenants in our credit agreement and any future financing agreements could restrict our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, our credit agreement restricts our ability to:

- grant liens;
- make certain loans or investments;
- incur additional indebtedness or guarantee other indebtedness;
- make any material change to the nature of our 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;
- make distributions if any potential default or event of default occurs; or
- make capital expenditures in excess of specified levels.

Our ability to comply with the covenants and restrictions contained in our credit agreement may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or tests in our credit agreement, a significant portion of our indebtedness may become immediately due and payable, and our lenders   commitment to make further loans to us may terminate. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, our obligations under our credit agreement will be secured by substantially all of our assets, and if we are unable to repay our indebtedness under our credit agreement, the lenders could seek to foreclose on such assets.

Restrictions in our credit agreement limit our ability to pay distributions upon the occurrence of certain events.

Our payment of principal and interest on our debt will reduce cash available for distribution on our units. Our credit agreement limits our ability to pay distributions upon the occurrence of the following events, among others:

- failure to pay any principal when due or any interest, fees or other amounts when due;
- failure of any representation or warranty to be true and correct in any material respect;
- failure to perform or otherwise comply with the covenants in the credit agreement or in other loan documents to which we are a borrower;
- any default in the performance of any obligation or condition beyond the applicable grace period relating to any other indebtedness of more than $2.0 million if the effect of the default is to permit or cause the acceleration of the indebtedness;

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- a judgment default for monetary judgments exceeding $2.0 million or a default under any non-monetary judgment if such default could have a material adverse effect on us;

- a change in management or ownership control;

- an ERISA violation or a bankruptcy or insolvency event involving us, our general partner or any of our subsidiaries; and

- failure to comply with an annual clean-down provision in our $15.0 million revolving credit facility.

Any subsequent refinancing of our current debt or any new debt could have similar restrictions. For more information regarding our credit agreement, please read Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Agreement.

We can borrow money under our credit agreement to pay distributions, which would reduce the amount of credit available to operate our business.

Our partnership agreement allows us to make working capital borrowings under our credit agreement to pay distributions. Accordingly, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. We are required to reduce our borrowings to zero under that portion of our credit agreement that is available to pay the minimum quarterly distribution for a period of at least 30 consecutive days once each 12-month period. For more information, please read Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Credit Agreement.

Cost reimbursements due our general partner and its affiliates will reduce cash available for distribution to our unitholders.

Prior to making any distribution on the common units, we will reimburse our general partner and its affiliates for all expenses they incur on our behalf, which will be determined by our general partner in its sole discretion. These expenses will include all costs incurred by the general partner and its affiliates in managing and operating us, including costs for rendering corporate staff and support services to us. We are managed and operated by directors and executive officers of our general partner. In addition, the majority of our operating personnel are employees of our general partner. Please read Item 13. Certain Relationships and Related Transactions. The reimbursement of expenses and payment of fees, if any, to our general partner and its affiliates could adversely affect our ability to pay cash distributions to our unitholders.

Unitholders may not have limited liability if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to the general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. A unitholder could be liable for our obligations as if he were a general partner if:

- a court or government agency determined that we were conducting business in a state but had not complied with that particular state s partnership statute; or

- your right to act with other unitholders to remove or replace the general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute control of our business.

Unitholders may have liability to repay distributions.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, we may not make a distribution to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Purchasers of units who become limited partners are liable for the obligations of the transferring limited partner to make contributions to us that are known to the purchaser of units at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to us are not counted for purposes of determining whether a distribution is permitted.

The control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, there is no restriction in the partnership agreement on the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party. The new members of our general partner would then be in a position to replace the board of directors and officers of our general partner with their own choices and to control the decisions taken by the board of directors and officers of our general partner.

Certain members of the Slifka family and their affiliates may engage in activities that compete directly with us.

Certain members of the Slifka family and their affiliates are subject to the noncompete provisions in the omnibus agreement. The omnibus agreement will not prohibit certain affiliates of our general partner from owning certain assets or engaging in certain businesses that compete directly or indirectly with us. Please read Item 13. Certain Relationships and Related Transactions Omnibus Agreement.

We will incur increased costs as a result of being a public company.

We became a public company on September 28, 2005. Prior to that, we had no history operating as a public company. As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and the New York Stock Exchange, have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make activities more time-consuming and costly. For example, as a result of becoming a public company, we are required to have three independent directors, create additional board committees and adopt policies regarding internal controls and disclosure controls and procedures, including the preparation of reports on internal controls over financial reporting. In addition, we will incur additional costs associated with our public company reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for our general partner to obtain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for our general partner to attract and retain qualified persons to serve on its board of directors or as executive officers. We are currently evaluating and

monitoring developments with respect to these new rules, and we cannot estimate the amount of additional costs we may incur or the timing of such costs.

Tax Risks

Our tax treatment depends on our status as a partnership for federal income tax purposes, as well as our not being subject to entity-level taxation by individual states. If the IRS were to treat us as a corporation or if we were to become subject to entity-level taxation for state tax purposes, then our cash available for distribution to unitholders would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service (IRS) on this or any other tax matter affecting us.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state tax at varying rates. Distributions to unitholders would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to unitholders. Because a tax would be imposed upon us as a corporation, our cash available for distribution to unitholders would be substantially reduced. Thus, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to unitholders, likely causing a substantial reduction in the value of the common units.

Current law may change, causing us to be treated as a corporation for federal income tax purposes or otherwise subjecting us to entity-level taxation. For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, the cash available for distribution to unitholders would be reduced. The partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, then the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on us.

We have a subsidiary that will be treated as a corporation for federal income tax purposes and subject to corporate-level income taxes.

We will conduct all or a portion of our operations of our end-user business through a subsidiary that is organized as a corporation. We may elect to conduct additional operations through this corporate subsidiary in the future. This corporate subsidiary will be subject to corporate-level tax, which will reduce the cash available for distribution to us and, in turn, to unitholders. If the IRS were to successfully assert that this corporation has more tax liability than we anticipate or legislation was enacted that increased the corporate tax rate, our cash available for distribution to unitholders would be further reduced.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted, and the costs of any contest will reduce our cash available for distribution to unitholders.

We have not requested any ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the tax positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. In addition, the costs of any contest with the IRS, because the cost will be borne indirectly by our unitholders and our general partner, will result in a reduction in cash available for distribution.

Unitholders may be required to pay taxes on their share of our income even if they do not receive any cash distributions from us.

Because unitholders will be treated as partners to whom we will allocate taxable income, which could be different in amount than the cash we distribute, unitholders will be required to pay federal income taxes and, in some cases, state and local income taxes on their share of our taxable income, whether or not they receive cash distributions from us. Unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from their share of our taxable income.

Tax gain or loss on the disposition of our common units could be different than expected.

If a unitholder sells his common units, he will recognize a gain or loss equal to the difference between the amount realized and his tax basis in those common units. Prior distributions to a unitholder in excess of the total net taxable income he was allocated for a common unit, which decreased his tax basis in that common unit, will, in effect, become taxable income to him if the common unit is sold at a price greater than his tax basis in that common unit, even if the price he receives is less than his original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to the unitholder. In addition, if a unitholder sells his units, he may incur a tax liability in excess of the amount of cash he receives from the sale.

Tax-exempt entities and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, such as individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be reduced by withholding taxes at the highest applicable effective tax rate, and non-U.S. persons will be required to file the U.S. federal income tax returns and pay tax on their share of our taxable income.

We will treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could decrease the value of the common units.

Because we cannot match transferors and transferees of common units, we will adopt depreciation and amortization positions that may not conform with all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could decrease the amount of tax benefits available to unitholders. It also could affect the timing of these tax benefits or the amount of gain from a unitholder s sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to unitholders tax returns.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income.

Unitholders will likely be subject to state and local taxes and return filing requirements in jurisdictions where they do not live as a result of investing in our common units.

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as state and local income taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property even if they do not live in any of those jurisdictions. Unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. As of December 31, 2005, we conducted business in 16 states, some of which may impose a state income tax. We may own property or conduct business in other states or foreign countries in the future. It is the unitholder s responsibility to file all federal, state and local tax returns.

Item 1B. Unresolved Staff Comments.

None.

Item 3. Legal Proceedings.

General

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we do not believe that we are a party to any litigation that will have a material adverse impact on our financial condition or results of operations. Except as described below, we are not aware of any significant legal or governmental proceedings against us, or contemplated to be brought against us. We maintain insurance policies with insurers in amounts and with coverage and deductibles as our general partner believes are reasonable and prudent. However, we can provide no assurance that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will be available in the future at economical prices.

Environmental

Global Companies LLC, in addition to several affiliates, has been named as one of over 50 defendants in two lawsuits alleging methyl tertiary-butyl ether (MTBE) contamination of groundwater in Massachusetts. MTBE is an oxygenate that has been used extensively to reduce motor vehicle tailpipe emissions. In the cases of Town of Duxbury, et al. v. Amerada Hess Corp., et al., filed December 31, 2003, and City of Lowell v. Amerada Hess Corp., et al., filed December 30, 2004, plaintiffs allege that manufacturers, refiners and others involved in the distribution of gasoline containing MTBE are liable for the costs of investigating possible MTBE groundwater contamination, treating such contaminated groundwater where found, and related relief including treble damages and injunctive relief. The plaintiffs in these cases generally claim to be public water providers or municipal or other government authorities. These cases have been consolidated in multi-district litigation with over 60 other MTBE cases in federal court in the Southern District of New York. We intend to vigorously defend these cases. We do not believe that these cases will have a material impact on our operations although we can provide no assurances in this regard.

On November 29, 2004, a consent decree was lodged by the U.S. Department of Justice in the federal District Court for Massachusetts whereby Global Companies LLC and Global Petroleum Corp. settled alleged violations of Clean Air Act regulations related to fuel quality specifications. This consent decree was entered by the court on January 21, 2005. As part of this settlement, Global Companies LLC has paid a $500,000 civil penalty and instituted a compliance program for three years to ensure compliance with Clean Air Act fuel quality specifications. The alleged violations stemmed from the importation of finished

conventional gasoline, which was not a substantial part of our operations at the time of the alleged violations. We do not believe that compliance with the terms of the consent decree will result in material costs.

Other

On September 15, 2005, the Office of the Attorney General of the Commonwealth of Massachusetts issued a Civil Investigative Demand to us in connection with an investigation of gasoline distributors and retailers in Massachusetts in the wake of Hurricane Katrina. We believe that the Attorney General s office has issued similar demands to other distributors and retailers. We have taken steps to comply with the demand. While we cannot predict the outcome of the investigation, we do not expect that the outcome will have a material adverse effect on us.

On November 22, 2005, the U.S. Federal Trade Commission issued a Civil Investigative Demand to us in connection with an investigation of petroleum products pricing by refiners and distributors. We believe that the Federal Trade Commission has issued similar demands to the major petroleum products refiners and other distributors. We have taken steps to comply with the demand. While we cannot predict the outcome of the investigation, we do not expect that the outcome will have a material adverse effect on us.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of 2005.

PART II

Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common units began trading on the New York Stock Exchange under the symbol GLP commencing with our initial public offering on September 29, 2005. At the close of business on March 17, 2006, based upon information received from our transfer agent and brokers and nominees, we had approximately 2,310 common unitholders, including beneficial owners of common units held in street name. The following table sets forth the range of the daily high and low sales prices per common unit, cash distributions to common unitholders and the trading volume of common units for the period indicated.

	Price Range		Cash Distribution
Year Ended December 31, 2005	**High**	**Low**	**Per Common Unit(1)**
Fourth Quarter	$ 24.68	$ 18.15	$ 0.4111

(1) On January 24, 2006, the board of directors of our general partner increased our quarterly cash distribution for the fourth quarter of 2005 by 3% to $0.425 per unit from $0.4125 per unit. The distribution for the quarter ended December 31, 2005 was paid on February 14, 2006, and reflects the pro rata portion of the quarterly distribution rate of $0.425, covering the period from the closing of the initial public offering, October 4, 2005 through December 31, 2005.

We intend to consider 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, cash flows, capital requirements, financial condition and other factors. Our credit agreement prohibits us from making cash distributions if any potential default or event of default, as defined in the credit agreement, occurs or would result from the cash distribution.

Within 45 days after the end of each quarter, we will distribute all of our available cash (as defined in our partnership agreement) to unitholders of record on the applicable record date. The amount of available cash generally is all cash on hand at the end of the quarter

- less the amount of cash reserves established by our general partner to provide for the proper conduct of our business;
- comply with applicable law, any of our debt instruments, or other agreements; or
- provide funds for distributions to our unitholders and to our general partner for any one or more of the next four quarters;
- plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter.

Working capital borrowings (as defined in our partnership agreement) are generally borrowings that are made under our revolving credit facility and in all cases are used solely for working capital purposes or to pay distributions to partners.

Upon the closing of our initial public offering, affiliates of the Slifka family received 5,642,424 subordinated units. During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.4125 per quarter, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. These units are deemed subordinated units because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distributions until the common units have received the minimum quarterly

distribution and any arrearages from prior quarters. Furthermore, no arrearages will be paid on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that during the subordination period there will be available cash to be distributed on the common units.

The subordination period will extend until the first day of any quarter beginning after September 30, 2010 that each of the following tests are met: (1) distributions of available cash from operating surplus on each of the outstanding common units and subordinated units and general partner units equaled or exceeded the minimum quarterly distribution for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date; (2) the adjusted operating surplus (as defined in our partnership agreement) generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equaled or exceeded the sum of the minimum quarterly distributions on all of the outstanding common units and subordinated units during those periods on a fully diluted basis and the related distribution on the general partner units during those periods; and (3) there are no arrearages in payment of the minimum quarterly distribution on the common units. If the unitholders remove the general partner without cause, the subordination period may end before September 30, 2010.

In addition, if the tests for ending the subordination period are satisfied for any three consecutive four-quarter periods ending on or after September 30, 2008, 25% of the subordinated units will convert into an equal number of common units. Similarly, if those tests are also satisfied for any three consecutive four-quarter periods ending on or after September 30, 2009, an additional 25% of the subordinated units will convert into an equal number of common units. The second early conversion of subordinated units may not occur, however, until at least one year following the end of the period for the first early conversion of subordinated units.

We will make distributions of available cash from operating surplus for any quarter during any subordination period in the following manner: firstly, 98% to the common unitholders, pro rata, and 2% to the general partner, until we distribute for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; secondly, 98% to the common unitholders, pro rata, and 2% to the general partner, until we distribute 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% to the subordinated unitholders, pro rata, and 2% to the general partner, until we distribute 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 based on the percentages below.

The general partner, Global GP LLC, is entitled to incentive distributions if the amount we distribute 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	$0.4125	98 %	2 %
First Target Distribution	up to $0.4625	98 %	2 %
Second Target Distribution	above $0.4625 up to $0.5375	85 %	15 %
Third Target distribution	above $0.5375 up to $0.6625	75 %	25 %
Thereafter	above $0.6625	50 %	50 %

The equity compensation plan information required by Item 201(d) of Regulation S-K in response to this item is incorporated by reference into Item 12. Security Ownership of Certain Beneficial Owners and Management Equity Compensation Plan Table.

Recent Sales of Unregistered Securities

On March 2, 2005, in connection with our formation, we issued (1) to Global GP LLC the 2% general partner interest in us for $40 and (2) to Global Petroleum Corp. the 98% limited partner interest in us for $1,960. Global GP LLC is wholly owned by affiliates of the Slifka family. Upon the closing of our initial public offering on October 4, 2005, affiliates of the Slifka family received 742,424 common units (before taking into account the redemption of 735,000 common units with the proceeds from the exercise of the underwriters option to purchase additional common units) and 5,642,424 subordinated units in exchange for the contribution by the affiliates of the Slifka family of 100% of the ownership interests in Global Companies LLC (which owns Glen Hes Corp.), Global Montello Group LLC and Chelsea Sandwich LLC to Global Partners LP. Each of these offerings was exempt from registration under Section 4(2) of the Securities Act of 1933. Each of the subordinated units will convert into a common unit as described above. There have been no other sales of unregistered securities of Global Partners LP within the past three years.

Use of Proceeds From Registered Securities

On September 28, 2005, our registration statement on Form S-1 (File No. 333-124755) was declared effective by the Securities and Exchange Commission in connection with our initial public offering of 5,635,000 common units (including 735,000 common units purchased by the underwriters upon the exercise of their option to purchase additional common units) representing a 48.9% limited partner interest in us at an initial public offering price of $22.00 per unit, which closed on October 4, 2005. Our initial public offering did not terminate prior to the sale of all securities registered. The underwriters of the offering were Lehman Brothers Inc., Key Banc Capital Markets, a Division of McDonald Investments Inc., Raymond James & Associates, Inc., RBC Capital Markets Corporation and Banc of America Securities LLC. Total proceeds from the sale of the common units was $124.0 million before underwriting discounts and offering expenses. Affiliates of our general partner, including directors and executive officers of our general partner, own 87,724 common units and 5,642,424 subordinated units representing a 49.8% limited partner interest in us.

In connection with the closing of this offering, the following transactions occurred:

- Global Companies LLC distributed $45.3 million in cash to those affiliates of the Slifka family holding 100% of the ownership interests in Global Companies LLC;

- affiliates of the Slifka family conveyed 100% of the ownership interests in Global Companies LLC (which owns Glen Hes Corp.), Global Montello Group LLC and Chelsea Sandwich LLC to us in exchange for 742,424 common units (before taking into account the redemption of 735,000 common units with the proceeds from the exercise of the underwriters option to purchase additional common units), 5,642,424 subordinated units) and the general partner interest (230,303 general partner units representing a 2% interest in us);

- we issued to our general partner, Global GP LLC, a 2% general partner interest in us and all of our incentive distribution rights, which entitle our general partner to increasing percentages of the cash we distribute in excess of $0.4625 per unit per quarter; and

- we entered into a new credit agreement and repaid the remaining outstanding borrowings under our then-existing revolving credit facility. Please read Item 7. Management s Discussion and Analysis of Financial Conditions and Results of Operations Liquidity Credit Agreement.

The following is a summary of the proceeds received from the sale of our common units and the use of proceeds (in millions):

Proceeds received from sale of common units	$ 124.0
Use of proceeds	
Underwriting discounts	$ 8.6
Offering expenses	4.0
Repayment of term loan	51.0
Repayment of borrowings under credit facility	45.3
Redemption of common units from affiliates of the Slifka family as a result of the underwriters exercise of their over-allotment option	15.1
Total	$ 124.0

Item 6. Selected Financial Data

The following table presents selected historical financial and operating data of Global Partners LP for the periods and as of the dates indicated. The selected historical financial data is derived from the historical consolidated financial statements of Global Partners LP.

This table should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements of Global Partners LP included elsewhere in this report.

The following table presents a non-GAAP financial measure, EBITDA, which we use in our business. EBITDA means earnings before interest, taxes, depreciation and amortization. This measure is not calculated or presented in accordance with generally accepted accounting principles, or GAAP. We explain this measure below and reconcile it to its most directly comparable financial measures calculated and presented in accordance with GAAP in Non-GAAP Financial Measure below.

We define maintenance capital expenditures as those capital expenditures required to maintain, including over the long term, the operating capacity of or sales generated by our capital assets, which include our terminals, office premises and computer hardware and software. We define capital improvement expenditures as those capital expenditures that increase the operating capacity of or sales generated by our capital assets, such as construction of additional tankage or addition of new terminals.

The following table includes information about degree days for each of the periods indicated. A degree day is an industry measurement of temperature designed to evaluate energy demand and consumption. Degree days are based on how far the average temperature departs from a human comfort level of 65°F. Each degree of temperature above 65°F is counted as one cooling degree day, and each degree of temperature below 65°F is counted as one heating degree day. Degree days are accumulated each day over the course of a year and can be compared to a monthly or a long-term (multi-year) average, or normal, to see if a month or a year was warmer or cooler than usual. Degree days are officially observed by the National Weather Service and officially archived by the National Climatic Data Center. For purposes of evaluating our results of operations, we use the normal heating degree day amount as reported by the National Weather Service at its Logan International Airport station in Boston, Massachusetts.

	Combined(1) Year Ended December 31, 2005	Successor October 4 through December 31, 2005	Predecessor January 1 through October 3, 2005	Year Ended December 31, 2004	2003	2002	2001
	(dollars in millions except per unit amounts)						
Statement of Income Data:							
Sales	$ 4,045.8	$ 1,248.9	$ 2,796.9	$ 3,187.6	$ 2,478.5	$ 1,594.1	$ 1,753.6
Cost of sales	3,954.1	1,220.0	2,734.1	3,111.7	2,411.4	1,538.9	1,691.1
Gross profit	91.7	28.9	62.8	75.9	67.1	55.2	62.5
Selling, general and administrative expenses	40.3	10.5	29.8	33.5	30.3	27.5	26.8
Operating expenses	19.7	4.9	14.8	19.6	18.8	17.7	15.8
Amortization expense	1.6	0.4	1.2	0.8			
Total operating costs and expenses	61.6	15.8	45.8	53.9	49.1	45.2	42.6
Operating income	30.1	13.1	17.0	22.0	18.0	10.0	19.9
Interest expense	10.0	2.7	7.3	4.7	2.0	2.2	3.0
Other income (expense)	(1.0)		(1.0)			1.1	
Write-off investment(2)						2.9	
Income before income tax expense and discontinued operations	19.1	10.4	8.7	17.3	16.0	6.0	16.9
Income tax expense(3)	1.0	1.0					
Discontinued operations:							
Branded Gas Division income from operations(4)							0.9
Branded Gas Division gain on sale(5)							2.8
Net Income	$ 18.1	$ 9.4	$ 8.7	$ 17.3	$ 16.0	$ 6.0	$ 20.6
Cash Flow Data:							
Net cash provided by (used in)							
Operating activities	$ (28.4)	$ (34.1)	$ 5.7	$ (82.0)	$ 38.6	$ 27.6	$ 27.4
Investment activities	(1.6)	(0.7)	(0.9)	1.2	(2.2)	(3.3)	1.2
Financing activities(6)	28.4	31.4	(3.0)	83.0	(33.6)	(24.9)	(31.2)
Other Financial Data:							
EBITDA(7)	$ 33.0	$ 14.1	$ 18.9	$ 25.2	$ 20.4	$ 10.4	$ 25.1
Maintenance capital expenditures	1.8	0.7	1.1	1.3	2.2	1.6	2.8
Capital improvement expenditures				0.7		1.7	4.9
Total capital expenditures	$ 1.8	$ 0.7	$ 1.1	$ 2.0	$ 2.2	$ 3.3	$ 7.7
Operating Data:							
Normal heating degree days(8)	5,630	1,875	3,755	5,630	5,630	5,630	5,630
Actual heating degree days	5,875	1,876	3,999	5,748	6,028	5,279	5,243
Variance from normal heating degree days	4.4%		6.5%	2.1%	7.1%	(6.2)%	(6.9)%
Variance from prior year actual heating degree days	2.2%	0.6%	3.0%	(4.6)%	14.2%	0.7%	(8.6)%
Total gallons sold (in millions)	2,673.9	757.6	1,916.3	2,928.8	2,850.6	2,202.8	2,338.3
Variance in volume sold from prior year	(8.7)%			2.8%	29.4%	(5.8)%	(14.1)%
Balance Sheet Data (at period end):							
Cash and cash equivalents	$ 1.8	$ 1.8	n/a	$ 3.3	$ 3.5	$ 0.6	$ 1.2
Property and equipment, net	22.0	22.0	n/a	22.6	14.8	15.0	13.9
Total assets	554.7	554.7	n/a	393.0	304.3	263.2	248.1
Total liabilities	478.4	478.4	n/a	369.8	261.7	230.7	201.0
Total debt(6)	183.5	183.5	n/a	193.0	50.8	78.4	82.8
Equity	76.3	76.3	n/a	23.2	42.6	32.5	47.1

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(1) Combined results for the year ended December 31, 2005 is a non-GAAP measure and is presented here to provide the investor with additional information for comparing year-over-year information.

(2) Write-off of our investment in our on-line shipping brokerage platform.

(3) We became subject to income tax expense upon the conversion of Global Montello Group LLC, a pass-through entity for federal income tax purposes, to Global Montello Group Corp., a taxable entity for federal income tax purposes, on October 5, 2005.

(4) The sale of the Partnership s Branded Gas Division to Alliance Energy Corp. in December 2001 for total cash proceeds of $6.0 million resulted in a gain of approximately $2.8 million.

(5) December 2001 sale of Branded Gas Division to Alliance Energy Corp. for total cash proceeds of $6.0 million and resulted in a gain of approximately $2.8 million.

(6) In July 2004, Global Petroleum Corp. and certain other Slifka family entities executed a $51.0 million term loan agreement under which Global Companies LLC and Affiliates were guarantors. The proceeds of the loan were used, in part, to (a) finance the acquisition by Global Petroleum Corp. and certain other Slifka family entities of the ownership interests in Global Companies LLC and Affiliates from RYTTSA USA, Inc. and (b) refinance certain loans secured by the real estate assets of Global Petroleum Corp. and certain other Slifka family entities, including Global Companies LLC and Affiliates. The term loan and associated financing costs and interest expense are included in the financial statements of Global Partners LP included elsewhere in this report. Please read Note 8 of the Notes to the financial statements of Global Partners LP.

(7) EBITDA is a non-GAAP financial measure which is discussed further below.

(8) In July 2002, the National Weather Service at the Logan International Airport station in Boston, Massachusetts updated its normal heating degree day measure. For comparison purposes, we are using the updated measure for periods prior to July 2002.

Non-GAAP Financial Measure

EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, commercial banks and research analysts, to assess:

- our compliance with certain financial covenants included in our debt agreements;
- our financial performance without regard to financing methods, capital structure, income taxes or historical cost basis;
- our ability to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;
- our operating performance and return on invested capital as compared to those of other companies in the wholesale marketing and distribution of refined petroleum products business, without regard to financing methods and capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return of alternative investment opportunities.

EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of EBITDA to the most directly comparable GAAP financial measures on a historical basis for each of the years indicated:

	Combined (1) Year Ended December 31, 2005	Successor October 4 through December 31, 2005	Predecessor January 1 through October 3, 2005	Year Ended December 31, 2004	2003	2002	2001
	(dollars in millions except per unit amounts)						
Reconciliation of EBITDA to net income:							
Net income	$ 18.1	$ 9.4	$ 8.7	$ 17.3	$ 16.0	$ 6.0	$ 20.6
Add							
Depreciation and amortization	3.9	1.0	2.9	3.2	2.4	2.2	1.5
Interest expense	10.0	2.7	7.3	4.7	2.0	2.2	3.0
Income tax expense	1.0	1.0					
EBITDA	$ 33.0	$ 14.1	$ 18.9	$ 25.2	$ 20.4	$ 10.4	$ 25.1
Reconciliation of EBITDA to cash flows from operating activities:							
Cash flow from operating activities	$ (28.4)	$ (34.1)	$ 5.7	$ (82.0)	$ 38.6	$ 27.6	$ 27.4
Add							
Increase (decrease) in working capital	61.4	48.2	13.2	107.2	(18.2)	(17.2)	(2.3)
EBITDA	$ 33.0	$ 14.1	$ 18.9	$ 25.2	$ 20.4	$ 10.4	$ 25.1

(1) Combined results for the year ended December 31, 2005 is a non-GAAP measure and is presented here to provide the investor with additional information for comparing year-over-year information.

Please read Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Cash Flows for additional information.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations of Global Partners LP should be read in conjunction with the historical consolidated financial statements of Global Partners LP and the notes thereto included elsewhere in this report.

Overview

General

We own, control or have access to one of the largest terminal networks of refined petroleum products in New England. We are one of the largest wholesale distributors of distillates (such as home heating oil, diesel and kerosene), gasoline, and residual oil and bunker fuel to wholesalers, retailers and commercial customers in New England. We are also one of the largest wholesale marketers of home heating oil in New England.

We purchase our refined petroleum products primarily from domestic and foreign refiners, traders and producers and sell these products in two segments, Wholesale and Commercial. Like most independent marketers of refined petroleum products, we base our pricing on spot physical prices and routinely use the NYMEX or derivatives to hedge our commodity risk inherent in buying and selling energy commodities. Through the use of regulated exchanges or derivatives, we maintain a position that is substantially balanced between purchased volumes and sales volumes or future delivery obligations. We earn a margin by selling the product for physical delivery to third parties.

On October 4, 2005, we closed our initial public offering of 5,635,000 common units (including 735,000 common units issued pursuant to the underwriters exercise of their over-allotment option) representing a 48.9% limited partner interest in us. In connection with the closing of this offering, (1) Global Companies LLC distributed $45.3 million in cash to those affiliates of the Slifka family holding 100% of the ownership interests in Global Companies LLC and (2) Global Petroleum Corp., Montello Oil Corporation, Larea Holdings, LLC, Larea Holdings II, LLC, Chelsea Terminal Limited Partnership and Sandwich Terminal, L.L.C. contributed all of their ownership interests in Global Companies LLC and Affiliates to us.

Proceeds from the sale of common units in the initial public offering were used in part to repay $45.3 million of borrowings under our then-existing revolving credit facility and $51.0 million of outstanding indebtedness under a term loan of Global Petroleum Corp. and certain other Slifka family entities guaranteed by affiliates of Global Petroleum Corp., including Global Companies LLC and Affiliates. Please read Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Use of Proceeds From Registered Securities.

At October 3, 2005 we had a terminal facility agreement with Global Petroleum Corp. expiring on December 31, 2008. In connection with the initial public offering, the term of this agreement was extended until December 31, 2013. Pursuant to a shared services agreement, Global Petroleum Corp. provides certain terminal operating management services to us, and we provide certain administrative, accounting and information processing services to Global Petroleum Corp.

Products and Operational Structure

Our products include distillates, gasoline and residual oil and bunker fuel. The distillates we sell are used primarily for space heating of residential and commercial buildings and as fuel for trucks and off-road construction equipment. We sell unbranded gasoline, diesel and heating oil under agreements with major suppliers of refined petroleum products. We sell residual oil to major housing units, such as public housing authorities, colleges and hospitals and large industrial facilities that use processed steam in their

manufacturing processes. We sell bunker fuel, which we can custom blend, to cruise ships, bulk carriers and fishing fleets.

Our business is divided into two segments:

- *Wholesale.* This segment includes sales of distillates, unbranded gasoline and residual oil to home heating oil retailers, retail gasoline station operators and wholesale distributors.

- *Commercial.* This segment includes sales and deliveries of distillates, unbranded gasoline, residual oil and small amounts of natural gas to customers in the public sector and to large commercial and industrial customers, either through a competitive bidding process or through contracts of various terms. This segment also purchases, custom blends, sells and delivers bunker fuel and diesel to cruise ships, bulk carriers and fishing fleets delivered by bunker barges.

Our business activities are substantially comprised of purchasing, terminalling, storing and selling refined petroleum products. We believe that the combination of our terminalling and storage activities, together with our marketing activities, provides a balance that has a stabilizing effect on our results of operations and cash flow. In a contango market (when product prices for future deliveries are higher than for current deliveries), we may use our storage capacity to improve our margins by storing products we have purchased at lower prices in the current month for delivery to customers at higher prices in future months. In a backwardated market (when product prices for future deliveries are lower than for current deliveries) because of our high turnover of inventory, we are able to minimize our inventories and commodity risk while attempting to maintain or increase net product margins.

Outlook

This section identifies certain risks and certain economic or industry-wide factors that may affect our financial performance and results of operations in the future, both in the short-term and in the long-term. Our primary short-term concerns and uncertainties are as follows:

- *As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company.* We became a public company on September 28, 2005. Prior to that, we had no history operating as a public company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission and the New York Stock Exchange, has required changes in corporate governance practices of public companies. We also expect these new rules and regulations to make it more difficult and more expensive for our general partner to obtain director and officer liability insurance, and we may have to reduce policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage as we have obtained historically. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

- *We commit substantial resources to pursuing acquisitions, though there is no certainty that we will successfully complete any acquisitions or receive the economic results we anticipate from completed acquisitions.* Consistent with our business strategy, we are continuously engaged in discussions with potential sellers of terminalling, storage and/or marketing assets and related businesses. In an effort to prudently and economically leverage our asset base, knowledge base and skill sets, management has also expanded its efforts to pursue businesses that are closely related to or significantly intertwined with our existing lines of business. Growth in our cash flow per unit may depend on our ability to make accretive acquisitions. We may be unable to make such accretive acquisitions for a number of reasons, including the following: (1) we are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them; (2) we are unable to raise financing for such acquisitions on economically acceptable terms; or (3) we are outbid by competitors. In addition, we

may consummate acquisitions, which at the time of consummation we believe will be accretive, but which ultimately may not be accretive. If any of these events were to occur, our future growth would be limited. We can give no assurance that our current or future acquisition efforts will be successful or that any such acquisition will be completed on terms that are favorable to us. Our results of operations and financial condition, as well as those of our competitors, will depend in part upon certain economic or industry-wide factors, including the following:

- *Warmer weather conditions could adversely affect our results of operations and financial condition.* Because we supply distributors whose customers depend on home heating oil and residual oil for space heating purposes during the winter, weather conditions have a significant impact on the demand for both home heating oil and residual oil. As a result, warmer than normal temperatures during the first and fourth calendar quarters in one or more regions in which we operate can decrease the total volume we sell and the gross profit realized on those sales and, consequently, could adversely affect our results of operations.

- *Our financial results are seasonal and generally better in the first and fourth quarters of the calendar year.* Demand for some of our refined petroleum products, specifically home heating oil and residual oil for space heating purposes, is generally higher during November through March than during April through October. We obtain a significant portion of our sales during these winter months. Therefore, our results of operations for the first and fourth calendar quarters are generally better than for the second and third quarters. With lower cash flow during the second and third calendar quarters, we may be required to borrow money in order to pay the minimum quarterly distribution to our unitholders.

- *Energy efficiency, new technology and alternative fuels, natural gas in particular, could reduce demand for our products.* Increased conservation and technological advances have adversely affected the demand for home heating oil and residual oil. Consumption of residual oil has steadily declined over the last three decades. We could face additional competition from alternative energy sources as a result of future government-mandated controls or regulation further promoting the use of cleaner fuels. Due in part to support for conversion to natural gas on environmental grounds, some industrial residual oil users have switched to natural gas. Those end users who are dual-fuel users have the ability to switch between residual oil and natural gas. During a period of increasing residual oil prices relative to the prices of natural gas, dual-fuel customers may switch to natural gas, or over the long-term, may convert to natural gas. Such switching or conversion could have an adverse effect on our results of operations and financial condition.

- *New, stricter environmental laws and regulations could significantly increase our costs, which could adversely affect our results of operations and financial condition.* Our operations are subject to federal, state and local laws and regulations regulating product quality specifications and other environmental matters. The trend in environmental regulation is towards more restrictions and limitations on activities that may affect the environment. Our business may be adversely affected by increased costs and liabilities resulting from such stricter laws and regulations. We try to anticipate future regulatory requirements that might be imposed and to plan accordingly to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance. However, there can be no assurances as to the timing and type of such changes in existing laws or the promulgation of new laws or the amount of any required expenditures associated therewith.

- *Consolidation of the New England supply network.* In recent years, major terminals have been acquired and their former owners have reduced or eliminated operations in the wholesale market. The largest terminals, which form the core of the region s supply network, are still operating but are owned by fewer companies.

Results of Operations

Evaluating Our Results of Operations

Our management uses a variety of financial and operational measurements to analyze our performance. These measurements include: (1) net product margin, (2) gross profit, (3) operating expenses, (4) selling, general and administrative expenses (SG&A), (5) heating degree days, (6) EBITDA and (7) distributable cash flow.

Net Product Margin

We view net product margin as an important performance measure of the core profitability of our operations. We review net product margin monthly for consistency and trend analysis. We define net product margin as our sales minus product costs. Sales include sales of distillates, unbranded gasoline, residual oil and bunker fuel and natural gas. Product costs include the cost of acquiring the refined petroleum products that we sell and all associated costs including shipping and handling costs to bring such products to the point of sale.

Gross Profit

We define gross profit as our sales minus product costs and terminal depreciation expense allocated to cost of sales. Sales include sales of distillates, unbranded gasoline, residual oil and bunker fuel and natural gas. Product costs include the cost of acquiring the refined petroleum products that we sell and all associated costs to bring such products to the point of sale.

Operating Expenses

Operating expenses are costs associated with the operation of the terminals used in our business. Lease payments and storage expenses, maintenance and repair, utilities, taxes, labor and labor-related expenses comprise the most significant portion of our operating expenses. These expenses remain relatively stable independent of the volumes through our system but fluctuate slightly depending on the activities performed during a specific period.

Selling, General and Administrative Expenses

Our SG&A expenses include marketing costs, corporate overhead, employee salaries and benefits, pension and 401(k) plan expenses, discretionary bonuses, non-interest financing costs, professional fees and information technology expenses. Employee-related expenses including employee salaries, discretionary bonuses and related payroll taxes, and benefits, pension and 401(k) plan expenses are paid by our general partner which, in turn, is reimbursed for these expenses by us. We will incur additional expenses related to being a public company, most of which will be the result of increased accounting and legal expenses.

Degree Day

A degree day is an industry measurement of temperature designed to evaluate energy demand and consumption. Degree days are based on how far the average temperature departs from a human comfort level of 65°F. Each degree of temperature above 65°F is counted as one cooling degree day, and each degree of temperature below 65°F is counted as one heating degree day. Degree days are accumulated each day over the course of a year and can be compared to a monthly or a long-term (multi-year) average, or normal, to see if a month or a year was warmer or cooler than usual. Degree days are officially observed by the National Weather Service and officially archived by the National Climatic Data Center. For purposes of evaluating our results of operations, we use the normal heating degree day amount as reported by the National Weather Service at its Logan International Airport station in Boston, Massachusetts.

EBITDA

EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, commercial banks and research analysts, to assess:

- our compliance with certain financial covenants included in our debt agreements;
- our financial performance without regard to financing methods, capital structure, income taxes or historical cost basis;
- our ability to generate cash sufficient to pay interest on our indebtedness and to make distributions to our partners;
- our operating performance and return on invested capital as compared to those of other companies in the wholesale marketing and distribution of refined petroleum products business, without regard to financing methods and capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return of alternative investment opportunities.

EBITDA should not be considered an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA excludes some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA as presented below may not be comparable to similarly titled measures of other companies.

Distributable Cash Flow

Distributable cash flow also is an important non-GAAP financial measure for our limited partners since it serves as an indicator of our success in providing a cash return on their investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flows at a level that can sustain or support an increase in our quarterly cash distribution. Distributable cash flow is also a quantitative standard used by the investment community with respect to publicly traded partnerships. However, distributable cash flow is not a generally accepted accounting principle financial measure and should not be considered as an alternative to net income, cash flow from operations, or any other measure of financial performance presented in accordance with accounting principles generally accepted in the United States. In addition, our distributable cash flow may not be comparable to distributable cash flow or similarly titled measures of other companies. The generally accepted accounting measure most directly comparable to distributable cash flow is net cash provided by operating activities.

Years Ended December 31, 2005, 2004 and 2003

- In the year ended December 31, 2005, we completed our initial public offering, generating $124.0 million in gross proceeds from the sale of over 5.6 million common units representing limited partner interests of us (including common units sold upon exercise of the underwriters over-allotment option). We had increased gross profits and improved margins across both our wholesale and commercial segments. Commodity prices continued to rise in 2005. From December 31, 2004 to December 31, 2005, published prices for distillates, gasoline and residual oil increased 41%, 57% and 77%, respectively. Temperatures were 4.4% lower than normal as measured by aggregate heating degree days. During 2005 we continued to concentrate on expanding our distillate, gasoline, residual oil and bunker fuel businesses. In accordance with this initiative, in December 2005, we entered into an agreement to purchase a refined petroleum products terminal in Bridgeport, Connecticut from Connecticut Petroleum Wholesalers and one of its affiliates. This terminal has storage for 109,000

barrels of refined products, including distillates and additional products. The acquisition is expected to close by the second quarter of 2006, subject to due diligence and other customary conditions.

The year ended December 31, 2004 can be characterized as a year of consolidation in an environment of rising product prices and temperatures that were 2.1% lower than normal as measured by aggregate heating degree days. During this period, we concentrated on expanding our distillate, gasoline and residual oil businesses in the markets that we had entered into during 2003.

Rising product prices have been a significant factor in our sales increases. From December 31, 2003 to December 31, 2004, published prices for distillates, gasoline and residual oil increased approximately 35%, 15% and 6%, respectively.

The following table presents our EBITDA and distributable cash flow, our gross profit, sales, volume and net product margin by segment, and information on the weather conditions for the years ended December 31, 2005, 2004 and 2003:

	Combined(1)	**Successor**	**Predecessor**		
	Year Ended December 31, 2005	**October 4 through December 31, 2005**	**January 1 through October 3, 2005**	**Year Ended December 31, 2004**	**2003**
	(gallons and dollars in millions)				
EBITDA(2)	$ 33.0	$ 14.1	$ 18.9	$ 25.2	$ 20.4
Distributable cash flow(3)	$ 9.6	$ 9.6			
Wholesale Segment:					
Volume (gallons)	2,309.3	660.2	1,649.1	2,539.5	2,467.1
Sales	$ 3,622.8	$ 1,115.2	$ 2,507.6	$ 2,863.2	$ 2,170.1
Net product margin(4)					
Distillates	$ 41.9	$ 16.4	$ 25.5	$ 36.2	$ 30.1
Gasoline	14.0	2.4	11.6	9.6	5.0
Residual oil	22.9	7.1	15.8	16.4	18.8
Total	$ 78.8	$ 25.9	$ 52.9	$ 62.2	53.9
Commercial Segment:					
Volume (gallons)	364.6	97.4	267.2	389.3	383.5
Sales	$ 423.0	$ 133.7	$ 289.3	$ 324.4	$ 308.4
Net product margin(4)	14.6	3.4	11.2	15.1	14.4
Combined sales and net product margin:					
Sales	$ 4,045.8	$ 1,248.9	$ 2,796.9	$ 3,187.6	$ 2,478.5
Net product margin(4)	93.4	29.3	64.1	77.3	68.3
Depreciation allocated to cost of sales	1.7	0.4	1.3	1.4	1.2
Combined gross profit:	$ 91.7	$ 28.9	$ 62.8	$ 75.9	$ 67.1
Weather conditions:					
Normal heating degree days	5,630	1,875	3,755	5,630	5,630
Actual heating degree days	5,875	1,876	3,999	5,748	6,028
Variance from normal heating degree days	4.4%		6.5%	2.1%	7.1%
Variance from prior year actual heating degree days	2.2%	0.6%	3.0%	(4.6%)	14.2%

(1) Combined results for the year ended December 31, 2005 is a non-GAAP measure and is presented here to provide the investor with additional information for comparing year-over-year information.

(2) EBITDA is a non-GAAP financial measure which is discussed in Item 6. Selected Financial Data.

(3) On October 4, 2005, we completed our initial public offering of common units. Accordingly, distributable cash flow is presented for the period from October 4, 2005 through December 31, 2005.

The following table presents a reconciliation of distributable cash flow to the most directly comparable GAAP financial measures, on a historical basis for each of the periods indicated:

	Combined* Year Ended December 31, 2005 (dollars in millions)	Successor October 4 through December 31, 2005	Predecessor January 1 through October 3, 2005	Year Ended December 31, 2004	2003
Reconciliation of distributable cash flow to net income:					
Net income	$ 9.4	$ 9.4	n/a	n/a	n/a
Depreciation and amortization	1.0	1.0	n/a	n/a	n/a
Capital expenditures	(0.8)	(0.8)	n/a	n/a	n/a
Distributable cash flow	$ 9.6	$ 9.6	n/a	n/a	n/a

* Combined results for the year ended December 31, 2005 is a non-GAAP measure and is presented here to provide the investor with additional information for comparing year-over-year information.

(4) Net product margin is a supplemental non-GAAP financial measure used by management and external users of our financial statements to assess product costs associated with our business. The table above reconciles net product margin on a combined basis to gross profit, a directly comparable GAAP measure.

In 2005 as compared to 2004, our sales increased by $858.2 million, or 27%, to $4,045.8 million. The increase was driven by an increase in refined petroleum product prices despite a 254.9 million gallon, or 8.7% decrease, to 2,673.9 million gallons in aggregate volume of product sold. The decrease in aggregate volume sold includes a 250.3 million gallon decrease in distillates, a 3.9 million gallon increase in gasoline and a 5.5 million gallon decrease in residual oil. Our gross profit for 2005 as compared to 2004 increased by $15.8 million, or 20.8%, to $91.7 million.

In 2004 as compared to 2003, our sales increased by $709.1 million, or 28.6%, to $3,187.6 million. The increase was driven by an increase in refined petroleum product prices and a 78.1 million gallon, or 2.7%, increase to 2,928.8 million gallons in aggregate volume of product sold. The increase in aggregate volume sold consists in part of a 65 million gallon increase in gasoline sold resulting from a joint marketing arrangement that we entered into in 2003 with a major integrated oil company. Growth in sales to both new and existing customers helped to offset the impact of a year that was approximately 4.6% warmer than the previous year. Our gross profit in 2004 increased by $8.8 million, or 13.1%, to $75.9 million. The increase primarily resulted from growth in volume sold and an improvement in our gross profit per gallon primarily as a result of lower distillate supply costs.

Wholesale Segment

Distillates. In 2005 as compared to 2004, Wholesale distillate sales increased by 22.2% due to an increase in distillate prices despite a 14.8% decrease in distillate volume sold. We attribute the decrease in volume sold to the expiration of supply contracts in the ordinary course of business and a reduction in bulk sales transactions in various markets. Our net product margin contribution from distillate sales increased by $5.7 million, or 15.7%, to $41.9 million as a result of increased blending activities and our ability to pass through to customers our increased costs related to sales. Additionally, although the twelve month period ended December 31, 2005 was 2.2% colder than the same twelve month period in 2004, the three month period ended March 31, 2005, which comprises approximately one-half of the winter heating oil season in New England, was 1.7% warmer than the three month period ended March 31, 2004.

In 2004 as compared to 2003, our Wholesale distillate sales increased by 27% due to an increase in distillate prices and a 3% increase in distillate volume sold. We attribute the increase in volume sold to our expansion into Portland, Maine, Long Island and Albany, New York continued growth within our existing customer base in the Northeast and a wider network of inland terminals within New England. The resulting gain in volume sold offset the impact of a warmer year. Net product margin contribution from distillate sales increased by $6.1 million, or 20.3%, to $36.2 million due to the conversion of lower grade heating oil products through custom blending processes into products meeting customer specifications and to the increase in volume of distillates sold.

Gasoline. In 2005 as compared to 2004, Wholesale gasoline sales increased by 32.6% due to an increase in gasoline prices. Our net product margin from gasoline sales increased by $4.4 million, or 45.8%, to $14.0 million. We attribute this increase in net product margin to an increase in our volume of sales as well as a focus on sales to higher margin customers and our expanded use of our bulk storage capacity to store product in a contango market.

During 2002, our Wholesale gasoline business was marketed predominantly out of the Revere terminal. Our 2003 joint marketing arrangement allowed us to market gasoline through a network of terminals located throughout New England and to decrease our inventory holdings at the Revere terminal. In 2004, we expanded our joint gasoline marketing efforts to encompass virtually the entire New England marketing region.

In 2004 as compared to 2003, our Wholesale gasoline sales increased by 43% due to an increase in gasoline prices and a 5% increase in gasoline volume sold. We attribute the increase in volume sold to the expansion of our joint gasoline marketing efforts. Net product margin contribution from gasoline sales increased by $4.6 million, or 92.0%, to $9.6 million which we attribute to the increase in volume of gasoline sold and the effects of the joint marketing arrangement entered into in 2003.

Residual Oil. In 2005 as compared to 2004, Wholesale residual oil sales increased by 58.9% as a result of an increase in residual oil prices and a 7.7% increase in residual oil volume sold. Net product margin contribution from residual oil sales increased by $6.5 million, or 39.6%, to $22.9 million, primarily due to the increase in our per unit margin of residual oil sold.

In 2004 as compared to 2003, our Wholesale residual oil sales were unchanged as a result of an increase in residual oil prices and a 12% decrease in residual oil volume sold. We attribute the decline in volume of residual oil sold to reduced customer heat load requirements due to warmer weather conditions and reduced demand for our products due to the closure of plants and/or reductions in production by certain cyclical industry participants, such as paper mills, in our territory.

Commercial Segment

In our Commercial segment, residual oil accounted for approximately 84.1%, 81.8% and 87.8% of total volume sold in 2005, 2004 and 2003, respectively. Distillates, gasoline and natural gas accounted for the remainder of the total volume sold.

In 2005 as compared to 2004, our Commercial residual oil sales increased by 33.4% due to an increase in the price of residual oil despite a 3.7% decrease in volume sold. We attribute the decline in volume sold to the closure of plants and/or reductions in production by certain cyclical industry participants in our territory. This decrease in volume sold was offset in part by an increase in the volume of bunker fuel sold as a result of our continuing efforts to develop our current bunker business and expand into new bunker markets.

In 2004 as compared to 2003, our Commercial residual oil sales decreased by 5% due to a 5% decrease in volume sold. We attribute the decline in volume sold to the closure of plants and/or reductions in production by certain cyclical industry participants, such as paper mills, in our territory and the impact of a warmer year during which temperatures averaged 4.6% higher than in 2003. This decrease in volume sold was offset in part by an increase in the volume of bunker fuel sold as a result of our continuing efforts to develop and expand our bunker business. The effects of switching from residual oil to natural gas in 2004 were immaterial as natural gas prices remained high relative to residual oil prices.

Expenses

In 2005 as compared to 2004, our operating expenses increased by $0.1 million, or 0.5%, to $19.7 million. The primary factors contributing to this increase include $0.4 million of operating expenses at the terminal in Chelsea, Massachusetts and a $0.5 million increase in rent for additional tankage at the Capitol Terminal in East Providence, Rhode Island. These expenses were in part offset by a $0.3 million decrease in real estate taxes at New Bedford and rental income of $0.5 million at the terminal in Revere, Massachusetts.

In 2004 as compared to 2003, our operating expenses increased by $0.8 million, or 4.3%, to $19.6 million. The primary factors contributing to this increase include $0.5 million of new operating expenses at the Wethersfield terminal, which we acquired in 2004, a real estate tax commitment of $0.3 million with respect to the New Bedford terminal operations and a $0.2 million rent increase for the Gateway terminal.

In 2005 as compared to 2004, our SG&A expense increased by $6.9 million, or 20.5%, to $40.3 million, due primarily to the payment by our predecessor, Global Companies, LLC, of approximately $3.1 million as a special bonus for services rendered by certain officers and employees in connection with the organization of Global Partners LP. In addition, bonuses, executive salaries and owner-related expenses increased by $2.1 million, legal, consulting and banking services and fees increased by $0.4 million, an additional $0.5 million was incurred for employee expenses related to expansion of marketing operations, and an additional $0.1 million was incurred for the natural gas marketing operation. Employee-related expenses including employee salaries, discretionary bonuses and related payroll taxes, and benefits, pension and 401(k) plan expenses are paid by our general partner which in turn, is reimbursed for these expenses by us. SG&A expense for the twelve months ended December 31, 2004 was diminished by a $0.3 million gain on the sale of a residence used to house a foreign executive officer prior to the purchase by Global Petroleum Corp. and certain other Slifka family entities of the ownership interests in Global Companies LLC and Affiliates from RYTTSA USA, Inc. Of the foregoing increases in expenses, $3.1 million of a special bonus for services rendered by certain officers and directors, $0.3 million of legal, consulting and banking services and fees, and $0.1 million of expenses related to the expansion of our marketing operations are non-recurring expenses.

In 2004 as compared to 2003, our SG&A expense increased by $3.2 million, or 10.6%, to $33.5 million due to increases in discretionary bonuses and executive salaries of $1.5 million, an additional $0.5 million incurred for the expansion of marketing operations, an additional $0.8 million incurred due to the first full year of operations of the natural gas marketing business, a $0.5 million settlement paid to the U.S. Environmental Protection Agency and $0.2 million of increases in health insurance costs, partially offset by

a $1.1 million decrease in 2004 due to the discontinuation of a project to develop an on-line shipping brokerage platform. Please read Item 3. Legal Proceedings.

In 2005 as compared to 2004, our amortization expense increased by $0.8 million to $1.6 million. This increase is a result of the purchase by Global Petroleum Corp. and certain other Slifka family entities of the ownership interests in Global Companies LLC and Affiliates from RYTTSA USA, Inc.

In 2004 as compared to 2003, our amortization expense increased by $0.8 million to $0.8 million. This increase is a result of push down accounting adjustments, as required by GAAP, related to the purchase by Global Petroleum Corp. and certain other Slifka family entities of the ownership interests in Global Companies LLC and Affiliates from RYTTSA USA, Inc.

In 2005 as compared to 2004, our interest expense increased by $5.3 million, or 112%, to $10.0 million. We attribute $4.2 million of this increase to a rise in the market prices for products and the resulting increased costs of carrying inventory and accounts receivable and, as a result of Push Down Accounting adjustments, as required by GAAP, we attribute $1.1 million to interest expense on the $51.0 million term loan that was used by Global Petroleum Corp. and certain other Slifka family entities to finance their acquisition of ownership interests in Global Companies LLC and Affiliates from RYTTSA USA, Inc.

In 2004 as compared to 2003, our interest expense in 2004 increased by $2.7 million, or 134.1%, to $4.7 million. We attribute this change to increases in market prices for products and the resulting increased costs of carrying inventory and accounts receivable. Our interest expense in 2003 as compared to 2002 was substantially unchanged. Our average weekly balance of borrowings in 2004 under our then-existing revolving credit facility was $97.2 million.

Other Expenses

Certain affiliates of the Slifka family acquired certain outstanding interests in certain split dollar life insurance policies from Global Companies LLC and Affiliates for the aggregate amount of premiums that had been paid on these policies by Global Companies LLC and Affiliates on behalf of certain directors and their immediate family members. Additionally, one split dollar life insurance policy was surrendered. At the time of surrender, the cash value of the policy was less than the amount of premiums paid on it by Global Companies LLC and Affiliates, resulting in a loss of approximately $1.1 million in the quarter ended December 31, 2005.

Liquidity and Capital Resources

Liquidity

In connection with the closing of our initial public offering on October 4, 2005, we, our general partner, our operating company and Global Companies LLC and Affiliates entered into a four-year senior secured credit agreement in an aggregate principal amount of up to $400.0 million and repaid the remaining outstanding borrowings under our then-existing revolving credit facility. In November 2005, the credit agreement was amended to increase availability thereunder to an aggregate of $500.0 million. Please read Credit Agreement.

Our primary liquidity needs are to fund our capital expenditures and our working capital requirements. Cash generated from operations and our working capital revolving credit facility provides our primary sources of liquidity. At December 31, 2005, we had working capital of approximately $228.7 million.

On February 14, 2006, we paid a cash distribution of $4.7 million for the fourth quarter of 2005 to our common and subordinated unitholders of record as of the close of business on February 3, 2006. The distribution that was paid to unitholders was prorated to $0.4111 per unit, reflecting the reduced period of time from the closing of our initial public offering on October 4, 2005 through December 31, 2005.

In December 2005, we entered into an agreement to purchase a refined petroleum products terminal in Bridgeport, Connecticut from Connecticut Petroleum Wholesalers and one of its affiliates. The acquisition is expected to close by the second quarter of 2006, subject to due diligence and other customary conditions.

Contractual Obligations

We have contractual obligations that are required to be settled in cash. The amounts of our contractual obligations at December 31, 2005 are as follows:

	Payments due by period				
		Less than			**More than**
	Total	**1 year**	**1-3 years**	**4-5 years**	**5 years**
	(dollars in thousands)				
Revolver loan obligations	$ 217,965.4	$ 9,697.4	$ 19,394.9	$ 188,873.1	$
Long-term debt obligations	2,109.9	418.0	1,691.9		
Operating lease obligations	69,997.0	13,027.7	20,250.8	14,703.7	22,014.8
Other long-term liabilities	7,401.9	325.8	711.5	936.4	5,428.2
Total	$ 297,474.2	$ 23,468.9	$ 42,049.1	$ 204,513.2	$ 27,443.0

In addition to the obligations described in the above table, we have minimum volume purchase requirements at December 31, 2005. Pricing is based on spot prices at time of purchase. Please read Note 11, Commitments and Contingencies, of the notes to the financial statements with respect to purchase commitments and sublease information related to certain lease agreements.

Capital Expenditures

Our terminalling operations require investments to expand, upgrade or enhance existing operations and to meet environmental and operations regulations. Our capital requirements primarily consist of maintenance capital expenditures and capital improvement expenditures. Maintenance capital expenditures represent capital expenditures to replace partially or fully depreciated assets to maintain the operating capacity of, or sales generated by, existing assets and extend their useful lives such as expenditures required to maintain equipment reliability, tankage and pipeline integrity and safety, and to address environmental regulations. Capital improvement expenditures include expenditures to acquire assets to grow our business and to expand existing facilities, such as projects that increase operating capacity by increasing tankage or adding terminals. Repair and maintenance expenses associated with existing assets that are minor in nature and do not extend the useful life of existing assets are charged to operating expenses as incurred.

During the twelve months ended December 31, 2005, we incurred a total of $1.8 million in maintenance capital expenditures, of which approximately 16% was related to environmental matters.

We anticipate that these maintenance capital expenditures will be funded with cash generated by operations. We anticipate that future capital improvement requirements will be provided through long-term borrowings or other debt financings and/or equity offerings. We believe that we have sufficient liquid assets, cash flow from operations and borrowing capacity under our credit agreement to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures. However, we are subject to business and operational risks that could adversely affect our cash flow. A material decrease in our cash flows would likely produce a corollary adverse effect on our borrowing capacity.

Cash Flows

Combined(1)	Successor	Predecessor	
	October 4	January 1	
Year Ended	through	through	Year Ended
December 31,			